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ICF 2022 INVESTOR DAY
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John Wasson: To get started, I want to welcome you all. I am pleased to see you all here in the room in New York City. Certainly, I want to welcome those folks who are beaming in on the webcast. It's ICF's 2022 Investor Day. Let me say that we're quite pleased to have you all here, and the focus of today's event is on the five key growth drivers in our market, which I think we've discussed before, represent about 70% of our 2022 service revenue, and in aggregate, we believe can grow north of 10% for the next several years. I think you all know, I've been at ICF for 35 years and so in my long tenure at ICF, it is unique for us to have this number of long-term growth drivers in our markets. I think it shows and it is proof that the world is coming our way in terms of leveraging the skills and capabilities, and expertise within ICF to solve some of the leading challenges of the day.

Having said that, the rest of ICF's business, the other 30%, is important to us too. It's in markets including housing, education, international development, and in international and commercial domestic marketing. Those are areas where we have long history with clients. They're important to our mission and we can leverage the skills and capabilities throughout the firm to support those clients.

Now, while those clients are not offering as high growth opportunities today as 70% of our revenue in our high-growth markets, I after a long history in this firm, know that as the economy shifts and government policy shift, the portions of that business could also shift. They are core to what we do and they're important parts of our business. But today, we're focused on the five key growth markets that we think can drive significant growth for ICF going forward.

When we pair that with continuing to implement our disciplined M&A strategy that focuses on adding skills and capabilities in these growth markets and opening up additional addressable markets, we think we can achieve robust growth for ICF over the next several years.

With that, I just want to provide a little context and remind you of the investment thesis for ICF, including the markets we serve and our strategic intent. You can see that we serve government clients primarily with a civilian focus with strong environmental missions and social focus. We also serve commercial clients in highly regulated industries including energy, aviation and healthcare. We've had that mix of government and commercial since the founding of the company. From a strategic intent, we provide front-end advisory services to our clients, leveraging our deep domain expertise. Then we also help them implement that advice by leveraging the cross-cutting implementation skills you see there. That has been our strategic intent since our IPO in 2006, and we continue to believe that has significant **runrate** for growth.

We're really at our best and can differentiate ourselves when we work this white space between advisory and implementation. Lastly, I know we have been a growth company since the time we filed our S1 to go public in 2006 until today. We've achieved about 15% compound average growth. About half of that has been organic and half of that has been inorganic.

I just wanted to briefly review and look back at our last Investor Day from 2019 that was held in December of 2019, so about two and a half years ago. At that time, we talked about the four key growth drivers in our markets. You can see them listed here and indicated that we thought given those growth drivers, we could achieve mid-single digit service revenue growth and in fact, that's exactly what we did. In 2019, we delivered just north of 8% service revenue growth. In 2020, the first year of the pandemic, we delivered 4.1%. In 2021, we delivered 6.4%. As we look at the four growth drivers you see there, we continue to believe those will be strong growth drivers going forward and will afford us additional significant growth in the next several years.

I also want to spend a little time on the steps we've taken to position ourselves in these high-growth markets. Since our last Investor Day, I think we've taken a number of important and significant steps and made significant investments.

First, we've added a fifth growth driver in climate, environment and infrastructure. We've done this because climate has moved to the fore with many of our government clients, in terms of potential regulation, in terms of stimulus funding. So we see significant opportunity with our government clients. Similarly, with our energy and transportation clients on the commercial side, we're seeing significant opportunities. That has become a fifth growth driver for us and we'll certainly spend some time talking about that today.

The other thing I want to emphasize is with these five growth drivers, and I did say that it's a unique time for ICF to have this, we have been making significant investments in business development and marketing and in other areas to position for growth in these markets. One of the things that we've certainly learned is when opportunity comes knocking, you have significant opportunities, you need to take advantage of it. You've got to be making these investments to capture the maximum market share. We've certainly been doing that over the last two years, and we'll continue to make investments to make sure that we maximize our growth in these key growth markets. As I said, that's taken the form of investing in business development and things like strategic capture, strengthening our proposal capabilities and scale, investing in IP, so models and data sets and IT systems, to support our business. We announced the creation of our Climate Center earlier this year which, again, we're trying to get our intellectual property and views of that issue out in the marketplace. Lastly, we've been investing in our people.

As I say, we'll continue to do that, and we are seeing the results of those investments in our forward-looking metrics around business development. I think our book-to-bill ratios over the last two years have been quite strong. At the end of Q1, they were at 1.3 book-to-bill ratio. Our win rates on proposals continue to increase and we have a record pipeline, a $7.9 billion pipeline. All those forward-looking metrics are headed in a positive direction.

I mentioned that M&A is key to our strategic intent. Since our last Investor Day, we've done three deals on the M&A front. We did the ITG acquisition, we did ESAC, we did Creative.

Again, we have a disciplined approach focused in our core markets, looking to add companies that have a good strategic and cultural fit, and for which we can also capture significant synergistic revenues. I feel like we've done that with our three deals since our last Investor Day. I think Mark Lee who leads our Public Sector Group will have more to say on that front. A nice thing about the deals is they do strengthen our skills and capabilities in these core markets and also expand our addressable markets that we can serve in those markets.

I think as we stand here today and we look at 2022, we do feel like we've reached an inflection point. We've guided this year to high single-digit service revenue growth in our core markets and with the ESAC and Creative acquisitions at the end of the last year, takes us to a total service revenue guidance of 12% or double-digit service revenue growth.

I think that is the template for how we see the next several years.

We'll continue to see high single-digit service revenue growth in our markets, we'll continue to focus on M&A, and we'll also continue to improve our margins by 10 to 20 bps. We'll certainly talk about that later today.

I also want to just talk briefly about our culture. I think you've all heard me speak about our culture quite a bit. I think we are big believers in culture. ICF is a purpose-driven company with a culture that I think is highly aligned to the civilian markets we serve. The culture defines the way we do things here at ICF and it's the glue that binds us. It does capture the animating energy of ICF.

We do get the passion of our people around the work they do and the emotional energy, and we're a very collaborative bunch, and we can bring very diverse perspectives together: backgrounds, capabilities, experiences, nationalities to solve complex problems. In my mind and I think for us, it all starts with culture. We do pay attention to it and manage it very carefully and it shows up in our business results in two ways.

First, we have some of the lowest turnover rates in the industry, which I think is a reflection of our culture. And we're able to attract top talent into the firm. The tenure of our senior staff, the top 400 to 500 officers in the company is over 13 years. I think that's all a testament to our culture. It also helps us on the deal front. I mentioned the three deals we've done since our last Investor Day. In each of those deals, the management teams pushed the deal towards ICF because of the cultural fit.

It's also helped us on the valuation. In those deals, we were not the highest bidder. Now, we had to be in the zip code to win the deal, but we were not the highest bidder. Again, I think that speaks to our culture. Culture is really important to us. We manage it very carefully. I do think it's a source of competitive advantage.

Here's the agenda for today. I think we have three goals in terms of the agenda.

First, we want to give you insights into each of these markets and the catalysts for growth. We want to share our strategy to capture additional business and expand our addressable markets. We certainly want you to have the chance to dialogue with our senior leaders and experts to get a better sense of who they are and where they're focused. I think today you will see the passion and the expertise they bring to the work, which I think has been at the heart of ICF for many, many years. We're going to now take a closer look at each of the five growth areas. We're going to do that—first, I'm going to ask Mark Lee who leads our Public Service Group to come up. His business has two of the key growth drivers in it, IT modernization and public health. He'll have a couple of his leaders in those markets come up and then once that's done Anne Choate, who leads our Energy, Environment & Infrastructure business, will come up and give an overview of that market. Three of the key growth markets are in her business and so she'll have those folks come up and present on that. First up, Mark.

Mark Lee: Okay. Thank you. All right. Hi everyone. I am Mark Lee. I lead ICF’s Public Sector Group. I'm joined by Jen Welham who leads our Health and Social Programs business, and JC Chidiac who leads our Digital Modernization business. I've been with ICF since 1997. I've been in my current role for a little over three years. I am really happy to be here today to get to talk with all of you about our federal market, give you some background on what's happening in our market, going a little bit more into our capabilities and our strategy there, and then highlight a few case studies.

Just want to start with getting us grounded a bit in what's happening more generally in the federal professional services market. As John mentioned, our primary focus is the civilian space and that's a really attractive space right now. We estimate our adjustable market in civilian to be over $200 billion, which is more than double what it was back in 2019 when we spoke about it. That change is largely driven by the technology investments that we've made the last few years, largely through acquisitions.

I think what's clear from that there's really no near-term limits on our growth based on the size of the market. The market is not only big, but it's growing. The civilian market is up. That budget is up 9% this year, signed budget over what the budget was last year. I think even more important than that, we are working under the first signed budget of the Biden administration.

Before that, we were working on budgets passed under the previous administration or continuing resolutions. Under the continuing resolutions, existing programs can continue, but new programs can't start. Given our alignment with the key areas of the Biden administration's priorities, we think that's a really, really good thing for ICF.

Since we go a little bit deeper into Digital Transformation and Health, I think there's some really key trends there to notice as well. The Federal IT spend is estimated to hit $160 billion by 2025, and that's up from just under a $100 billion last year. A huge amount of that is coming from the growth in the low code space; that has grown over 400% in the last five years and it is expected to remain one of the hottest areas in IT modernization. It's also the area we've made the most significant investments in as we'll talk about a little later.

For health, probably the best indicator of the size of that market and what's happening there, the growth in that market, is the HHS discretionary budget, which is up 11% in this year's signed budget. So again, a sign of growing markets. If you look at the right-hand side of the slide with the pie chart, that's showing all of ICF's clients and our revenue by client, the colored slivers are the federal business, and this represents all of our Federal business, so both the work that we'll talk about as well as the Federal work that Anne Choate and her team will highlight a little bit later.

