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ICFI - Q3 2015 ICF International Inc Earnings Call

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## PRESENTATION

**Operator**

Welcome to the ICF International third-quarter 2015 results conference call. (Operator Instructions). As a reminder, this conference is being recorded on Thursday, October 29, 2015 and cannot be reproduced or rebroadcast without permission from the Company. And now I would like to turn the program over to Lynn Morgan of MBS Value Partners. Please go ahead.

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**Lynn Morgan** - *MBS Value Partners - IR*

Thank you, operator. Good afternoon, everyone and thank you for joining us to review ICF's third-quarter performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO; John Wasson, President and COO; and James Morgan, CFO. During this conference call, we will make forward-looking statements to assist you in understanding ICF's management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially and I refer you to our October 29, 2015 press release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our reviews as of today. We anticipate that future developments will cause our views to change. Please consider the information presented in that light. We may, at some point, elect to update the forward-looking statements made today, but specifically disclaim any obligation to do so. I will now turn the call over to ICF CEO, Sudhakar Kesavan, to discuss third-quarter 2015 operating performance. Sudhakar.

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

Thank you, Lynn and thank you all for joining us to review third-quarter results and discuss our business outlook. We executed well in the third quarter reporting a 25% increase in EBITDA, a 130 point basis point expansion in EBITDA margin and year-to-date operating cash flow that was more than twice the amount we reported last year at this time.

This performance sets the stage for significantly improved profitability in the second half of this year compared to the first half and supports our expectations for EBITDA margin in the range of 10% to 10.5% in 2016.

In the third quarter, total revenues increased 9% and servicerevenues were up 13%. We estimate that on a constant currency basis, this is equivalent to gross revenue growth of 11% and service revenue growth of 15%.

On a sequential basis, we did not experience a seasonal pickup in revenues that is typical for the third quarter. This was primarily due to lower subcontractor revenues, but particularly related to our international government business. However, we expect fourth-quarter revenues to be similar to the third quarter rather than the traditional sequential decline that we've experienced in the past years.

Our commercial business continued to be a key driver of revenue growth. Domestic commercial, which accounted for about 90% of our total commercial revenues, grew 40% year-on-year. A key part of our commercial business is ICF Olson, the new name for our digital services group. It is comprised of ICF's legacy commercial and state and local digital services business and the Olson acquisition. ICF Olson's profitability levels remained strong in the third quarter and except for brand, it's revenues grew at a mid-single digit rate both year-on-year and sequentially.

While the brand issue that we discussed last quarter affected ICF Olson's third-quarter revenues, by the end of the third quarter, there were several indications that brand revenues had stabilized and we will see a rebound in both brand and ICF Olson's revenue starting in 2016.

The first indication that supports this expectation is their win record. In the third quarter, ICF Olson added 30 new accounts across a broad range of industries, including energy, health, technology, retail, financial services and the dollar value contracts won increased sequentially by 16%, reflecting the collaboration of creative strength of Olson with ICF's existing technology implementation capabilities.

Second is the complementarity of legacy ICF and Olson's combined offerings, which is an important competitive differentiator. We saw this first hand with a large third-quarter win of the California Lottery account, which we had just won at the time of our second-quarter conference call. At an initial contract value of $13.5 million for five years and renewal options that can bring the total value to over $20 million. This is by far the largest contract that Olson has been on. It is a great example of the synergies we envisioned when we made the Olson acquisition, combining Olson's client relationships and industry experience, in this case, working with lotteries with ICF's legacy technology implementation experience and broader geographic reach. We have a team within ICF Olson that is exploring additional opportunities to leverage these vertical industry capabilities.

Other collaborations that are taking place involve half a dozen clients of either ICF or Olson who are currently bidding on complementary services. In fact, we were just informed that we won one of these bids to bring Olson's loyalty platform into a technology implementation project.

Third, customer engagement is a key area where we have seen substantial revenue synergy opportunities. In addition to the cross-sell win I just mentioned, ICF Olson added contracts with two international hotels to support their loyalty program. We expect to roll out the loyalty platform offering to other traditional ICF clients. All this has resulted in a significant pickup in ICF Olson's new business pipeline over the past few months, both in terms of number and dollar value of these opportunities.

