FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to the ICF International Second Quarter 2010 Conference Call. During the presentation all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session.

(Operator Instructions)

As a reminder, this conference is being recorded on Thursday August 5, 2010 and cannot be reproduced our rebroadcast without permission from the Company.

And now, I would like to turn the program over to Douglas Beck, Senior Vice President Corporate Development. Please, go ahead.

Douglas Beck - *ICF International, Inc. - SVP, Corporate Development*

Thank you, operator. Good afternoon, everyone, and thank you for joining us to review ICF's second quarter 2010 performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO, John Wasson, President and COO, and Ron Vargo, CFO.

During this conference call we will make forward-looking statements to assist you in understanding ICF management's expectations about future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially, and I refer you to our August 5, 2010, press release in our SEC filings for discussions of those risks.

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

I will now turn the call over to our CEO, Sudhakar Kesavan, to discuss second quarter 2010 highlights. Sudhakar?

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

Thank you, Doug. And good afternoon, everyone. And thank you for participating in today's call. I am keen to report this was another strong quarter for ICF. Revenue was above the guidance we provided driven by robust demand in our Federal Government business which accounted for 70% of total second quarter revenues.

Organic growth for the period was an exceptional of 20%. This is the first quarter that macro-acquisition has been included in the calculation, which makes the organic growth rate even noteworthy. In fact, if you look back at the three health related acquisitions we have made in the past five years, Caliber in 2005, VTECH in 2007 and Macro in 2009, ICF have been the strong platform in this market, adding broad based qualification in health policy, health IT and health programs over the full spectrum of our services, advisory implementation money valuation.

In terms of ICF second quarter performance, we posted revenue increases in each of our major markets, and we continue to gain market share. Health human service from social program market was up 60% to $89.4 million and represented 45% of our revenue. And recall that last year, Road Home revenues a $50 million were included in the health market data.

Energy, Environment and Infrastructure increased 9% to $80.9 million and accounted for 40% of revenue; this market includes almost all of our commercial business. Homeland Security and Defense was $29.3 million up 20% due to the acquisition of Jacob & Sundstrom, which we acquired in December of last year.

Earnings per share were also above our guidance range, benefiting from our strong revenue. We reported a significant 25% year-over-year increase in operating income, as our indirect cost increased only slightly, despite the higher revenues.

EBITDA increased 16% to $18.4 million, the EBITDA margin was 9.2% of total revenues compare to 9% in last year's second quarter. We ended the quarter with solid metric [that's going] to continue strong growth.

Sales for the quarter were $162 million, compared to $143 million in last year's second quarter and $129 million in these years first quarter, consistent with seasonal trends. Our backlog was $1.3 billion similar to first quarter levels. The biggest variation was a jump in our pipeline, which increased to over $2.9 billion from $2.3 billion reflecting the significant opportunities that are bidding on in our key markets.

I would now like to turn the call over to our President and Chief Operating Officer, John Wasson to provide additional insight into our current activities in recent wins. John?

John Wasson - *ICF International, Inc. - COO*

Thank you, Sudhakar, and good afternoon, everyone. We were pleased with our new sales and that the largest wins for distributor across all of our major markets, with health and energy efficiency providing a number of key advances for us.

In health, we won two important new contracts with the Centers for Disease Control Atlanta, which is playing a critical role in health promotion, the prevention of disease and preparedness for new health threats. One important component of their mission is to maintain fund and update cancer registries to address the threat and incident of cancer.

In the second quarter, we were pleased to be awarded a $19 million contract from the CDC to expand the data currently collected for the CDC's national program of cancer registries. This marks more than decade of our expanding relationship with this program.

The second new contract was for $11.6 million to develop a resource center for 44 targeted communities to combat obesity and tobacco use. One of the key priorities this year in Congress and at all levels of government is to develop more effective ways of (inaudible) and reversing the epidemic of obesity.

In the US the incidence of obesity has tripled in the last 30 years, such that about one-sixth of our children and now considered obese. ICF is already working on this issue through multiple contracts, but we are pleased to help the CDC with new strategies of mobilizing resources at the community level.