Our biggest client, and this is the company's biggest client so clearly, the public sector's biggest client, is Health and Human Services at about 20% of the company's revenues. Department of State, DOS is second, and that's largely our USAID business, but there's also some IT modernization work that we're doing with the Department of State that came through the ITG acquisition.

Department of Defense is next, largely cyber, workforce and some defense health work we do there. Again, a long list of other civilian agencies below that. I think the most important thing to take away from this is the diversity of our business, particularly on the civilian side.

All right, so we met back in 2019, we presented our strategy, and that strategy was really talking about we really want to work at this intersection of domain and technology. I want to highlight what we've done since then to execute on that. The biggest things we've done is a series of acquisitions. The first, ITG, which was at the very beginning of 2020, a little over a month, I guess, after our last Investor Day. That was really important, because it was our first significant investment in federal digital modernization and specifically, it brought us into the low code space where we weren't doing a whole lot of work before. They brought us capabilities in ServiceNow and Appian, both two very common platforms in the federal government.

Then fast forward to last year in the fall, we did the ESAC deal. That is really a company that was working at this intersection of health and technology, which is a big area that we want to focus on. Really differentiated capabilities, they actually won a health IT innovation award just last month for some work that they've been doing with the National Cancer Institute. Then most recently, this was at the very end of last year, we closed the Creative Systems deal, which is very much like ITG in a lot of ways, but with different low-code platforms. They are more focused on Salesforce primarily, and to a lesser extent the Microsoft low-code platforms.

Altogether, we have now achieved around a $350 million digital modernization business, when you include the acquisitions, the organic growth we've had since the last time we spoke, and our legacy IT business. We've also established ourselves as the clear leader in low code in the federal space. No one else has the number of awards that we have, which JC will highlight a little later, or the coverage across the major platforms, we're probably the undisputable leader in that area.

What all this allows us to do when you add together all this technology is that we've been able to drive this flywheel effect, where we have client access through our domain expertise, and now we have this great technology that we can bring them. Within a few months of closing the ITG deal, we were able to make good on that. We had this contract with ACF, which is a part of HHS, doing what's called the Child Welfare Information Gateway. It's a way that information about child welfare can be shared with providers and practitioners. We've been working on this project for 10 or 15 years I think. It's about a $10 million a year contract. Well, within four months of ITG joining us, we were able to connect our ITG folks with our legacy folks. We realized there was a big modernization need for this client, we talked to the client, they ended up changing the re-compete from being what it was before and added a huge modernization task, which nearly doubled the size of the contract. I think this is acting on what we've been talking about, this opportunity to bring domain together with technology.

All right. I also wanted to bring you what we've learned over the last few years as we've been learning more about working in larger scale and technology. We've examined a lot of different programs that have been done by other firms, successful ones, less successful ones. What we've really found, which was somewhat of a surprise, is that these programs these days when they fail are not generally failing because the technology doesn't work.

They're failing because the needs weren't well-enough understood, they're failing because the organization didn't really think about how these changes, how these modernizations might change the way they operate, or even how they should be organized. What it had us really do to our strategy is go from focusing exclusively really on this intersection of domain and technology and adding the people component. In the industry, I think Gartner refers to this as total experience.

It's really driving the way we're thinking about our strategy at this point, to make sure that at the end of the day, we're focused on driving the right outcomes for the client, not just some technology that might not actually get them where they need to go. I think that really highlights a key differentiator for ICF compared to our biggest competitors, particularly the big systems integrators like Guidehouse or SAIC.

We have this client access and understanding through our domain expertise, which is where it starts, but the spend for IT is increasingly growing outside of the Chief Information Officers within the federal government, and our partners see this as well. If you listen to ServiceNow or Salesforce or any of their earnings calls, they're focused on this a lot as well because this is a change in buying trends, so we're working with them really to take advantage of this but where it's so valuable to us is that we have access to these clients who in a lot of cases, these new buyers aren't technologists.

The CIO officers are typically full of technologists as you would expect, the domain areas are not as much. We have access to these clients, and we have human capital and organizational design people that can work with us to help them through a transition into a more technology-driven future. Huge amount of opportunity there. I think it's a great place for us to continue to work with our partners. I think that could help us drive a lot of growth.

The last thing about our strategy that I wanted to highlight is we continue to be focused on civilians. We continue to be focused on health. Health is an obvious domain area for us to focus on. Obviously, we're living in a global pandemic, so there's a lot of focus on health right now. It's always had bipartisan support, at least in recent history, and it aligns really well with our capabilities. It's clearly an area where we can be successful.

It's not all that we do. We have a very diverse business. You saw the list of clients that was on the slide earlier, and that provides us opportunity value. If you think about, and you'll hear more from Andrew LaVanway about our disaster management business. Well, that grew out of our HUD business. We had an opportunity. We had these HUD clients. We were down in Louisiana. Next thing you know we've won a $750 million contract.

Those kinds of things can happen, and it could be the refugee crisis, it could be childcare, it could be education, it could be any number of things that will emerge as big issues. We're with those clients we're prepared to take advantage should needs arise.

The last thing I wanted to highlight is the results this is all leading to. Strategy is great, but you've got to be able to deliver the results. Here you can see our pipeline and our contract awards since the last Investor Day back in '19. Pipeline has grown nearly 60%, and our contract awards have more than doubled. If you look at the contract awards, the green part is new business, the yellow is recompete. This growth is not just because all of a sudden we won a bunch of recompetes that happen to all bunch up on each other. You see the new sales growth is significant there. We're really, really proud of those results.

This doesn't just show our increased ability to win, it also shows the maturity in our processes. Our win rates have been getting better. We're getting more discipline. As John mentioned, we've invested a lot in our processes and our people around business development particularly, and we're seeing the results. I think the biggest thing about what's changed with us, I think business development wise, is that the average size of the deals that are meaningful to us is getting bigger.

I think when we met last time, most of our meaningful deals were in that $10 million to $25 million range. Those are the wins that were really driving the bulk of our growth. Now that's shifted, the most meaningful wins are in the $50 million to $100 million range, and we're putting in our pipeline and we're bidding more in the $100 plus million dollar range and feel good about our opportunities to win a greater percentage of those. That provides growth and it can provide growth that can happen quickly because of the size of the contracts and that's continued to be a focus for us.

At this point, I'm going to hand it over to JC Chidiac, who will give you some background on the federal technology market, go a little bit more in-depth into our capabilities there, and also highlight some project examples.

JC Chidiac: Thanks, Mark. Sure. Hi, I'm JC Chidiac and I lead the digital modernization division at ICF. I've been at ICF for a little over two years, joining in 2020 by way of the ITG acquisition where I served as the chief operating officer. Now building on Mark's overview, I'd like to take a few minutes to talk about our digital modernization capabilities. Naturally, I'm going to be focused a little bit more on the technology side of the cube.

If we were to step back, abstract and admittedly oversimplify digital modernization, any organization embarking on a modernization journey is going to pick either a low code/ no code, cloud-native open-source, or hybrid approach. In all of these cases, they will be underpinned by analytics empowered by AI and ML in order to extract the value from the data that's being captured and orchestrated across these different platforms.

Viewing the market from this lens, we have followed a very deliberate strategy to achieve leadership and differentiation in all three pillars of digital modernization. Recognizing full well that technology is but one, albeit a core part, of digital modernization, we also draw on the people-based capabilities and the domain expertise from across ICF to serve our customers. In order for us to leverage those capabilities in concert with our technical leadership, we've created a service offering, a construct called the Digital Service Center, that's been highly successful with multiple of our customers.

The Digital Service Center allows our customers access to the full breadth of capabilities from across ICF, ensuring that they accelerate their modernization and that the modernization is actually successful. We're going to talk a little bit more about the DSC and the customer story that we have a couple of slides later. Now, let's step back and look at the market through the capabilities lens.

If we look at the market, we can broadly segment it into three main segments, each building on top of the other to deliver customer outcomes. We have strategically selected to focus on the middle tranche, which is the business and technology consulting and application implementation segments. Both segments combined comprise around the $42 billion market. We have focused on these segments because they drive higher margins, higher customer switching costs. They also reward innovation and differentiation versus lowest price bid. They allow us to attract and retain the best talent in the industry. To that end, we've developed a set of leading capabilities, differentiated capabilities in enterprise architecture, enterprise consulting, low code advisory and implementation, user experience, and others. Our choice to focus on these segments and these capabilities is actually validated by the technology trends where we see that our investments in low code/ no code align with the projection that by 2025, 70% of new modernization initiatives will use low code/ no code. Our cloud-first strategy across both cloud-native open source and low code/ no code is also validated by the projections that by 2025, 95% of new implementations will be based on these platforms.

Finally, our differentiated ability to blend our technical leadership with user experience, change management and other capabilities to offer what Mark talked about earlier, which was a total experience, is also in line with projections that by 2026, 60% of organizations embarking on a modernization journey are going to adopt total experience.

Now, Mark also talked a little bit about how we've been investing in digital modernization and growing our capabilities. Let's take a look at where we are today in our digital modernization business. We're over a thousand technologists strong, four times the size we were in 2020. Our revenue is $350 million, three and a half times what it was in 2020.

Our investments and our focus on leadership across both low code/ no code and cloud-native open source have paid off. We are ServiceNow's federal partner of the year, the largest Appian federal practice and their delivery partner of the year, Salesforce summit partner. We have scaled our open-source portfolio three and a half times also since 2020, accounting for about $150 million in yearly revenue, approaching that equal mix between both approaches for modernization and contributing to revenue. It is important to note that we continue to look at opportunities to grow, expand, and strengthen our open-source capabilities through both organic and inorganic investments.