The other major component of our commercial business is energy markets, which has also increased its pipeline, which John Wasson will discuss in more detail a little later. From a strategic perspective, a key point to note is that our federal government business returned to positive growth in the third quarter of around 1%. Although modest, this growth represents a 4% positive swing compared to the federal government revenue trends we experienced in last year's third quarter. And this was our best quarterly federal revenue comparison in more than three years.

In the third quarter, we won contracts across more than 20 federal agencies and once again our domain expertise in energy and health broadly defined, as well as our technology services qualifications were critical to winning this business. I also think it is important to note that we are seeing more digital opportunities in our federal government business and as you know, we expect this trend to continue. John Wasson will review some of our larger federal digital wins as part of his discussion.

The year-to-date performance of our state and local business is about even with where it was last year. The decline in the third quarter led to the anticipated fall-off in Superstorm Sandy work.

Reported revenues from international government business continue to be reduced by the strengthening of the US dollar. We achieved revenue growth of approximately 11% on a constant currency basis in the third quarter even with a continued delay in certain projects for the European Union. On a reported basis, that translated into a revenue decline of 5%.

Summing up, the third quarter was a period of substantial progress for ICF across key profitability metrics, including EBITDA margin, operating margin and non-GAAP diluted earnings per share. This performance, along with recent contract wins, underpins our expectations for a strong second half.

We also are well-positioned for growth in 2016 and to be able to achieve EBITDA margins in the 10% to 10.5% range and to continue to generate substantial operating cash flow. I would now like to turn the call over to John Wasson, our President and Chief Operating Officer, to provide additional insights into our third-quarter business trends. John.

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

Thank you, Sudhakar and good afternoon. As we expected, the revenue run rate we had at the end of the second quarter, combined with the strength of our contract award activity, enabled us to significantly increase utilization rates across the Company in the third quarter. And I am pleased to report that after the strongest second-quarter sales in our history, we had another strong quarter for contract awards, bringing the year-to-date value of contracts won to $1.1 billion, an increase of 6.3% from last year's levels.

In the third quarter alone, we succeeded in winning more than 700 commercial projects, over 100 US federal government contracts and task orders and hundreds of additional contracts from state and local and international governments.

Looking at third-quarter business mix by market, revenue from our commercial clients increased 35% to $101.9 million and represented 35% of total revenue, significantly ahead of the 28% it accounted for in last year's third quarter. ICF Olson and our energy markets group together accounted for 74% of third-quarter commercial revenue. However, based on our current system for classifying revenue per market, not all of ICF Olson's revenues are counted in commercial even though the pricing for the work is consistent with commercial work.

Sudhakar focused his remarks on ICF Olson, so I will give you an update on our second-largest contributor to commercial revenue in Q3, commercial energy. Our energy group performed as expected in the third quarter. Revenues increased sequentially, but were flat on a year-over-year basis accounting for 32% of third-quarter commercial revenues. We have close to $200 million in proposals that have been working on to assist utility clients on demand-side management issues, including significant energy efficiency implementation projects.

Another major area of interest for our utility clients is how to most effectively integrate renewables into the grid. This is a key issue for utilities as renewables provide a potential alternative to major infrastructure upgrade expenditures. Our work involves helping our utility clients determine their best options for integrating renewables, the impact on their business models, their alternatives for storage technologies and for distributed energy resources.

Also, in the third quarter, we saw an uptick in advisory assignments with utility clients related to EPA's Clean Power Plan. We held two webinars to discuss the major implications of the plan and over 1000 representatives of utilities and related industries participated. The initial advisory engagements we have gotten so far are small in size with the larger implementation type projects more likely to materialize over the next several years, which could provide us with a steady pipeline of new engagements over the medium term.

The key energy group contract we won this quarter was the $10 million contract with a major city in the Northeast where we will be providing technical services to support an energy efficiency and water conservation program.