On the energy side of the business, we continue to see strong growth in sales and new opportunities in energy efficiency at the federal, state and municipal level. In Q2, we were please to win again, a $6.5 million contract with the city of San Francisco to implement that areas energy efficiency programs, including the San Francisco Energy watch program and a federally funded home performance program focused on encouraging energy efficiency improvements in individual homes.

In addition, we were awarded basic (inaudible) agreements totaling $8.5 million to support federal energy efficiency and Clean Energy initiatives, helping DOE grand recipients under a stimulus package to take advantage of energy saving performance contracting, which funds improvements through the energy saving gained.

We have also won additional energy efficiency work with utilities in the second quarter which we will be announcing in the coming weeks. This are of course, some of the most notable sales events, but in fact, we saw new sales on projects of over $1 million at nearly all of our major federal agency, as well as from the state and local and commercial clients.

In addition to continue to enjoy significant sales across our key market, as Sudhakar noted our pipeline of projects that we are actively pursuing showed strong growth. Currently, our pipeline stands that can be $2.9 billion, some 26% higher than we lastly recorded. Some of this growth is because we continue to see larger opportunities.

Our current pipeline includes some 23 opportunities, greater than $25 million and 63 opportunities greater than $10 million and we're also seeing more sizable opportunities driven by clinical needs for energy efficiency, health prevention and awareness, education, veteran's loans and cyber security, all focal areas within our portfolio.

Finally, I should note that our turnover was some of the higher in the seasonally active spring period is still very low by industry standards. For the first half of 2010; the actual turnover rate was 5% which analyze to 10.1%.

Now, I'll turn this call over to our CFO, Ron Vargo to view the second quarter financial highlights. Ron?

Ron Vargo - *ICF International, Inc. - CFO*

Thanks, John, and good afternoon. Total revenue for the second quarter of 2010 was $199.6 million, an increase of 14% over the 2009 second quarter revenues of $175.4 million and 24% above last year's second quarter core business revenues of $160.6 million.

As a reminder, core business revenue excludes revenue from the Road Home contract and includes revenue from Jacob & Sundstrom, which was acquired at the end of 2009. This quarter's gross profit increased to $74.5 million compared to last year's second quarter of $71.5 million, and our gross profit margin was 37% compared to 41% in the second quarter of 2009.

The decrease in gross profit margin was impacted by an increase in the use of subcontractors. Indirect and selling expenses were $56.1 million in the quarter, up only slightly from $55.7 million recorded in the 2009 second quarter.

Amortization of purchased intangibles with $3.1 million in this quarter compared to $3.2 million in the second quarter of 2009, and depreciation and amortization was $2.6 million compared to $2.5 million in the second quarter of 2009.

And based upon our current portfolio business, both amortization of purchased intangibles and depreciation and amortization continue to be in line with our calendar year 2010 forecast, we continue to expect amortization of intangible assets to be $12.3 million for the year, and depreciation and amortization to be approximately $10.5 million to $11 million for the year. And we now anticipate capital expenditures for the year to be $9 million.

Interest expense was $0.9 million in this quarter down from $1.5 million in the second quarter of 2009. In the full year, we're now anticipating interest expense of approximately $3.8 million. The effective tax rate for the quarter was 39.1% versus last year's rate of 41.5% and the lower effective rate in 2010 was attributable to reduced foreign income tax rates on certain state tax credits. We expect our full year tax rate to be 40%.

Net income was $7.2 million in the quarter or $0.37 per share, based upon $19.6 million fully diluted weighted average share, compared to $5.2 million or $0.33 per share based up $15.7 million fully diluted weighted average shares in the second of 2009.

As you know, the increase in shares outstanding is primarily due to the secondary offering that we completed in December, 2009. And we're now anticipating that fully diluted weighted average shares for the full year and the third quarter will be approximately $19.7 million.

Turning to the balance sheet, our accounts receivable were $164.5 million compared to $174.1 million at year-end 2009. This represents 68 days sales outstanding at June 30; compare to 80 days sales outstanding at December 31.