Now, let's shift a little bit and take a look at the market through our accounts and our presence. As Mark said earlier, our focus has traditionally been on the federal civilian and to that end, we've achieved excellent coverage across multiple agencies that have pent-up digital modernization demand. We are constantly expanding across all of HHS in infrastructure, at the General Services Administration, Department of Transportation. In telecom, we are the provider for all of the modernization across FCC regulatory. We have a substantial presence at Treasury, as well as Department of Labor, Department of State, and NASA.

Our focus on these markets and these accounts has been actually pretty deliberate because it follows the trends in budget and spend growth. If you look at HHS, they've been growing at a 26.3% CAGR on IT spend; $7.5 billion alone was spent in 2021. We stand to greatly benefit from the Infrastructure Investment and Jobs Act in our infrastructure portfolio, in Department of Labor and in regulatory, where in many cases, those funds are going to be governed and dispersed.

It's important to note that over the past two years, over half a billion dollars in grants were transacted on systems that we've built. We are the only low code/no code provider in Treasury for their main departmental offices. Treasury is, by the way, the largest low code/no code adopter in the federal government with an FY 22 budget of $115 million. By virtue of the fact that we are leaders in these platforms and have the strong relationships with these different vendors, they also pull us into different markets to help them out, for example, Defense, DHS, and commercial, where we play at a much smaller scale though.

Now, I'm going to share with you a client case study, and I've picked one that is near and dear to my heart. It's our work at the National Cancer Institute. NCI had multiple false starts in their modernization, and they called us in to help them out with a small ServiceNow issue that they were having to the tune of $12,000. We quickly converted that within a few months to a $50 million engagement and implemented the Digital Service Center.

The Digital Service Center gave NCI access to all of ICF's capabilities and people, domain, and technology. Our DSC today at NCI has user experience specialists, change management experts, communications specialists, domain experts, including fields like cancer research, as well as architects and technologists across multiple technologies and platforms working together seamlessly to deliver at NCI.

The point of pride for us at the top right is the quote from the NCI CIO attesting to the power of the DSC in delivering on the promise of modernization and accelerating it and supporting them in their mission to fight cancer. To that end, we have modernized over 75 systems serving an excess of 11,000 researchers, scientists, and partners globally, as well as the general public. When COVID hit, the true power of the DSC to deliver applications rapidly was critical. Where in some cases within five days, we were able to develop and hand off applications, put them in the hands of the NCI experts to address unforeseen critical needs that they needed to address.

Folks, I've been doing this for almost 25 years now, and I've never been as excited as I am about the future. I have the best teams in the right technologies, access to domain experts across multiple fields, and an award-winning user experience practice that I can draw on to serve my constantly growing market. Thank you and with that, I'll hand it off to Jen.

Jen Welham: Thanks, JC. I'm Jen Welham. I lead ICF's public health and social services business. I've been in this role for about three and a half years, but I've been at ICF for more than 30 years. I started my career as a subject matter expert in environmental health, but I really benefited from the many opportunities to grow my career at ICF and take on increasing leadership responsibilities.

As John mentioned earlier, culture is a really big thing at ICF, and that's a major reason that I've decided to stay and make my long career here at ICF.

I'm going to talk to you a little bit today about the federal health business at ICF. This is approximately a $350 million business, not including the health IT components that JC already described. Last year we grew a little bit north of 10%, and we expect to be able to continue doing that going forward.

The core of this business is our deep and broad domain expertise, and that is comprised of the key offerings, the things that we do for our clients, and then the people who do them, the experts.

I'm going to go through the offerings a little bit, give you a little bit more flavor around all those words that are up on the screen. In data management, analysis and dissemination, that includes things like data coordinating centers, advanced analytics like machine learning and AI. It also includes things like information clearing houses, like the Gateway system that Mark described.

Health surveillance, that is systems that monitor health and health behaviors and includes things like BioSense, which is one of the premier systems that we run for CDC, and it's used for syndromic surveillance and it was used during the COVID-19 pandemic. Also things like the demographic health surveys which look at health behaviors and health in international developing countries, for example, in Africa and Asia where we operate.

Research and evaluation includes primary data collection through things like survey research. It also includes secondary data collection through things like literature reviews. We also do program evaluation where we look at the effectiveness of various government programs.

Training and technical assistance, the basic thing there is helping organizations build and maintain their own internal capacity and get them to help better serve their own clients. We're able to help them through our training and technical services and the TA hubs that we provide for them.

Health Communications, that includes things like strategic campaigns that raise public awareness and aim to change health behaviors for people.

Shifting gears, I want to talk a little bit about our people. This includes more than 2,000 health professionals. They work side by side with experts in information technology like JC's team, also in communication, and policy, so that we can collaborate together to serve those domain clients.

We kind of joke at ICF that we think we have practically every kind of -ologists in existence and this list here is just illustrative. I could go on. We could have probably had three pages of those. We do really think this is a differentiator for us and a major reason that clients choose to work with us. Our clients are researchers, they're scientists, they're publishing in journals, they're going to conferences, they're field practitioners, they go out and work in the field, child welfare experts, and other types of experts that go out and work with communities and people and they want to work with people that are like them. They want to work with people who are experts. They don't want to necessarily be communicating with management consultants. They really enjoy working with people who are like them. It's a big differentiator for us, we believe.

I'm going to shift gears here a little bit and talk about the health market in general. When we look at the health market, we generally divide it up into these three different buckets.

First, Public Health and Social Services with an addressable market of approximately $9 billion. That represents the very core of our 40-plus years of experience in health. We have a strong reputation, trusted relationships, and deep domain expertise. We do this work both domestically and internationally, as I describe mainly in developing countries, in Africa and Asia. Some of the main agencies that we work with here are CDC, USAID, ACF, and SAMHSA. We deliberately included ACF here, that's Agency for Children and Families. That's a little bit more of our social programs work but we're seeing more and more the importance of the social determinants of health and people's overall health and well-being as emphasized by our clients, so we feel it's a really important part of our health business.

Moving to the second bucket, Health IT and Scientific Support, that's an approximately $5 billion addressable market. We're able to grow and we've been able to grow in the segment by really helping our clients manage and draw insights from health research data. I think it's no secret how overwhelmed the world is with data at this point, we can look no further than our phones, and the number of pictures we have and the number of unread emails, we can't even manage our own data. The federal government spends billions of dollars every year funding health research, and if we can't manage that data and draw insights from it, then there's no value to having spent that money. That's a really important thing that we've been able to do. The ESAC acquisition, that brought some niche capabilities in bioinformatics and is really helping us grow and expand in this space as well. Primarily our clients here are CDC, NIH, and FDA.

The final bucket here, the Federal Health Care Services, is an approximately $5.5 billion addressable market. ESAC got us a little foothold in the CMS market, primarily doing electronic clinical quality measures. That's a fancy term for taking electronic health records and using the data from those records to measure the quality of health care delivery.

We hope that we'll be able to continue to grow. We are intentionally moving forward with strategic hires, we're looking at acquisitions in this space to support further growth in this market.

One thing to point out, as I've listed here, CMS and AHRQ as the primary clients, those are mainly civilian agencies. We do a little bit of work for the Defense Health Agency and the Veterans Health Agency, but those aren't our primary growth targets. They have a very high barrier to entry, so we're really focusing more on the civilian in this space.

We do have reason to believe that we have a lot of growth opportunity in this market, in the federal health market. The president's FY '23 requested budget includes a significant growth increase for the HHS discretionary funding to the tune of 27%. There are a lot of increases for the agencies where we operate: CDC, SAMHSA, NIH. There's inclusion for mandatory spending to get prepared for the next pandemic. We do think that affords us a good runway to continue growing in that space.

I'm going to wrap up by sharing a case study with you, a project that we're working on. I want you to imagine just for a minute that you have a family member or a friend who's been diagnosed with cancer, and they've tried multiple different treatments, and nothing's worked so far. Enter clinicaltrials.gov. This is the world's largest database of publicly and privately funded clinical trials.

Their oncologist goes into the database, searches for a clinical trial, finds an experimental treatment that's actively recruiting new patients into that clinical trial. Your family member or friend enrolls in that trial. They get this experimental treatment and then their cancer goes into remission. That is something that we're proud to be part of; hundreds of stories like these as a result of clinicaltrials.gov.

We've been supporting the National Library of Medicine on this program for more than 10 years. This is the premier resource that's available to patients, healthcare providers, the research community, and really the general public. You all are welcome to go to clinicaltrials.gov and check it out. It's open to everyone. What are we doing for them? We are helping them ensure the data quality, the integrity of the data, harmonizing the data, and we're going as far as also helping them modernize the system infrastructure.

Who's doing that work at ICF? Experts in clinical research, user design, information technology experts, and information management experts. Through this work, basically, we are able to help provide easy access to really critical health information that can be used to make informed decisions, improve medicine in general and improve people's health outcomes. I think we can all agree, coming out of the pandemic, that having access to critical health information in a very timely manner is a pretty important thing that we all need.

This project and dozens of others like them at ICF position us very well to serve the client's needs in that way. That I think concludes our formal presentation. Mark, JC, and I are going to entertain some questions from you all.

Mark Lee: Great. Thanks, Jen. Given that we're webcasting the event, if you have a question, please raise your hand and someone will bring a microphone by, and if you're watching this through the webcast, I think you can type in the question.

Joe Vafi: Hi there. Joe Vafi from Canaccord. Thanks for the presentation today, everybody. I know we're just getting started, but thanks for putting this together. I know Mark, you mentioned that average deal sizes in Federal were trending higher. I was wondering if you could drill down into that a little bit more and parse out the deal size trends if you look at it with IT modernization or without IT modernization, and maybe underlying that, again, is what's going on in federal budgets or in projects and initiatives that could support trends in deal size.