Turning now to our federal business, we were pleased to see our revenues in this market show a positive year-on-year comparison in the third quarter. Federal revenues were up slightly to $141.4 million and accounted for 49% of total revenue compared to 53% one year ago. This also was a strong quarter for federal government sales, which reached $318 million, representing a book-to-bill of 2.25. Year-to-date, our total federal contract awards are at $634 million and represent a book to bill of 1.56.

We had a large number of significant federal wins this quarter that have laid the foundation for growth in 2016. And as Sudhakar mentioned, a number of them included providing digital support and services. Some highlights from our larger context this quarter include 10 contract wins for at least $2 million each with the Centers for Disease Control supporting a broad range of clients and initiatives. The largest win was a $250 million flexible supporting agreement to provide support around all of their digital tools, presence and systems.

Specifically, we will be helping CDC to reach the right audience with the right message utilizing the appropriate channel. This includes designing, building and managing content making all digital communication channels interactive and adapting CDC's current infrastructure towards a more mobile communications environment.

Another large CDC contract that we won during the quarter was a $100 million multiple award blanket purchase agreement to provide a full range of health communication services. Part of this effort will include Web development, Digital Communications and social media. Over the course of three decades we have worked with CDC, ICF has been recognized for our ability to create actionable communication programs grounded in research and science. We have worked with them to communicate meaningful information about health risks and benefits to promote health and prevent disease. This program furthers that effort.

Other CDC wins include one to support workplace health, two to provide survey research services, one to support HIV AIDS prevention, one for support of the National Diabetes Education Program and three with the National Institutes of Health involving IT services, environmental and health sciences support and education-related communication and social programs support.

Since 1987, we've partnered with HUD to support the agency's annual improper payment for quality control for rental subsidy determination study. This $31.2 million contract awarded to us represents our seventh consecutive contract in support of this study. We have worked with the agency to provide an evidence-based foundation for the development of policies to reduce waste, fraud and abuse in HUD programs.

Also, during Q3, we were awarded a $30 million dollar contract with the US National Aeronautics and Space Administration to provide technical, analytical and program support to the US Global Change Research program, the body which coordinates global change activities for the federal government. This contract reinforces our position as one of the world's leading climate change consultancies and we will assist the national coordination office in the areas of science, informing decisions, assessment and communications, as well as education.

Overall, both the dollar value and the strategic value of this quarter's contract awards were excellent and positions us well for improved results for the remainder of this year and into 2016. Our pipeline remains strong at $3.1 billion after winning almost $500 million in awards this quarter and includes 18 opportunities better than $25 million and 59 opportunities between $10 million and $25 million.

Finally, our turnover rate in the third quarter was 4.9%, which translates into an annualized rate of 16.3%. Now James Morgan, our CFO, will continue with the financial review. James.

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

Thanks, John. Good afternoon, everyone. As anticipated, our 2015 third-quarter results represented significant sequential improvement in profitability, driven mostly by higher labor utilization. The improved profitability and utilization rates are expected to continue in the fourth quarter and drive results that are similar on a sequential basis as the start of new contracts and the greater contribution of commercial revenues offset the traditional seasonal softness associated with our federal government business. As a result, we continue to expect a strong finish to 2015 and to be well-positioned for improved profitability levels in 2016 with EBITDA margins of 10% to 10.5% for next year.

With regard to the third-quarter financial results, total revenue was $289 million or 9.1% above last year's third quarter. On a constant currency basis, total revenue would have increased an estimated 11%. Service revenue increased 12.6% to $216.4 million. Our year-over-year increase in gross margin was due mainly to the higher mix of our more profitable commercial business. Third-quarter 2015 gross margin was 38.4%, an increase over the 37.3% reported in the third quarter of last year. And in absolute dollar terms, third-quarter gross margin was $111.1 million, an increase of 12.5% as compared to the similar period last year.

Indirect and selling expenses for the third quarter were $81 million, a year-over-year increase of 8.4% primarily related to the Olson acquisition. Operating income was $21.5 million for this year's third quarter, up 16% year-over-year. Reported EBITDA was $30.1 million for the quarter, 25.2%

higher than the $24 million reported in last year's third quarter. EBITDA margin was 10.4% for the third quarter of 2015 as compared to 9.1% in the third quarter of last year.