This calculation of DSO includes the impact to differed revenue, if you remove that impact, which was $14.1 million in 2010 and $19.4 million as of December 2009, the adjusted DSO would be 74 days at June 30, compared to 90 days at December 31, 2009 respectively.

Our improvement in DSO is notable and is attributable to increased focus and successful cash collection efforts in the first half of the year. Going forward, we're not going to assume that we can maintain this level of DSO until we are able to get a few quarters at this level behind us.

So in our forecast, we anticipate days sales outstanding in future periods, including the impact of differed revenue will be in the range of 70 to 80 days, up from the 68 days in the current period but an improvement over our historical 75 to 85 days.

Cash flow from operating activities was $31.2 million for the first six months, compared to $19.3 million for the first six months of 2009. The increase in cash provided by our operating activities is primarily due to the conclusion of the Road Home contract in the prior year, which had negative working capital impacts for the six months ended June 30, 2009.

We had cash capital expenditures during the period of about $1.8 million, reflecting continued investments in corporate infrastructure. And with our strong cash flow in the quarter we were able to reduce our long term debt to $120 million at the end of the second quarter, down from $135 million at the end of the first quarter, a decline of $15 million sequentially.

Thank you. And with that, I'd like to turn the call back over Sudhakar.

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

Thank you, Ron. We're looking ahead to continued strong performance for the remainder of 2010. For full year 2010, we have narrowed our revenue guidance range to $755 million to $775 million, up from the previous $740 million to $775 million.

We've also tightened the range of expected organic growth to 13% to 16% from the previous 11% to 16%. This reflects more normalized rate of organic growth for the second half after achieving exceptional 19% rate for the first half of this year.

EBITDA margin guidance remains unchanged at 9% to 10% for full year 2010, as does fully diluted EPS guidance of a $1.33 to a $1.43. For the third quarter, we expect revenues of between $195 million and $202 million, which at the midpoint that represents 19% growth over last year third quarter. Fully diluted earnings per share are expected to range from $0.35 to $0.40.

We remain bullish on the growth opportunities in our markets and in our ability to capitalize on these trends. As we have said before, year of 2011 federal budget spending levels are flat with 2010 levels. ICF stands to benefit both from the continued increase in regulatory activity, as well as our advisory and implementation expertise in budget priority areas such as energy efficiency, green technology, alternative energy, cyber security, health issues such as obesity, early childhood education, veterans affairs and enterprise resilience.

At the same time, our Environment and Energy business is well positioned to benefit from additional domestic infrastructure investment resulting from mandated use of renewable energy resources. These market tends give us confidence in ICF's continued gross profits.

At this point, operator, we'd like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Joseph Vafi from Jefferies & Company. Please, proceed.

Joseph Vafi - *Jefferies & Company - Analyst*

Hey, guys, good afternoon. Good results. I was wondering maybe we could focus on contract awards. Obviously, Q3 last year was really big for ICF and I know it's seasonally your strongest quarter. Any commentary you might provide on how you see Q3 so far in the awards environment, and how you're feeling and how confident you're on the pace of award activity you've seen so far this quarter would be helpful.

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

Joe, I think as I've said, we certainly expect Q3 to be stronger than Q2 and Q2 was stronger than Q1 -- and we said Q2 will be stronger than Q1. So we certainly expect Q3 stronger than Q2. We will be very pleased if it's at the levels of Q3 last year, but we don't expect that. But we think it will be -- the award activity for the first month has been good, and we certainly anticipate that it will be a stronger quarter for sales. Q2 will be a strong quarter for sales.

Joseph Vafi - *Jefferies & Company - Analyst*

Are there any potentially large pieces of business in that near-term pipeline that could convert maybe on the energy efficiency side of the house?

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

Yes. I think there is some -- I think there is certainly in the energy efficiency arena there are some strong opportunities that could certainly be awarded in the third quarter, and we could get started on the fourth quarter. So, we're suddenly seeing strong pipeline opportunities there. And again, I would say in the health arena on the several strong opportunities in the federal health places like CDC that we -- that also we're waiting to hear on.