Mark Lee: Sure. I'd be interested to get JC and Jen's thoughts on this, but I don't think there's big-picture changes in the way that the government is necessarily procuring. They're using more of these government-wide acquisition contracts. All that's happening, but I don't think the average deal size within most of our clients is necessarily going up, but we're pursuing things in a different way. We're going after things in the past that we might not have had the capabilities for on the IT side, or honestly, maybe we didn't have the gumption to go after more on the health side. I think we've got a little bit more swagger now, frankly, with some of the capabilities that we've built and the success we've had. I think it's been more about our approach and less about the market changing. I don't know, Jen or JC.

Jen Welham: I would agree with that.

JC Chidiac: I think as we broaden our capabilities as well, we're able to pursue larger deals.

Joe Vafi: If you look at some of those larger deals outside of IT, it feels like ICF's had great capability for a while and maybe why weren't you bidding some of those larger deals say five years ago versus today?

Mark Lee: I think there's probably a couple of reasons. I think one is a lot of those larger ones did have a technology component, whether they were all technology or not. I think that was part of it. I think our implementation capabilities have certainly improved now, and I think there aren't a lot of $50 million advisory contracts. Those are just not out there as much. There has to be an implementation perspective and I think as we've gotten better at that, we've been able to find and win bigger contracts.

John Wasson: I agree with what Mark said. I think a key aspect of our ability to bid these larger contracts is we are finding and we can combine both the technology and the domain expertise to differentiate and that does take us to a greater scale. I think that's certainly been part of it. I think to JC's point too, if you're going to take down large technology contracts, you have to be able to demonstrate you have the staff and the past performance to deliver.

If you take down $100 million app delivery, you have to be able to show the client that you can bring to scale the talent to work that deal and you have to demonstrate the past performance. I think part of what's happened here is we've built the technology scale. We've also been building our past performance capabilities to make **[inaudible 00:46:38]** contracts.

Marc Riddick: Hi, good afternoon. It's Marc Riddick from Sidoti. I wanted to ask a quick question regarding digital modernization capacity within ICF. I think you mentioned in the slides about a thousand people currently, and certainly, you're investing in more, but maybe you could talk a little bit about with the market trends that you see ahead of you over the next few years, what type of additions are going to be needed to service those and what type of either utilization availability, where you stand versus some of your key peers.

JC Chidiac: I think I mentioned as well, one of the areas we're looking to strengthen and broaden our capabilities in is in cloud-native open source. We're looking to continue to grow that. While it is currently very healthy and highly competitive, we are also looking to grow that as we go forward.

Mark Lee: Then probably, I would say analytics, I think we continue to want to be a leader in that. We have a strong team there. I think we'd look to continue to invest in that team. It's obviously constantly changing and what's now cutting edge soon will be old hat. I think that requires continued investment for sure.

Jen Welham: I think at the intersection of health and IT bioinformatics which is a fancy word for saying the tools and the methods that we need to do these advanced analytics around research data.

Kevin Steinke: Hi, Kevin Steinke, Barrington Research. My assumption would be that there's some upward pressure on compensation costs to attract the technologists you need for your business. Just wondering if that's the case, your ability to manage rising costs when working with government agencies. Is there ability to price, to overcome or pass on rising costs?

Mark Lee: Yes. It's a very competitive job market as I'm sure everyone in the room knows. I think that we certainly are having to pay more for talent than we were before, but we've also been able to I think given the amount of deals that we're working, if someone gets priced out of working on their current work, there's a new deal right behind it that's easy to move people in and be able to recover.

We haven't really seen an impact of those higher labor prices on our margins. Our margins are still strong within that business, really across all of our business, but it's something that we're keeping a close eye on. I think we're also not positioned in the market that we're going to be always the highest paying provider. I think it's a combination of everything. It's the culture. It's the compensation. It's the opportunity to work on meaningful stuff. There's all these things. I think we've done a good job and I think JC and his team have done a great job of finding the right people that value everything that we offer and not just compensation. I think it's a combination of those things that's allowed us to navigate it.

Tobey Sommer: This is Tobey Sommer from Truist Securities. I wanted to see if you could dig in and explain a little bit more and give us some color and context on what I think you described, which is sort of democratization of spending within your customers outside of the CIO office, that sort of decentralization. Could you explain that a little bit more and how you think it casts the company in a favorable light and position?

Mark Lee: Yes, I think what's happened is historically a lot of these domain areas just weren't using technology in the ways—they were using spreadsheets and things, and now there's lots of ways to automate business processes, I think this is where the low code becomes a really attractive thing because you could help them do things they're doing now manually or in really efficient means, they can now do those in that way.

I think they're now starting to be more informed buyers. They're starting to look for more technology. They're getting more push. They're starting to bring in younger staff who expect there to be more technology being part of their organizations. I think the other part of this is there are a few CIOs within the federal government that are pretty progressive in their thinking about it, and they're not trying to control so much as they're trying to support.

I think our client at NCI is a great example. The Digital Service Center is set up to exactly do this. It allows the CIO to set the ground rules and provide access to all the licenses and the storage and all the different things they need, but not control the process, because what's happened in the past is the mission would say, "Hey, I need this." They would give a requirements document to the CIO. The CIO would go out and buy it and then come back with a finished product that usually wasn't what they really needed, because it didn't really reflect understanding.

Folks like Jeff Shilling at NCI is now going, "I want to set up a marketplace where you can buy technology, where I can know what's happening and I can make sure all the security and all that is right," but you still are an active participant in that process. I think that's where we play a role because we can help that translation. We can help bring those things together, both from JC's side, as well as from the domain side, like Jen's folks, that connective tissue as that happens, they don't speak the same language. CIOs and the mission don't speak the same language. I think we serve as translators basically,

Participant: The people on the mission side who formerly didn't use technology, are they actual buyers, or are they champions on the mission side, and they need to bring the CIOs along?

Mark Lee: They have their own budgets, for sure. They're spending their own money. I think that's probably all we have time for now, but they'll be more a little later. I'll invite Anne Choate with Andrew LaVanway to talk a bit more about disaster management.

Anne Choate: Thank you. All right, welcome everybody. Thank you for joining us today. Andrew and I are going to kick off a series of three presentations, actually, that are going to cover the other three growth areas that John mentioned. As John mentioned, we added climate as a growth factor and you're already well aware that we had disaster management and energy growth areas that we've been talking about for a while.

Unlike under other presentations and certainly the conversation we just had about public health and digital modernization, we are not organizing these businesses around a specific client segment. Instead actually, what we do is we provide these services to all of those clients, to federal, to state and local, utilities, and other commercial clients, and also to international agencies. We see that as a differentiator for ICF, it's important that you actually have that perspective. You're taking a solution set from one, let's say a federal agency and helping a state and local government understand how to respond to those same sets of challenges and also to understand what the federal response is going to be. It's been a big help to us, it's also been a big help for us to be able to do it across geographies. All of the clients that I'm going to be talking about in the climate, energy and disaster management arenas are basically under tremendous pressure. They have to deliver critical infrastructure services, which is like housing, transportation services, energy, clean water. They have to provide those services, but they have to do so under a lot of external pressures around enhancing reliability, especially in the face of increased storms and extreme weather, ensuring affordability, especially those that are regulated, for instance by the utility industry, where you have regulators who are really focusing on affordability, and then creating clean jobs and economic development opportunity, especially coming out of the pandemic, and then optimally deploying a whole new set of technologies.

All this is being done in response to what I believe are two key drivers. One of those key drivers is climate change. I am not just saying that because I've been working on climate change for 27 years. I really believe that both reducing greenhouse gas emissions and responding to the extreme weather and increases in climate changes, when you couple that with aging infrastructure, it's creating an imperative for these clients to act. As a result, we see tremendous opportunity.

This is a high-altitude view into the three areas I'm going to be talking about. On the top left corner of this chart, you can see we've laid out what we see as the addressable market in each of those areas. About $3 billion of addressable market in Andrew's area which he'll be talking about shortly, so disaster management, recovery and mitigation. In the upper right, you can see $1.5 to $3 billion is how we've characterized the climate-relevant spending. Then we know that there's about $1 billion a year that's spent by utilities to address energy efficiency and demand-side management programs.

On the bottom left, you can see there's just a number of indicators here that basically what we're trying to do is to help you see some of the things that we're seeing which we see as indicators of opportunity for ICF. Increases in capital expenditures by utilities, whether they're investors in utilities, or municipal, or co-ops, every time they're spending on CapEx, they need a lot of services that we provide, whether it's environmental permitting, whether it's independent engineering, environmental monitoring, all of those capital expenditures come with a suite of services across a full spectrum that we provide.

Then you can see there's a few more indicators there. I'm going to walk over here. We talked about $200 billion of capital expenditures for utilities. Again, that's IOUs plus Munis plus co-ops. We talked about a $500 billion investment gap for resiliency investments that need to be made by utilities to respond to climate change and extreme weather. We put out actually a report that that number's been quoted in the *New York Times* all over the place, which is what we think utilities need to invest in order to be responsive to the climate threats that they're facing.

In the bottom right, you can see there's a plus 35%. What we're talking about there is the rate of growth in our non-traditional utility programs. When we say non-traditional, we're talking about programs, not the energy efficiency programs that you have been hearing us talk about for a very long time, but actually, we're talking about electrification, flexible load management programs, decarbonization programs which are very nascent in the utility industry, and equity programs. My colleague, David Pickles will be talking about that later.