Adjusted EBITDA for the third quarter, which excludes special charges related to international office closures and severance for staff realignment, was $31.1 million or 10.8% of revenues. This performance represents a 23.9% increase in adjusted EBITDA from the $25.1 million or 9.5% of revenues reported in last year's third quarter.

Depreciation and amortization expenses was $4.3 million, up from $3.2 million in 2014's third quarter. The amortization of intangibles was also $4.3 million in the third quarter of 2015, up from $2.3 million in 2014's third quarter. Both year-over-year increases were primarily due to the acquisition of Olson.

The effective tax rate was 38.5% for the quarter as compared to 33.6% reported in the third quarter of 2014. The lower tax rate in the third quarter of 2014 was primarily driven by federal return to provision true-up adjustments for foreign tax credits associated with prior years. The variance of the year-over-year tax rate negatively impacted EPS for this quarter by $0.05 as compared to a year ago.

For the full year of 2015, we continue to expect a tax rate of 38.5% or below. Non-GAAP diluted EPS, which excludes amortization of intangibles and the special charges, was $0.75 for the third quarter of 2015 as compared to $0.70 in the prior year. Reported net income was $11.5 million or $0.59 per diluted share for the third quarter of 2015 inclusive of $0.02 in special charges related to severance for staff realignment and international office closures.

On a year-to-date basis, cash provided by operating activities was $42.9 million compared to cash provided in the same period of last year of $19.5 million. We expect our full-year cash flow from operating activities to exceed $90 million. Days sales outstanding for the quarter were 74 days as compared to 77 days for the third quarter of 2014. We continue to anticipate our DSOs to remain in the 72 to 77 day range, including the impact of deferred revenues.

Capital expenditures for the nine months ended September 30, 2015 were $12.2 million. We repurchased 192,455 shares in the third quarter of 2015 under our share repurchase plan. As stated previously, we intend at a minimum to make share repurchases in 2015 at a level to offset the dilution caused by our employee incentive programs and to maintain fully diluted weighted average shares of no more than 20 million for the year. We currently expect our year-end fully diluted weighted average shares to be approximately 19.7 million.

Full-year 2015 depreciation and amortization expense is expected to be in the $16 million to $17 million range. Consistent with our prior guidance and based on our current business portfolio, we are forecasting amortization of intangibles of $17.2 million. We anticipate full-year interest expense to be approximately $10 million and capital expenditures to be in the $17 million to $19 million range. As I mentioned earlier, we expect the full-year tax rate to be no more than 38.5%. With that, I'd like to turn the call back to Sudhakar.

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

Thank you, James. One of our objectives has been to position ourselves to take advantage of the positive business conditions in our major markets and conversely build resilience to negative trends. While we successfully diversified our revenue sources to account for the decline in federal government spending, we remain committed to this huge market and trends for 2016 look more positive than they have in the last four years.

As a result, we are cautiously optimistic that we will see growth in federal government revenues in 2016 at the same time as our pipeline points to improved performance of our commercial business. We expect this year's fourth-quarter revenue performance to be similar on a sequential basis, balancing the absence of a seasonal pickup in the third quarter. Profitability levels and EBITDA should also be comparable thanks to the continuation of higher utilization rates and greater contribution of the commercial business. For full-year 2015, we expect revenues to be approximately $1.14 billion, non-GAAP EPS of between $2.65 and $2.70 and adjusted EPS in the range of $2.10 to $2.15. Cash flow from operations is expected to exceed $90 million.

Operator, at this time, we would like to open the call to questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Bill Loomis, Stifel.

**Bill Loomis** - *Stifel Nicolaus - Analyst*

Just looking at the state and local business, you probably didn't expect the first question on that one, but with state and local, I think it was -- at last call, you said you thought state and local would be about flat year-over-year looking at the whole year. And based on what you had in the third quarter, we'd have to see a pretty big sequential growth, like $8 million or something, from third to fourth to do that in state and local. So what's kind of the outlook now for state and local and why did it drop off as much as it did?