Joseph Vafi - *Jefferies & Company - Analyst*

Okay. That's helpful. And then may be Ron, I think this may be your first conference call here. I'd be interested in kind of your thoughts on what you've seen so far at ICF and may be the opportunity is ahead of you over the next year and helping the business grow and grow on the bottom-line.

Ron Vargo - *ICF International, Inc. - CFO*

Sure. Yes, thanks, Joe. It's actually my second call. So I guess --

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Joseph Vafi - *Jefferies & Company - Analyst*

I'm sorry about that.

Ron Vargo - *ICF International, Inc. - CFO*

So I guess, I didn't make much of an impression on the first call. No, it's a pleasure to be here, I've now been on board in the CFO position since early April. It's a terrific company with lot of opportunity ahead of it. That being said, I think there is some work that we can do here in the back office.

I think, there is some improvements that we can have in some of the processes in the Company. Not going to make any promises. And I think I will probably come back and talk about some of this later in the year as we look out in 2011, but I certainly like what I see and as I said the opportunities for this Company are terrific going forward.

Joseph Vafi - *Jefferies & Company - Analyst*

All right. Thanks a lot, guys.

Unidentified Company Representative

Operator?

Operator

Your next question comes from the line of Tim Quillin from Stephens. Please proceed. Tim, your line is open. You may proceed with your questions.

Unidentified Company Representative Operator, go to the next questioner, please.

Operator

Tim, your line is --

Tim Quillin - *Stephens - Analyst*

Can you hear me?

Unidentified Company Representative

Now, we can. Okay.

Tim Quillin - *Stephens - Analyst*

Okay. Some technical difficulties. Couple of questions -- one is that you discussed -- that you want some utility contracts in the second quarter but haven't yet been able to announce them. Could you give us maybe a teaser in terms of the size and the nature of the work?

Unidentified Company Representative

Hi. I would say they're good strong contracts probably medium size. They are not blockbusters, but they are ones where the contracts, in fact, have been signed but we're going through standard processes to get permission from the client to discuss them.

Tim Quillin - *Stephens - Analyst*

Okay. Fair. And it kind of more broadly, I'm wondering how -- why the net that you cast in that energy efficiency market and I'm thinking of BG&E has gone through a processes of putting together a smart grid proposal. And is that in your wheelhouse? Is that the type of work you pursue? Or, how would you fit into some large smart grid opportunity like that? Thanks.

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

I think that the traditional thing we pursue, Tim, when we talk about energy efficiency contracts is primarily states where there is an imperative and there is some regulatory activity which has forced the utility -- the regulatory utility to have to reduce its energy used because of the fact that there is some state regulations reduced greenhouse gas emissions. And these are sprouting up all over the country because there is no federal regulation.

So I think that there is a lot of that activity which is ongoing and, in fact, that continues. And most of the energy efficiency work we do is because of the fact that there is -- these are funded through public benefits charges, you the customer paid the bill through a increase in your bill, per kilowatt hour and that finances these large energy efficiency projects.

So, those are the traditional ones we bid on. On the smart grid work, we certainly can play a role which is more -- smart grid, there is a lot of investment which has to happen in smart grid. I think the important thing is we do a lot more of the economics of these issues and perhaps the planning aspects of these issues.

We don't necessarily do the program management of construction because we are not an A&E firm. So, we don't do anything there. And the one thing which we hope to be doing a lot more of and which we are currently starting to do and have a few utilities of (inaudible) is the cyber security work associated with smart grid implementation.

So I think that is where we will play, but we don't think we will play in the large programmatic construction of these smart grids.

Tim Quillin - *Stephens - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Erik Olbeter from Pacific Crest Securities. Please, proceed.

Erik Olbeter - *Pacific Crest - Analyst*

Yes. Thank you. Maybe just following up on gross margin first -- you said you are taking on a -- more subcontractors. Can you tell us sort of where and what areas of business you are taking out subcontractors, and how long you expect that to continue?