On the right-hand side, there's a ring that you can see it looks a lot like Mark's, but we've grayed out some different slices here. The gray slices are purely federal, are not as relevant to this conversation. The slices where you see color, so state and local, commercial, EPA, Department of Energy, for instance, are relevant to these three areas, disaster management, climate, and energy. Collectively, the rings [slices] that you see in color, they reflect about a third of ICF's business. I would say about 75% or so of those are in these three growth markets.

One thing I should say actually related to that slide is that because we don't disclose results in these buckets, these categories, that's why I don't have a number on the inside of that ring for you. That's my attempt to try to help you size the market. I will say that within the operating group that I lead, we have about 2,500 employees, so that might be helpful as well.

As I mentioned, we have this suite of client categories, and they're battling these two challenges. Just as proof points for that, the ASCE, the American Society of Civil Engineers, puts out a report regularly on the state of America's infrastructure. They graded America's infrastructure broadly across all infrastructure sectors as a C-.

That's just one proof point, but that helped to drive what you saw going into the Infrastructure Investment and Jobs Act, which my colleague Phil Mihlmester will speak about shortly. That drove spending, but it drove $550 billion of new federal funding for infrastructure projects with a concerted effort to focus on the climate-related needs of that infrastructure.

We know that 24 states plus the District of Columbia have set decarbonization targets, and we work with many of those state and local governments as well. FEMA publicly acknowledged the importance of investing before an event rather than after an event when they established the Building Resilient Infrastructure and Communities program, which I know that Andrew's going to touch on. Then we know 70% of the energy utilities, the largest energy utilities in the United States, have set decarbonization targets and are addressing their resiliency gaps from a risk management standpoint.

Then, finally, we have a lot of commercial clients who are now having, and Marian will talk about this in her presentation, a lot of commercial clients who now need to think about how they're going to disclose their climate-related risks. Every one of the markets that are listed here have an imperative to respond, and they have to do so equitably, they have to so reliably and they have to do so affordably. As a result, they're making that series of investments that you see on the right-hand side. The important part is how those investments translate into our services.

In response, you can see on the left-hand side we have this solutions set. As you can see here, those solutions really are very unique to ICF in so far as they both require expertise in, for instance, strategy or engineering, but they also require deep domain expertise: Water experts, transportation experts. You can see modeling; stakeholder engagement; siting; environmental review permitting; affordability; stakeholder engagement type; communication and marketing.

What's important is that when, whether it's a utility or state/ local government, goes to make one of these investments, to decarbonize or to address reliability challenges, you really are doing work at that very center where you see the four circles on the right-hand side. The businesses that I'm talking about really provide almost 50 years of experience, in some cases more than 50 years of experience, working at that intersection and bringing that domain expertise.

It's impossible to do this work in silos. The ability that we have to work across critical infrastructure services enhances the credibility that we have when we bring a solution, and I have lots of examples of that, and the solutions themselves are increasingly interdependent across these sectors. Think about electrification of vehicles. All of a sudden, transportation and energy need to talk to each other, you need to understand how the grid is going to handle all those vehicles.

The same is true when you're trying to get water from places in California that have lots of water to places in California that don't have lots of water, they need energy to get that water there. It's important, and increasingly, the solutions also are drawing on not just federal funding but also private sector funds. Our ability to navigate those public-private partnerships and community engagement and help to achieve customer acceptance is really a strong suit for ICF.

Okay, this is the second half of Mark's slide on pipeline and contract awards. Mark's slide represented our federal pipelines and our federal contract awards, so what I have here are state and local, and commercial as they relate to these three growth areas. What you'll see is that we have a very strong pipeline, it's about 1.8 billion at the end of the first quarter of 2022 for these areas combined: commercial, and state and local.

What's really nice about that third bar on the left-hand chart is that we have a very stable pipeline despite having record awards last year. You can see on the right-hand side that the contract awards are for 2020, 2021, and then the first quarter of 2022 with a trailing twelve months. I have every reason to believe that that third bar on the right-hand side is going to follow the path, the trend that you're looking at.

We have had a very strong first quarter, so far we've been doing very well this quarter, and I think that the idea is that, I think at the end of 2022 we're going to continue to maintain that robust pipeline. Also, as Mark was pointing out, our win rates have been strong, and we see tons of opportunity in our market. With that, Andrew looks like he's getting ready, he's so ready. I'm going to introduce Andrew LaVanway. Andrew leads our disaster management business and as a result, he's the best to talk to that. I was going to give you more of an intro, but you're so ready.

Andrew LaVanway: In the disaster management market, ICF helps state and local governments respond to and recover from natural disasters or man-made disasters. Also, we do mitigation to prevent and reduce the impact of future events. I think that in the past, ICF has characterized its state and local businesses somewhere around $250 million. We'd say we're in the vicinity of about half of that, augmented by the work that we do in critical infrastructure like utilities and water.

Certainly, the events of the last couple of years have stretched what we view to be a disaster and certainly, stretched the bounds of what we consider the disaster management market to be. The federal government has opened spending taps at rates we haven't seen since World War II, almost to the point at which state and local governments are struggling to get the money out the door. While ICF's opportunistically pivoted to take advantage of some of those opportunities, the truth is that we see a very stable and robust, and growing core market that we instead are mostly key on focusing on.

We see that market as really three areas. That's the Federal Emergency Management Agency Public Assistance, the Department of Housing and Urban Development's Community Development Block Grant - Disaster Recovery. That's on the far side. Then in the middle, reflecting both FEMA and HUD spending, is the growing market of mitigation. FEMA is funded both on annual and supplemental appropriations. Those annual appropriations were in the ballpark of $8 billion last time we spoke in December 2019.

Today, they're in the range of about $14 million. Also, you can see the supplemental there in the gray bar, in the last two years, that's somewhere in the order of magnitude of $85 billion. I'd urge you not to get too greedy there. The reality is that most of those dollars are toward individual assistance, or what they call Cat A and Cat B, which are done internally or don't require a ton of external services. Really, our market there is in the more permanent work.

I'd still say on the whole, we're about seven to eightish percent of this marketplace, even with our large-scale work in a number of these places. Our strategy has been to take share, to beat competitors outright. I would say we've been successful in that. I think we've grown our footprint from five states, when we talked in 2019, to somewhere in the order of magnitude of 19 or 20 states today.

On the HUD side, which is on the far side here, the Community Development Block Grant - Disaster Recovery. It is a sizable market. They get less frequent appropriations. They tend to be done in correlation with specific events as opposed to a regular routine. I think we are more than 10% of the market in the CDBG-DR space. Really, our work there was largely in the housing arena when we talked in 2019. What we've done here is we've expanded our addressable market. Instead of just doing housing, now we're doing work in infrastructure and in economic recovery.

Again, we've been pretty successful in terms of above-par win rates. Our goal again here's to expand addressable. This middle mitigation market, though, is where the market’s going. While these deals are smaller deals than the large-scale implementation, disaster recovery, and responses, almost every state and local government has to participate in them. They have to have some mitigation plan or some set of activities that they do. In that respect, I'm like the FRAM oil filter guy. You can pay me now or you can pay me later. I'd say our share here varies on the HUD side. We're somewhere in the ballpark of about a third of that market. On the mitigation side, I think we're undisputed the leader in that space to be able to have the largest deals and the most of those deals.

In the FEMA BRIC, which is the Building Resilient Infrastructure and Communities, and Hazard Mitigation Grant Program, HMGP, right there we're, I would say, still under about 5% or 10% of that market. As this market continues to grow, if we can continue to grow with the market, we think we'll be in a place to continue to make our aggressive goals. I think also, as we talked last time, this was a question of how do we manage the variability in this marketplace?

Although anymore, it doesn't seem like we feel that much variability in this marketplace. Where we've arrived at present is like Harry Markowitz's portfolio theory; by having a broad enough geographic footprint, by having a broad enough program footprint, by having a broad enough set of projects, we're able to take some of the variability out of the market as it is. Today, we're deepening relationships, we continue to enter new markets, and we're adding remarkable talent.

All these trends that make this a great market are strong and they're getting stronger. Demographics is destiny and right now we see the demographics moving to the coast. 100 million people live in coastal areas. That's up 15% since 2000, right. 100 million people live in coastal areas. The fastest-growing area right now? Gulf coast, up 26% since 2000. We're seeing more damaging incidents. I don't think it's accurate quite yet to say that we're seeing more incidents, we are seeing those incidents be more severe in terms of intensity, they’re wetter, the winds are stronger, the wildfires have been just unbelievable. We are seeing more and more damaging events and those damaging events are impacting older infrastructure, the things that are being hit by the more severe storms are less prepared to take and survive those incidents, which is resulting in more incidents. As a result, the state and local workforces are getting stretched. We looked at 2017 and we wondered, "How are they going to manage to do all this stuff?" Even since then, especially with COVID, that state and local workforce continues to get more stretched, they continue to rely on contractors, not just to get the work done, but to get the dollars out the door.

As a result, we're also starting to see this pivot toward technology and digitalization. With COVID, in this last disaster, if we looked at Ida in Louisiana, FEMA was very reluctant to send staff down there. As a result, they relied on our drone photos, or our Matterport cameras to do their own damage assessments, cost estimates, and scopes of work. That's how the technology is changing this marketplace. It's growing. The trends, I think, are pointing in that direction, and we have been exceptionally competitive in this marketplace.

Since 2019, we've won more than half a billion in awards. Why? Some of it is because the market has changed. The disciplines moved from cost estimates, and the stuff A&Es used to do, to the stuff that we do like federal funds management. We're really good at federal funds management and driving compliance. Some of it is the connection and the interplay between resilience and recovery. The more that people need resilience as part of recovery, the more that they need, not just Andrew, but Andrew and Anne.