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

I think we probably ought to take a look at your numbers, but if you look at sequentially we are really looking at revenues going up somewhere in the neighborhood of $1.5 million, $2 million from Q3 to Q4, which is comparable to what we had last year. So we are expecting basically -- we are flat year to date through Q3 and then we expect Q4 to be essentially flat also, so flat for the entire year. So you probably need to check what you have for Q4 state and local last year.

**Bill Loomis** - *Stifel Nicolaus - Analyst*

Okay. So when you said you expected it to be flat, you were talking about just second half of this year versus second half of last year last quarter when you said that comment?

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

No, we are saying for the full year.

**Bill Loomis** - *Stifel Nicolaus - Analyst*

Okay. And then with international, first of all, just on the guidance generally, you did lower guidance a little bit and state and local international are below our estimate. What didn't materialize in the quarter that prompted you to lower the guidance slightly from last quarter? What were we looking for to get to the midpoint of the prior guidance?

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

I think that, Bill, we expected certain passthrough revenues, which didn't materialize in the international government business. So that basically was --

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

The largest driver.

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

That's the largest driver for our revenues and that and I think that that basically made us a little cautious about the international government business.

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**Bill Loomis** - *Stifel Nicolaus - Analyst*

Okay. Great. Thank you.

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**Operator**

Tim McHugh, William Blair & Company.

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**Tim McHugh** - *William Blair & Co. - Analyst*

There were some charges for office closures and severance, I guess. Can you tell us what offices were you closing or where were you, I guess, taking severance charges in the business?

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

I will cover the office closures. I think as we've talked about in the past, we continue to look to ensure that where we are working overseas internationally that we are working out of offices were we have an appropriate level of scale. And so we did end up closing a small office in Spain, which we took some charges for in Q3 of this past quarter.

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**Tim McHugh** - *William Blair & Co. - Analyst*

Okay.

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

That's it from an office closure (inaudible).

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

Staff.

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

Yes, and really then the staff -- the realignment of staff was also associated with our international business and making sure that we are appropriately aligning the staff for the size of the business that we have there.

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**Tim McHugh** - *William Blair & Co. - Analyst*

Okay. And on the commercial business, you talked about a pickup in -- I think you phrased it as fairly significant pickup in, I guess, the commercial revenue, but it seems like it was flat sequentially versus the second quarter. And so what am I -- are you talking about pieces of it and were there other pieces that felt fluff? I guess what's the mix there?

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

I think if you look at the domestic commercial business, it grew about 3% organically from Q3 last year to Q3 this year, so I don't think I mentioned significant pickup in commercial. I just said that the commercial business overall grew obviously because of the Olson acquisition. If you are asking about organic revenue growth or domestic commercial, it was about 3% Q3 2014 to Q3 2015. I'm talking about domestic commercial only because I don't want to (technical difficulty) FX issues. So I think that's all I was (inaudible).

**Tim McHugh** - *William Blair & Co. - Analyst*

All right. That's fair. And then the international business, you talked about some revenue being pushed and the passthrough. I think if I recall in the past, some of the work you've done has been tied to immigration and I know there is a lot of scrutiny of that in Europe right now. Is that more of a permanent pushout or at least a medium-term pushout, or is it you saw work move just from Q3 to Q4 and I guess you think it can come back?

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

Actually we have spoken to the locals there and what they are anticipating, it's a temporary timing issue. It's not a permanent. The work is still there. The work has to be done. It's a matter of timing of when they do it. They are now doing more of it in Q4, so it's being pushed from Q3 to Q4 and then some of it actually may be pushed a little bit into Q1 is what we are anticipating.

**Tim McHugh** - *William Blair & Co. - Analyst*

Okay.

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

Tim, the international government business actually from a constant currency basis has been quite strong if you just look at the numbers even for this pushout etc. To look at the numbers, the numbers are pretty strong. It's just that unfortunately we have an FX issue, which doesn't help us in terms of the US dollar numbers, but I think just in terms of the fundamentals of the business, despite the pushout, I think it's been quite strong. It grew by I think 11% on a constant currency basis. So I just thought I would mention it just so that you have a sense of the fundamentals of the business are pretty good, I think.