Ron Vargo - *ICF International, Inc. - CFO*

Yes. Sure. It's Ron. So if you look at the second quarter, our gross margin was down a bit from the first quarter, and I think that was due impart to higher subcontractors which by the way -- subcontractor related revenue for us is profitable but not necessarily as profitable as our other -- our revenues.

I think it was an extraordinarily high quarter. There were a few contracts where we had higher levels than, frankly, we anticipated in some of our earlier guidance. I would expect to see some of that normalize down over the second half of the year. I would say in general, they probably related to some of our larger contracts in the federal area.

Erik Olbeter - *Pacific Crest - Analyst*

Okay. So, you don't see this becoming a trend -- sort of a shift to more subcontractor work?

Ron Vargo - *ICF International, Inc. - CFO*

I think in the first quarter it was probably extraordinarily low, in the second quarter it was probably higher than normal. And so, I would expect it to normalize in the second half of the year.

Erik Olbeter - *Pacific Crest - Analyst*

Okay. Great. And SG&A, topped $5 million quarter-over-quarter, little bit more than I think you were expecting. How should we think about that in the second half of the year?

Ron Vargo - *ICF International, Inc. - CFO*

I think you are out of focus on the fact that we are going to -- if you look at our earnings guidance for the third quarter and maintaining the earnings guidance for the full year and kind of work with some of the other guidance that we gave you, I think you'd probably anticipate that the gross margins will increase over second quarter levels and the EBITDA numbers increase over second quarter levels.

And you can kind of draw your own conclusions about the SG&A in the middle of those -- the middle of that math, but --

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Erik Olbeter - *Pacific Crest - Analyst*

Okay. Thank you.

Ron Vargo - *ICF International, Inc. - CFO*

Frankly, I think if you look at our indirect costs in the second quarter, they were pretty good relative to the revenue level.

Erik Olbeter - *Pacific Crest - Analyst*

Thank you. Nice quarter.

Operator

Your next question comes from the line of Michael Lewis from BB&T Capital Markets. Please, proceed.

Michael Lewis - *BB&T Capital Markets - Analyst*

Thank you for taking my questions, here. Ron, I want to follow up on Eric's question just to get a little more information. Now, can you attribute the increase in indirect work as a result of some of our federal contracts perhaps, growing faster than you had thought where you had to shift to more sub-work to help you out?

Ron Vargo - *ICF International, Inc. - CFO*

No. That wasn't the case.

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

I think you get (inaudible) traditionally just so you can get a sense -- as the revenue goes up, the indirect labor will go up and therefore that's part of the indirect cost element. So I think that exactly how much of increase where, I think we can certainly analyze.

But I think traditionally, indirect labor is part of the indirect cost. And I think that as revenue go up and we hire more people, the indirect labor element of the thing would go up. But as percentage basis, I think they didn't go up as much as the revenue went up. Right?

Ron Vargo - *ICF International, Inc. - CFO*

That's correct.

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

I think that -- from an efficiency perspective I think we are pretty efficient.

Michael Lewis - *BB&T Capital Markets - Analyst*

I was going to put that out next that it was still below the revenue growth, so. Okay. That's very helpful. And then, Ron, also -- if you look at your deferred revenues, it looks like they are sequentially kind of build in the first half and then they release back out in the second half. Is that the typical trend that we should expect while we are trying to model out some of these cash flows here?

Ron Vargo - *ICF International, Inc. - CFO*

I will be honest. I'm not sure I know the answer to that question, so I'm not going to take a stat about it, so --.

Michael Lewis - *BB&T Capital Markets - Analyst*

I will take that offline.

Ron Vargo - *ICF International, Inc. - CFO*

Yes. We will have to take offline. I don't think there's extraordinary going on there, so I think probably, however, you've been modeling it -- I would say is probably fine.

Michael Lewis - *BB&T Capital Markets - Analyst*

Okay. And then -- I missed the first few mounts of the call. Could you just remind me what the opportunities were greater than $10 million and $25 million please?