I think we continue to be more effective at looking and solving the whole picture. Instead of just doing grants management, disaster management, we bring workforce development, we bring technology, we bring an understanding of the economics, we bring economists, people who have a full understanding of how to tackle these really complex issues. I would also say, we deliver with integrity. In the state and local market in this era, that's an important thing that we continue to be very focused on and very protective of.

I also think we're making good investments. We're thinking about how we're going to continue to accelerate our growth in this marketplace. If you think about the single biggest barrier to growth right now, for anyone in disaster management is workforce. It's like cyber was 10 years ago. We see our ability to attract and retain great talent, largely based upon our culture, and the amazing work that we have in the resilience side, as a competitive advantage.

But we see our ability to train those staff and make them better, to build those amazing program managers as a durable competitive advantage. That's why we're investing in things like the Disaster Management Academy. Also, I think we're aided by the fact that the resilience and recovery response business continues to get closer, our teams are working much more frequently, much more considerably across larger deals, and that continues to play into our ability to grow.

This pivot toward technology platforms, especially in the FEMA space where we're doing a lot of remote sensing combined with GIS and data analytics, when we have 1000 technologists who come to the table with us, as opposed to a handful of people or outsourced vendors, that's a very powerful differentiator for us when we sit down and talk to clients.

How's that look? If you look at the Texas General Land Office, which is the primary HUD recipient for the state of Texas, we started off there doing disaster recovery post-Harvey, we had a phenomenal team. I think the goal was 2020 by 2020, I think the team exceeded that goal. We've done something like 5,000 houses, we're managing about $1.3 billion. When the time came to bid out the CDBG mitigation work, here we were, a great contractor. We had high performance, we were exceeding the requirements, but we also brought this amazing resilience capability.

As a result, we were a no-brainer for that contract, which is a $4 billion piece of work. Our end of it is a 12-year contract. It's a base year of four plus two four-year parts with the initial funding of $45 million. The interplay of response, recovery, and resilience.

I'd also say if you look at Calcasieu Parish School District. We went in here, and this showcases the power of the drones and the remote technologies, by bringing the ability to do, getting people on the ground inside of days, putting drones in the air, getting the Matterport cameras up, we were able to get assessments faster, which meant we were able to get funding faster, which then allowed them to do repairs faster. All of that gets sped up, and in 60 days, 75 of the 76 campuses were back in business. When we think about what our impact is, while we love managing federal funds, we love helping people out in the disasters, we got kids back to school faster, and that was important for them and their parents. That shows you what we can do with the technology. I think with that said, I'm just over my 10 minutes, so I'm going to stop.

Anne Choate: Thank you. We would love to take some questions. We can take questions from folks online, if you could just enter into the chat. Then we’ll also take questions in the room, and then we'll be heading to a break in a few minutes. Question, yes. Hi, Joe.

Joe Vafi: Hi, Anne.

Anne Choate: Hi, nice to see you.

Joe Vafi: Just one question on the IIJA, a lot of money coming down the pike, and it should benefit ICF. I was wondering what you're seeing so far from it. I know it's high level and broad and long-term. I'm looking at your pipeline numbers, and I know you're winning a lot of business so the pipeline’s turning into contract wins. Should we be seeing that in the pipeline yet or not?

Anne Choate: I'm going to give you a short answer now and I'm going to promise a longer answer when Phil comes up on the stage because he's got some slides about IIJA. The short answer is that we're already seeing IIJA money be added to existing contracts, not through procurements, which is great. The reality is that the flow of that money is going to be over a fairly long period of time, because it's got to go from the federal, and the money's going to go to states.

Phil's going to talk a little about how that's going to work. I think that we're not expecting to see the bulk of those procurements take place until, at earliest, second half 2022 and the work start into '23, '24. Phil will be talking about it in-depth. That's the preview.

Marc Riddick: You made a commentary around being in five states and then expanding to about 20 or so. Can you take us maybe through a general path to entering new states that opens the door, and maybe what your initial actions are like there?

Andrew LaVanway: It's tough to characterize a general path in the sense of sometimes it's different for the FEMA side of the business than it is for the HUD side of the business. On the HUD side, we tend to enter in at state-level contracts, where they're asking us for guidance and advice on what to do with the allocation or how to

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manage the allocation at a strategic level. Then, as we provide that assistance, that then allows us to be first on the ground for follow-on contracts, for implementation or monitoring or any one of the sets of disciplines. It starts off at that strategic layer at the state level and then moves down.

On the FEMA side, it's difficult because there's two layers. There's the recipient and the sub-recipient. When we look at the sub-recipient, most of our entry points are immediately after incidents, where we are able to come in and provide either the drone services or response and recovery services. Ideally, and what we're seeing more is, I'm not super interested in playing at that cat A and B, debris removal, emergency protective measure space. We're much more interested in coming in with mitigation to initiate our relationships in mitigation, building the relationships by bringing our smart people and showing them what we can do from a preventative standpoint. Then when the incident occurs, then to already have established relationships. I think more and more that is the model that we're following in terms of building our relationships.

Participant: Quick follow-up if I could. I was thinking about when you see the news over the last few days, it's that time of year where we get the hurricane forecast, and then it's like, "Oh, it's going to be another lousy year," and what have you. Is there a demand driver out there that maybe we don't see publicly that maybe makes your phone ring or makes more folks work with both of you as opposed to just one?

Andrew LaVanway: I think the way that we looked at the market when we were first looking at the interplay of resilience and recovery in 2016 was, everybody should be investing in resilience because if you look at, for example, Hurricane Ida's impact on New Orleans, the fact that they had invested substantially in mitigation played a significant role in the fact that they didn't experience the same degree of damage that they had.

Our question in 2016 was, "Man, if we only had someone who was going to pay for this, everyone would be doing it because financially, from an ROI perspective, it's a no-brainer." What we found now as a result of FEMA BRIC and increased allocations to HMGP, and the opportunities we're seeing in other places, somebody's paying for it. Increasingly, because of conscientious investors and people making better decisions, they're telling companies to do it. What's happening now is that there's dollars behind what is now seen as a no-brainer investment.

Anne Choate: I think some of that, in Miami Beach, it's public, we put out a report that we did in City of Miami Beach, and it was basically making the business case for why you should be spending this money now, not later, why you should be raising the road now, not later. Those kinds of business cases are much more available and now the money is also available.

I think that's where we have a much stronger entry point with these clients, which is to say, we built the business case, and we know how to handle this on the other side, you should trust us to help you basically lay out a path and figure out how you're going to pay for it. As I mentioned, it is some combination of funding sources as well. With this turnover in the state and local governments which we've seen, I think they need more help, because they've lost some institutional capacity, and sometimes we represent that institutional capacity.

I think we're out of time, but we will have a break and we'll be back at 4:05. And when we come back, we'll be talking about climate, infrastructure, and energy. Thanks.

Break

Anne Choate: Next up, we're going to talk a little bit about the climate and infrastructure and environment, the new growth area that John mentioned that we added, which centers around this climate business that we've had for a very long time. We see great opportunity there. First, I'll introduce Phil Mihlmester, who many of you know. I know many of you have spoken to him in the past. We're calling him our global energy guru. Phil has been obviously very involved in understanding the flows of money at DOE and other places for four decades. He's going to be talking a little bit about how the IIJA funding is organized and what we see there. We'll hopefully be able to expand on my answer to Joe's question.

Then Phil will hand off to Marian Van Pelt. Marian is a subject matter expert in decarbonization. She has been an author for IPCC, the Intergovernmental Panel on Climate Change, methods and is sought after for that role. For us, she leads our climate business and has for several years. Marian is going to talk a bit about that business and where we see the greatest opportunity. With that, I give it to Phil.

Phil Mihlmester: Thank you, Anne. I'm usually referred to as the energy guy, but today, I'm going to talk to you not about energy, but about the infrastructure investment in Jobs Act. We have been asked questions as Joe just asked us about the Act and what we think it means for our business. I'm going to address that right here. $550 billion of new funding represented over the next five-plus years by the Act. Using the guidelines in the Act, and our extensive experience with large infrastructure projects, we estimate that's going to create a $1 to $2 billion per year addressable market for ICF services.

That assumes that the money flows out, and I'm going to talk about that in a minute. The money is directed toward key infrastructure areas where we have extensive expertise and experience: energy, water, transportation, broadband. These are all core competencies of ICF. In the federal space, the government is now standing up the rules and regulations for rolling out this money, converting the legislative language into actual procedures for getting the money out.

As Anne said, we've already received several millions of dollars of tasking from our existing federal clients under existing contracts to help them stand up these programs, and we're doing that. Further, we have extensive relationships with all the federal agencies that will be handing out this money and long-standing contract vehicles that allow us to get access or them to access us for the services.

Similarly, as you have heard previously in previous conversations, we have a significant state and local government footprint at ICF. As this money goes from the federal agencies to primarily state and local grantees, which is where the bulk of the money is going to go, we're ideally positioned to help these state grantees stand up and deliver their actual steel-in-the-ground infrastructure projects.

We have a long history of doing exactly that, for example, on large water and large transportation projects and also energy projects. In addition, under the Act, money's going to flow directly to industry, particularly the energy industry, to modernize our grid infrastructure and create the clean energy transition that the Biden administration has been talking about. With our extensive footprint in the energy sector, once again, we're ideally positioned to help our existing energy industry clients accept this money and do all of the planning, due diligence, analysis, environmental permitting support work, to stand up the energy infrastructure components of the Act.

Funds have already been appropriated in FY 22 and the FY 23 budget request significantly ramps up that funding. We think it'll start to actually flow from the agencies to the grantees, probably late this year / early next year, and ramp up during FY 23, FY 24, as Anne said. We believe that we're ideally positioned to take advantage of this once-in-a-generation investment in the nation's infrastructure. With that, I'm going to turn it over to Marian to talk about our climate business.