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

The other thing I would add is, in terms of the contracts that have been kind of pushed out, a couple of those were contracts with significant media campaigns, which would have a high level of passthroughs and so it's also because the handful of contracts that have been pushed were particularly planned to be intense in terms of the broad media campaigns, media buys, those types of things and so --.

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

Event activities.

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

Yes, that's certainly having an impact.

**Tim McHugh** - *William Blair & Co. - Analyst*

Okay.

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

And I think that there is [both] going on on immigration issues, which our office is doing currently. So, in fact, that continues, it's just that some of these things fell under contracts, which were more media related -- media buys were the ones which were pushed out.

**Tim McHugh** - *William Blair & Co. - Analyst*

Okay. Fair enough. Thank you.

**Operator**

Tobey Sommer, SunTrust Robinson.

**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Looking at the relatively small change in guidance, how would you rank order the two or three factors? I think the currency moved a little bit probably against you since the last time we spoke. I don't know where that would fit into the top two or three reasons for the slight change in guidance?

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

So when you say change in guidance, I assume you are speaking to revenue and EPS both. Certainly from a revenue perspective, we've just mentioned some of the items, basically revenue being pushed out and pushed into next year and just the slowness of various media buys and things of that nature. Obviously, with that revenue being pushed out, there's profitability that goes along with it and really that is what is -- the reduction in EPS is aligned with the reduction in revenues at a high level.

**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Okay, I guess the disconnect, I don't understand, if it's media buys and passthrough, that would suggest margin.

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

Yes, actually -- and overseas, there actually are some fairly healthy profits associated with that activity.

**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Okay. Should we be on the lookout, I guess, going forward just over -- for slightly more variability based on media buys being a component of the P&L that we are not used to historically, I guess?

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

I think that generally that would be the case. I think that if you look quarter-to-quarter, the variability is more than what we've normally seen. I think that's the fair statement. But I think that certainly adds to the volatility.

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**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Question, I didn't catch it if you gave it, I apologize. What was the organic growth in the commercial business?

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

I think I said -- just so that I don't have to deal with FX, the domestic commercial organic growth was about 3%. The digital interactive business grew nicely. The energy markets business grew. So I think that I'm just giving you the overall domestic commercial business because then I don't have to deal with the FX issues.

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**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Okay. And does that represent an improvement on that same basis, or is that sort of a stable growth rate on that basis because I don't have that historical number in front of me?

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

We certainly hope that it will accelerate going forward given what we've seen in the pipeline, but I think it is certainly an improvement from the prior periods.

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**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Of the contract announcements that you've press released in recent weeks, is it fair to assume that most of those are captured in the book to bill and contract awards in the quarter, or are some of those -- do they belong to the fourth quarter, in fact?

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

The ones that were announced were captured in the quarter, but I think the one thing that, in Q3, the one thing though to keep in mind is that, when we announced our total awards number, it does not include the value of the large vehicles. We only include the value of those once the task underneath those vehicles are awarded.

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

There is no numbers in the book to bill that came in Q4 or we have announced something, which -- so you should be -- that consists of the numbers.

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**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Okay. And then -- I will get back in the queue. If you could just make a comment about what you think a potential budget deal and what you've seen so far might impact your business and any kind of broad comments you could make would be helpful. Thank you.

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

Sure. I think I commented the last time about the return to -- it is what we thought was a more normal course in terms of winning awards and then revenue flowing from the backlog. If you recall, over the last three or four quarters, we have been -- we have won a lot of work. The backlog has increased, but somehow the revenue hasn't flown through and we have seen, as I indicated last quarter too, we have seen a return to normality, which, as you can see, is evidenced by the fact that there was some slight revenue growth overall and certainly significant revenue growth in the mid-single digits in our federal business sequentially. And I think that's a good sign because that really does manifest the fact that when the backlog increases at a book to bill which is say 1.10 then you will see hopefully over the medium term 10% growth because that's what normally would be the case.