John Wasson - *ICF International, Inc. - COO*

Yes, we had -- this is John Wasson. We had 23 opportunities greater than $25 million and 63 opportunities greater than $10 million.

Michael Lewis - *BB&T Capital Markets - Analyst*

Okay. Thanks, John. Thank you, everyone.

Operator

Your next question comes from the line of Steve Ferazani from Sidoti & Company. Please, proceed.

Steve Ferazani - *Sidoti & Company - Analyst*

Hey. Good evening, everyone. Another strong quarter of cash flow generation, it paid down a bit of debt. Just curious, if you would like to be using that one the acquisition front, what you are seeing out there if you are kicking any tires at this point?

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

Yes, I think we are kicking lots of tires. There is certainly a lot more acquisition activity in the last two months, so certainly more than in the beginning of the year. So we certainly are kicking lot of tires, some of them we like the sound of and some of them we don't, so we are quite active on that front.

Steve Ferazani - *Sidoti & Company - Analyst*

Any change from where -- what was out there six months ago in terms of price and quality and segment?

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

I think that there is certainly more activity. I think there is -- from a quality perspective, there is -- some of them are interesting, some of them are not so interesting. I think from a price perspective -- people are more willing to talk, but I don't know that anything which is -- of any quality is likely to be quote, unquote cheaper than it was six months ago.

Steve Ferazani - *Sidoti & Company - Analyst*

Okay. I know you said on the gross margin it was largely subcontractor related, but I'm just curious if you saw any kind of change in the government versus commercial mix, and where you think that's going over the next few quarters, or is that going to remain relatively stable?

John Wasson - *ICF International, Inc. - COO*

This is John Wasson. I think I would expect it to remain fairly stable. I wouldn't expect any major changes there.

Steve Ferazani - *Sidoti & Company - Analyst*

Great. Thanks a lot, everyone.

Operator

Your next question comes from the Tim McHugh from William Blair. Please, proceed.

Tim McHugh - *William Blair - Analyst*

Yes. I wanted to ask about the pipeline, it looks like it's up almost 50% in the last kind of six months. Is that because you are being more aggressive and casting a wider net as you are looking for opportunities? Are you seeing more opportunities flow into your core areas? Just kind of trying to get a flavor for what's in that pipeline.

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

Let me start, and then John will follow up. I think that -- some of this is because of the fact that we have now gotten a much better sense of all the opportunities, potentially, we can go after, especially after the Macro and Jacob & Sundstrom acquisitions. Our business development investment which we have slowly increased over the last few years is staying [off] by having focused efforts and positioning for larger deals, which we've said, we certainly have try to do over the last two or three years.

So I think that -- we have some scale in each of these areas. We have a presence in certain interesting markets, and I think some of them that we talked about today and I think there's lot of opportunities in those areas. So, I think that we are well positioned to go after some of those opportunities, because the mix of skillsets we have, for example, in the health area, in the IT area is good and plus we have a presence in the right places where the fund is.

So I think is -- certainly, all come together and has helped us position for some of these larger deals.

John Wasson - *ICF International, Inc. - COO*

Yes. This is John Wasson. I would agree with what Sudhakar said. And certainly in the last six months, I think that we continue to see significant opportunities and pace around the energy efficiency programs for utilities; we see a lot of opportunity there across the country.

On the health front, we see significant opportunity at the federal level. And also, I think we've seen increase opportunity with VA at the federal level. So I think -- so that's a sample of some other really key drivers over the last six months on the pipeline.

Tim McHugh - *William Blair - Analyst*

Okay. And then can you touch on the commercial side of the business, excluding the energy efficiency stuff? I know that's been a weak are. Are you starting to see any signs of life, or does that remain a more trouble spot for you?

John Wasson - *ICF International, Inc. - COO*

I would say that it's flat -- we've seen a few signs of pickups here in there, in the aviation area. But generally, I would say it's been flat and that's the environment we are experiencing.

Tim McHugh - *William Blair - Analyst*

Does that remain kind of a key areas to getting the gross margin improvements still, waiting for an improvement in that side of the business, or have you done enough other things --?