Marian Van Pelt: Thanks, Phil. Hi, everybody. I'm Marian and I'm excited to talk to you today about our climate business. Our clients are recognizing the risks of climate change, and they are taking action, and that is leading to a strong demand for ICF services. Our offerings go from advice through implementation.

For example, we can help them where they begin, at setting targets, understanding their greenhouse gas emissions and their risks. We can then look at their options, doing cost-benefit analysis, more risk assessments, look to see what they can do to achieve those ambitions that they have for making them more resilient or reducing their greenhouse gas emissions. Then putting it together, no entity is going to go about this transition in the same way. We can help them to chart their pathway to achieve those goals by applying a variety of different tools that I'll talk about in just a moment. We can then help them design policy or implement programs.

Once they've decided what they want to do, we can help them figure out how they will do that. Then when it comes to actually making durable infrastructure changes, we can help them as they decide to do what planning is needed to make sure that those investments actually achieve the outcomes that they're hoping for. For example, in my business, right now, a lot of organizations, particularly municipalities, are very interested in figuring out how to design for electric vehicle infrastructures. What do we do for them? We help them look to see where that would be most optimized not only where there's the largest demand, but they're considering other things such as energy justice and access. We help them consider how to meet all of those things while achieving the decarbonization that they're looking for in that space. All that together, we're seeing approximately $1.5 to $3 billion addressable market and growing. This is all driven by strong tailwinds in all of our markets.

Phil just spoke about the federal investments, and the IIJA, much of which will be going towards clean energy and climate investments. Our own analysis has shown that there's a significant amount of investment need for utilities to decarbonize and to become more resilient in the face of a changing climate. As you're probably well aware, the SEC has proposed new rules for disclosure that is likely to triple the number of entities that have to disclose their greenhouse gas emissions and their climate risks.

Then finally, the states and municipalities across the United States and beyond have put together aggressive climate action plans that are going to lead to even further investments. Together, these actions indicate a very strong opportunity space for ICF's climate and clean energy business.

ICF is ready to capture this momentum. We've been investing in technology; an exciting two here that I'll talk about which have been designed and implemented in this time span between now and when we've last spoken to you in 2019.

The first is CO_2Sight. CO_2Sight is our marquis decarbonization tool that allows climate clients to visualize a variety of pathways that they can use to achieve their GHG decarbonization targets. ClimateSight is a geospecial tool that will allow entities to look at the physical risks that their portfolios face in the face of a changing climate. We've got 2000 climate, energy, and environment professionals that apply these tools to create insights for our clients to act and make new changes and implement new policies or measures, and that's sitting on over 40 years of history in this space that ICF brings to the market.

Now, that 2,000 number is more than the number of people that are in my business. That's the information. This is a very multidisciplinary field. We do tap into the expertise of all of those -ologists, all the energy staff, and everyone else across ICF who touches climate more and more each day. Then we've launched the ICF Climate Center that is being used now to amplify all of the thought leadership, the successes, the climate stories that we have and that's bringing more and more clients toward us as they get to know the type of things that we are able to achieve to help everyone on their climate journey.

Those clients come to us seeking market-leading capabilities such as greenhouse gas accounting, EV infrastructure planning, energy justice, environmental justice, climate risk analysis, and many, many more.

Here's one example. We're here in New York City and we've been working here for quite some time. Our work in New York City is a strong example of how we bring these capabilities forward into the market. When New York City wanted to chart its pathway to carbon neutrality, they turned to us and they did that because we built a strong reputation together with the mayor's office and strong stakeholders in ConEd and National Grid. They trusted ICF to understand each organization's unique perspectives and priorities and to deliver high-quality and objective analysis. How did we do it? Well, we brought together those climate analytics and energy modeling that I talked about in the last slide but also deep engagement with these stakeholders to understand their priorities and outreach across the communities that will be impacted to talk about the issues that matter to them.

As a result, New York City now has these pathways to realize their goal of carbon neutrality by 2050. Then a separate study that we did for ConEd on climate vulnerability has been cited as the gold standard for this type of analysis.

This is just one example of how we bring our climate services forward to meet today's challenges. We know that these needs are going to be only increasing in the face of a changing climate. With that, I'll hand it back to Anne and we'll be taking some questions.

Anne Choate: Thank you. Great job. Again, if you are online and you'd like to submit a question, just submit it in the chat and we'll read it in the room. It looks like Toby might have the first question.

Toby Sommer: Toby Sommer from Truist Securities. What is ICF's current market share in the markets that you cited as relevant and pertinent for the IIJA?

Phil Mihlmester: Toby, that's a very broad question. As you know, we are a significant player in the energy consulting space and the energy services space. Our energy efficiency business, we probably, historically, have a 10% market share, I think you know that. Our advisory work, though smaller, we are probably one of the top three firms in financial due diligence, market analysis, engineering due diligence, all the things that go into bringing infrastructure online and we work directly with industry and directly with developers on that. In transportation, Anne, what would you say?

Anne Choate: In transportation at Federal Highways [Administration], we dominate. We have seven or eight mission support vehicles there where we get more than our share.

Phil Mihlmester: Yes. We've done multiple water projects. We did broadband, I think Andrew probably can comment on that, several years ago through HUD. We have, I think, pretty good positioning on all of those infrastructures. We're known.

Anne Choate: Transit is one, so you can imagine, there's a project that we won which is for the Bay Area, for BART in San Fransisco. This is before IIJA. The way they did that procurement is that they had a unique single procurement that was for environmental. We won that as a prime. It was highly sought after, but because of the way that they procured it, we had to fight for it, but we won that project.

I think, to the extent that IIJA-related funds translate into those kinds of big projects, I know we're not talking about environmental here, but that's an environmental. It drew on our climate, it drew on our transportation, it drew on our energy understanding, even though at its core, it's an environmental standalone contract. Sorry, we don't have specific market share for all.

Tom Maher: Hi, Tom Maher from Hilton Capital. With relation to carbon neutral, like you were talking about New York City. I'm just trying to understand who is the client when it involves different stakeholders. You guys talked about the bid and proposal process that you've tightened up. Who are you bidding? What are you bidding? And then how do those contracts flow over time?

Marian Van Pelt: Perhaps I can start. I know Phil can add some color to this. The one that I cited was a particular case example where this activity was funded by a consortium that included the utilities and the city. That's more unique than how we normally go to market, that's a great option for us, because especially where we have those experiences with the public sector and the utilities, then that puts us in this space where we really are quite competitive relative to some of our competition.

More broadly, we bid for work in the public sector space. In the private sector space, I really think that, in particular, the Climate Center right now, is drawing more and more interest to us. We also build on the reputation that we have from our legacy energy work that brings these new capabilities and new concerns about climate, we're able to offer to those clients that have relied on us for different work in the past.

Anne Choate: The reason those two New York stories, not just because we're in New York, but those two New York stories are so important is that, as Marian said, it's exactly—it was a consortium. We have a legacy of working with NationalGrid, with ConEd, and with the city, the mayor's office over multiple administrations. We've been saying to the city, "You will never hit this goal unless you get the utilities on board." We've been saying to the utilities, "We'll do this work for you to think about pragmatically how you can get there." It was a lot of, "You're never going to get there unless you bring these people together." Then they did, and we were able to be the hub of that wheel, if you will. In the vulnerability one, why that was so exciting is that was the first vulnerability study that's public, where a utility went to look at its climate-related risks. This was largely driven by Sandy.

They went to look at their climate-related risks and then they followed into implementation. We had both the vulnerability study itself and the implementation were at scale, and we've been waiting to see the scale. That's why that one's particularly interesting.

Other questions? I think we'll move on to the next segment. I think that next up, I'm going to be introducing Val Jensen, he's going to be on the screen, and David Pickles who's coming up to the stage.

Val Jensen, we invited him to this Investor Day, because Val recently rejoined us, but Val has been playing a pretty relevant role out in the world. We thought that his perspectives on what utilities need and what challenges utilities are facing would be of particular interest to this audience. As I mentioned, Val just rejoined ICF, but he had been serving previously in a lead of strategy role for Exelon. He brings more than 40 years experience in the utility industry.

He's going to basically provide his utility executive's perspective on the challenges facing utilities these days. Then I'm going to have Val pass the mic over to David Pickles, who leads strategy for my group and is going to be talking a little bit about the work that we do inside of our energy business, how we're trying to respond to those challenges that we see our clients facing, and talk a little bit about some of those non-traditional programs and provide some examples. With that, I'll turn it over to Val, who I think will show up on our screen. Hi, Val.

Val Jensen: Hi. How are you? Thanks for the introduction and it's great to be with everyone. As Anne said, prior to rejoining ICF, I spent the better part of 12 years with electric utility ConEdison and then at Exelon in a variety of positions, the most recent which I was the Senior Vice President for Strategy and Policy at the Exelon Utilities. Anne has asked me to spend a little bit of time with you guys this afternoon to provide at least one person's view of the utility piece of the commercial energy market.

Let me begin by suggesting that many of you probably don't spend a lot of your day thinking about the electric utility industry. The most important thing to understand about that business is that it revolves around capital investment that is ultimately governed by state and federal regulators. Virtually every decision is either related to where the capital should be invested or is designed to ensure that the utility retains its regulatory permission to continue to make that investment.

The industry aims generally at EPS growth of 7% to 9%, which implies a really large amount of capital, billions and billions of dollars invested each year, which, in turn, translates into rising electric rates, which creates nervous regulators. The need to continually demonstrate the value that customers receive from the utility exceeds the cost that those customers are being asked to pay is top of mind for utilities and drives a large part of their strategy.