So I think that that behavior had been not quite consistent over the last two or three years and we have seen that return over the last quarter or two and now with the budget deal, we hope that that comes right back to normal as it used to be say three or four years ago.

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**Tobey Sommer** - *SunTrust Robinson Humphrey - Analyst*

Thank you.

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**Operator**

(Operator Instructions). Edward Caso, Wells Fargo.

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**Edward Caso** - *Wells Fargo - Analyst*

I was wondering if you could talk a little bit about the competitors that ICF Olson faces. Are you going after the large ad agencies, say the large integrators like Accenture, or are you just butting up against local shops?

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

I think that a good example -- Ed, what we have seen is that, like, for example, if you look at the lottery contract, we went up against a major integrator and we went up against a firm very well known for its loyalty product, both quite well known and both having significant footprints. In certain other cases, for example, in certain regional competitions, we tend to go up against local firms. We tend to go after, like, for example, in the Canadian utility contract we one, there was an integrator who was really the program manager and they had bid out the work. So they sat in on the competition. So all the work was outsourced to them and they basically didn't have the skills to do the specific customer engagement stuff, which we were hired to do. So we were one of two or three competitors and most of the competitors there were there was one US and I think a few more Canadian ones.

So I think that it varies all over the place. I think in terms of the size of the job we tend to go after, I think it is smaller than the ones which the bigger size will go after. So I think that there is perhaps less interest on the part of those SIs to go after the size of the job, which we traditionally go after, because it's not worthwhile for them to pick up their pen, I think, to bid on the job.

So I think that we are trying to cater to the middle market and obviously, we will try and rise to the occasion if we know the client really well and we think that we can do the work and once in a while, we might go up against the big guys, but I think we are trying to avoid doing that. We are trying to make sure we go up against the size of job which is sort of like the lottery or like the Canadian utility one, which are both in the $10 million plus range.

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**Edward Caso** - *Wells Fargo - Analyst*

In the federal space, does the Olson brand or the ICF brand help you in the process or is it still just a fill out the RFP? Is there some brand value in that market?

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

I think that, in the federal space, I think what helps are the qualifications, which Olson has, in terms of commercial best practices because they obviously do it for well-known companies and so our credibility improves. I think, in the federal space, I don't think the federal government client is aware of the Olson brand, but I think is certainly aware of the companies they have worked with and therefore the kinds of work they have done. As you know, there has been some effort within the federal government to change the way it procures certain things and also to push for commercial best practices and to reach out and see what's happening in the commercial arena, especially in the whole digital services business.

So I think that we have been using the fact that they have qualifications in certain areas, which are quite sophisticated and significant. This is what they do for certain clients and we can do perhaps similar things for you if you would like. That's the essence. So I don't think that there is any significant brand value of Olson. There's enormous brand value of the kinds of work they do in and that specific kind of work, which we would like to do more of for the federal government.

And I think they can also improve -- and they have done stuff which is transactional, they have done stuff which is sophisticated in terms of branding and creative work and I think they can certainly improve our delivery in the federal arena, but we certainly don't think that there's a huge brand value associated with Olson within the federal government.

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**Edward Caso** - *Wells Fargo - Analyst*

Last question. Can you provide us with a constant currency organic growth number? I'm just trying to figure out how that 9% translates.

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

For the international business?

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**Edward Caso** - *Wells Fargo - Analyst*

For the whole Company.

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

For the whole Company, it's basically flat, essentially flat. Slightly down, but close to flat.

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**Edward Caso** - *Wells Fargo - Analyst*

Okay. So -- and when does that -- the growover ends starting the first quarter of next year?

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

Yes.

**Edward Caso** - *Wells Fargo - Analyst*

Okay, great. Thank you.

**Operator**

Thank you. We have no further questions at this time. I will now turn the call over to management for closing remarks.

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

Thank you very much for participating in today's call. We look forward to speaking with you at upcoming conferences and our next call review, 2015 year-end results. Thanks very much.

**Operator**

And thank you, ladies and gentlemen. This concludes today's conference. We thank you for participating and you may now disconnect.