John Wasson - *ICF International, Inc. - COO*

Well, I think that's certainly one of the areas. I think, obviously, if the commercial market improved miserably that will certainly help drive the gross margin and drive their earnings. It's certainly a key metric and -- gross markets rebound, it will be a key driver for higher EBITDA -- higher gross margins.

Tim McHugh - *William Blair - Analyst*

Okay. And then last question was -- the Jacob & Sundstrom, it seems like the implied revenue from your organic for them -- like it was up a little bit sequentially, maybe by a $1 million. Are you seeing any improvement in their performance? Are you seeing joint wins, or is that just a reflection of the work they already had in their backlog?

Ron Vargo - *ICF International, Inc. - CFO*

I will address the first part of that question, and maybe John will address the second part to it. Just to be clear that we do not include the Jacob & Sundstrom revenue in our organic growth calculation, because it wasn't in the second quarter of last year.

Tim McHugh - *William Blair - Analyst*

Right. But I was doing the math to what was in spot for their revenue in the second quarter of this year (inaudible).

Ron Vargo - *ICF International, Inc. - CFO*

And what did you come up with? Did you mention the number?

Tim McHugh - *William Blair - Analyst*

$7 million.

Ron Vargo - *ICF International, Inc. - CFO*

I'm sorry, I didn't hear that. Yes, if you -- we said, when we increased our guidance last year by $25 million, we said that was attributable to Jacob & Sundstrom. If you kind of, just do the math, you're in pretty good ballpark there at $7 million.

John Wasson - *ICF International, Inc. - COO*

Right. So I think we're pleased with the performance of Jacob & Sundstrom -- I think we are seeing double-digit growth there. I think we have had some success in selling their capabilities into the energy sector, and I think are developing robust pipeline around energy and civilian sector. So, I think we're quite pleased and continue to see a significant opportunity in the cyber area.

Tim McHugh - *William Blair - Analyst*

Okay. Thanks, guys.

Operator

(Operator Instructions)

Your next question comes from the line Tobey Sommer from Suntrust Robinson Humphrey. Please, proceed.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

I wanted to step back and ask you, have you seen any changes or trends in big cost or pricing? Has anything changed about the procurement environment there?

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

I think, that our procurement environment for most of our civilian agencies remain pretty robust, as is evidence by a pipeline in terms of pricing, I think, the pricing is always competitive. I don't see any significant change in the pricing parameters but certainly the -- in certain parts of the state and local marketplace, there are certain pricing pressures which we have to deal with. And we have to be careful in what we bid on and what we don't. So, I think that we are coping with that and we believe that that is going to persist.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

Okay. And quick numbers question. When you broke down growth by segment, health, energy and homeland security, I got 16 for health, 20 for homeland security, what was energy?

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

Energy was 9. Energy and Infrastructure was 9.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

Okay. Great. Thanks. And then, could you talk a little bit about kind of, the turnover and hiring environment you mentioned that was up slightly but its still, at a little level, but any color there would be great?

Ron Vargo - *ICF International, Inc. - CFO*

I think, we continue to -- I think, be quite successful in our recruiting and we're finding strong candidates and meeting our goals there. And in terms of the retention I think we feel that, we have some of the best retention rates in the industry, I think there's seasonality here, we do have folks that go back to graduate school, in fact -- in the spring and summer and so -- and there's a bit of seasonality there, but generally I think we're still meeting our recruiting goals and we have quite high retention levels, but low turnover levels.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

Great. Thanks very much.

Operator

Your next question comes from the line of Bill Loomis from Stifel Nicolaus. Please, proceed.

Bill Loomis - *Stifel Nicolaus - Analyst*

Hi. Thanks. Good quarter. Sudhakar, and John, just looking at the Commercial business, you said flat outside the energy efficiency. What do you think has to happen before you see a pickup, what are your clients talking about, particularly in the international areas?

At the analyst meeting you mentioned a lot of opportunities and transportation, for example, in India and China and other international areas. What are your clients saying has to happen before they start moving forward on some of these programs?

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

I think, as John mentioned, we certainly have, seen some few bids here and there in the aviation sector, where certainly things are perhaps a little better. I think, in some of these places like in China, we have [one] airport job, but the problem is that the numbers don't move the needle that much and it'll take awhile for that business to make a difference to our overall numbers, but we are quite optimistic about progress on those fronts.

I think, what has to happen here which is starting to happen is that the airlines are healthy and now they are out there, trying to do stuff and perhaps spending a little bit more money. And I think that -- so we are, we still think that will take until the end of year for things to improve, but we are more optimistic than we were a quarter ago.

I think on the other front, we believe that in the energy sector what will happen is that the -- there is lots of, lots of regulation coming down the pike. And I'm not talking about regulation you traditionally hear there's a whole bunch of other regulatory initiatives by variety of agencies which are coming down the pike, which is going to hit the energy industries, especially the utility industry.

And this is -- I'm not (inaudible) I'm talking about sort of much more mundane stuff. And they have -- and I think that what's going to happen there is that as this regulation comes on the pike, they have to assess, how this is going to impact us -- impact them.

And so they are basically looking at that carefully, once I think, they have a pretty sense as to what's going to happen, I think they're going to start spending some money. Also the economy has to improve and electricity uptake has to increase rather than decrease -- it's for the first time, I think, 50 or 60 years, that we've had year or two of reduction in electricity consumption. So I think as the economy improves, there will be more spending.

Now, having said all that, let me also say that, regulation in each of these sectors also, especially these RPS standards, this renewal portfolio standard driving a lot of the infrastructure investment that leads to a lot of work on energy environment issues, especially environment issues with the utility and we certainly think that that's an area where things will grow in the next 12 months.

A lot of infrastructure projects require lots of biological monitoring and all kind of things which are associated with building infrastructure, especially in the western states and we believe that there will be -- there's lot of opportunity to grow there. So I think that it's slightly mixed picture, but I think the things are slightly better than they were three months ago.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay. And then on state, local -- on a pricing side, you talk about more difficult pricing -- generally fixed price contracts, and are there terms just tougher on you? And then also, what is the opportunity on the state local side, are you seeing growth in opportunities despite the pricing?

Ron Vargo - *ICF International, Inc. - CFO*

Yes. I think the pricing pressure is on both fixed price and T&M contracts, I think particularly, we're seeing that in the western United States, California. No, I think, the State and Local business is growing probably single-digit growth. I think -- as Sudhakar said, I do think that, capabilities we have on the West Coast, we will all see -- those can be leveraged in the commercial space, around some of these utility, infrastructure investments.

I think our Jones & Stokes acquisition -- some of the best opportunities for them right are -- doing the environmental monitoring, the construction monitoring around large transmission infrastructure projects, or new transmission monitoring being built into California to move green power renewable, solar power.

And so I think there's -- there are significant growth opportunities for us kind of state and local markets certainly in the Jones & Stokes area, I think, it probably -- even the next year it will be driven around some of these commercial opportunities related to transmission lines.

Bill Loomis - *Stifel Nicolaus - Analyst*

And then finally, just on the federal business, any outsourcing trends change in the quarter for you guys?

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

Insourcing you mean, or --?

Bill Loomis - *Stifel Nicolaus - Analyst*

Yeah. Insourcing, I'm sorry.

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

I think, that we are fortunate, we don't see any leakage of this insourcing stuff to our major clients sets. We clearly as we've said, I think, in earlier call, we certainly have some elements of insourcing affecting our Defense business, which has certainly made a difficult but --. And so, the trends in our Defense business are nothing different from those you read about with the other larger defense contractors, but that's a very small portion of our business, so we, I think, are fortunate in that sense. But -- so rest of our business I think is fine, so we don't see any insourcing at least in 95% of our business.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay. Thank you.

Operator

At this time, there are no further questions. I will like to now hand the call back over to management for closing remarks.

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

Thank you very much, and we look forward to speaking to you again on the next earnings call in early November. Thanks, again.