That strategy, however, in the demonstration of value is getting more complicated by the five things that I've popped up on this slide. If you visit virtually any C-suite or boardroom, you're going to hear some discussion of some or all of this collection of shapers of the utility strategic environment today, beginning with carbon or climate, which is probably the principal shaper considering both decarbonization and resilience. Virtually every major utility that I know of has made some sort of decarbonization commitment. Sometimes, however, without fully understanding the implications of what those commitments might mean. That said, if you catch many executives in a private moment, they will tell you that adaptation and resilience is really their focus. No CEO in the utility industry is going to be fired for missing a decarbonization target, but some have and more will be fired for presiding over major outages or fires.

Most fundamentally believe that their mission is to keep the lights on. As a magnet for utility capital, resilience is a really big shaper of the strategic environment.

Probably the second most important shaper is something called distributed energy resources. This is closely related to climate response. Distributed energy resources include things like rooftop solar, battery storage, demand management, and so forth.

In a nutshell, the more distributed energy resources that are plugged into a utility grid, the more complicated that grid becomes to design and operate, and thus, the more that needs to be invested in reliability and controllability of those distributed energy resources.

The thing called the awakened customer or customer awakening really stands for customer empowerment, which means that customers are increasingly demanding choices and control and how they're served by the utilities. This isn't a big driver of capital investment but getting the response to this customer empowerment desire right is absolutely critical for demonstrating value to regulators and maintaining permission to invest.

Finally, this thing called the justice imperative is a constellation of issues at the intersection of affordability and the economic health of communities. The industry is very concerned that the investment required to address the first three of those shapers will drive prices beyond the point that the utility will maintain permission to invest capital.

That combined with the fact that utilities are place-based and they have a vested interest in the health of their communities drives a search for new approaches to affordability, beginning with a better understanding of how to measure the utility’s impact on affordability.

Can I have the next slide, please? Combined, these shapers are driving more need for advisory and program services. At least I personally have seen since the retail restructuring revolution of the early '90s.

This slide illustrates the types of services that are required by utilities that are currently being purchased to meet those five shapers that I just talked about. Dave is going to give you a deeper dive into these. Generally, there's a huge need for both advisory and program design implementation services across each of these five areas. With respect to advisory services, we recognize that utilities are basically big engineering and construction management companies. They're not great at understanding or adapting to change, which creates a large variety of opportunity for advisory services related to the implications of change the industry is now facing. For example, every utility that I know of is struggling with how to decide how much capital and mindshare to allocate to decarbonization versus resilience. In some cases, to these utilities, that's almost an existential challenge for which they will admittedly tell you they are unprepared.

Each of these areas also creates a large program design and implementation opportunity. Utilities on the whole do not view themselves as administrators of large-scale customer initiatives; that's just not in their wheelhouse. Electrification, energy efficiency, distributed energy programs, not the sorts of things utilities know really how to run, nor do they want to take on the operating expense associated with those programs, and so huge outsourcing opportunities in the areas of electrification, distributed energy use, much like the opportunities that ICF has been taking advantage of in energy efficiency for the last decade or more.

As I said, David will give you a much better sense of ICF's offerings in these areas, but as one who purchased a lot of both advisory and program services, many of which were from ICF in the day, I know that ICF is well-positioned with respect to each of these shapers. With that, let me turn it over to you, David.

David Pickles: Thank you, Val. As Val mentioned, our energy business is characterized by a growing number of issues and stakeholders and technologies, and ICF's been supporting that diversity of issues for a large number of clients for many years now with services really ranging from technical and engineering analysis, to regulatory strategy and policy and cost recovery mechanisms, all the way to customer recruitment and engagement. That end-to-end service is becoming increasingly important.

As Val mentioned, this capital allocation process requires a showing to regulators about the benefits of all these different value streams, to the ultimate people who pay for it, the ratepayers. Importantly, realizing those value streams by implementation that's really informed by an understanding of that strategy, is becoming fundamentally important to their buying process and something where ICF is especially well-differentiated.

Although the full list of services is important, and is growing, let's grey out some of the advisory services for a moment and focus on really the program implementation work that's done for gas and electric utilities. For us today, that's around a $220 million a year business that really focuses on both the traditional energy efficiency business that you've heard us talk about, quite frankly, for many years, as well as slightly newer services, including things like electrification, and flexible load management.

The business falls into two general categories, that which we call traditional, which you think of that as the energy conservation business. It's driven by state regulations that require utilities to achieve certain load reduction targets. The total spend in North America is around $9 billion a year, of which about $1.2 billion is addressable by ICF. That market is growing at about 2% to 4% a year.

We think we're going to grow a little bit faster than market growth, perhaps around 5% a year, really, as we both roll out new offerings, as we grow with new state regulations, and particularly as we pick up market share in our non-residential market. We have a very strong residential market share and opportunity to grow in the non-residential market.

We're especially excited about the growth in the non-traditional programs. By non-traditional programs, I mean, electrification and flexible load management, as you've heard us talk about in that previous investor day, but now by decarbonization programs and equity programs, programs that are really designed to ensure that all ratepayers participate equitably in the overall transition to a low carbon economy. In utilities today that comprises about 15% of our business. Utilities are starting to spend real money in that. Since we talked to you last time at the last Investor day, I think now we got 19 utilities that we support electrification on with a budget of about $27 million a year.

I think we've got 12 utilities, plus or minus, where we support their flexible load management programs, with about $11 million to $15 million a year in budget. Real money is now starting to be spent in these areas. We got a pipeline of about $70 million or so on those businesses. It's real money, we project that that market is growing at about 30% to 35% a year. We think we're going to beat that, growing at about 40% a year. We've already got a pretty dominant position in the electrification market. As that market grows and creates new addressable market, and non-traditional services, we're very confident of our ability to compete there. Collectively, we think those programs are going to grow mid-single digits to low double digits over the next four or five years.

The programs that I just spoke to and the issues that Val mentioned, really play very well to ICF's strengths. We often lead with our advisory services, which fairly frequently convert into implementation of our delivery programs. Which isn't surprising when you think that ICF is perhaps the only firm in our space that when developing, say, an electrification program, we can understand not only what it takes for a customer to buy an electric vehicle, but what's the impact on grid reliability and resilience of thousands of customers purchasing those vehicles? What's the value associated with the carbon reductions associated with that program? What are the health benefits associated with reduced tailpipe emissions? How do you create a charging infrastructure that is equitable to all customers in the service territory, and that you don't have low-income customers who aren't eligible to participate?

When you're building out the network, how do you make sure that you're not covering not only the transportation corridors but if there is a hurricane, what are the evacuation corridors and how do people with electric vehicles get out of that? We're one of the very few firms that can think about those issues all under one roof. When you combine that with the fact that we've done I think 110 decarbonization plans for utilities, state and local, and federal agencies, when we've operated over 400 energy efficiency and distributed resource programs, when we're doing, as Marian mentioned, the gold standard work in resilience and when we've, for many decades, been doing a lot of the energy justice and environmental justice and health justice and transportation justice work for a lot of federal agencies, we believe that we're very well-positioned to compete in those markets.

A great example of that is some of our work in New York, and Marian already spoke to some of the decarbonization planning work that we've done. ICF now operates the largest electrification portfolio in the country with a suite of programs we have in New York. We operate electrification programs for all of the investor-owned utilities in the state, and now we've got a staff of over 70 that support the Mayor's Office of Climate and Environmental Justice, helping over 6,000 buildings who are subject to new energy efficiency standards to help address and move in that direction.

Another good example is our work with Entergy. Entergy is a utility holding company that owns utilities in four states, Arkansas, Louisiana, Mississippi, and Texas. They've articulated their vision to support all of their customers in the transition to electrification and low carbon. ICF was able to leverage our long-standing work with those utilities delivering their energy efficiency programs to now deliver their electrification programs in four states.

We are providing marketing, technical support, incentives, call center, and infield management and technical services, to get those customers to invest in not only electric vehicles, where a lot of the energy is in the market, but a broad range of things ranging from industrial process heating to airport ground support equipment, to forklifts, to digital billboards.

It's a very comprehensive suite of programs. Collectively we think that the increasing number of options and issues and stakeholders combined with ICF's experience on both the advisory and the implementation, as well as our deep roots and embedded infrastructure in many of these utilities, gives us a great opportunity to compete. With that, I'll hand it back to Anne.

Anne Choate: Thank you. I think we'll take some questions on commercial energy before we hand it over to John and the last panel. Questions on energy. Again, I'll say this, if you're online, you can enter questions into the chat.

Participant: Just a quick one on commercial energy and rate base economics, I guess may be the term. I think I'm correct that your traditional programs can be incorporated into the rate base, I believe, energy efficiency. Just wondering on some of these non-traditional programs, if that's something that the utilities can invest in via the rate base or not, or if that's an exogenous cost for them to build on?

David Pickles: No. It is transitioning to be invested in the rate base pretty comprehensively, and there are a couple of things driving that. First, regulators have an obligation to make sure that electricity is safe, reliable, and affordable, and that affordable element is getting a lot more review nowadays before Public Service Commissions. They have an interest in driving efficient use of the system so that the fixed costs are spread over a larger sales base and can be more equitable to all customers.

You're seeing a variety of proceedings in which ICF experts will often testify in support of their utilities to make sure that utilities can get cost recovery free for these programs. It's not universal. There are some states in which it's still treated as a marketing expense, but particularly as we see states like New York and Massachusetts and to a degree Maryland now and other states, are expanding the traditional definition of a utilities' goal beyond just reducing kilowatt-hours to reducing carbon, that gives them an opportunity to include electrification. So you are seeing much more, I think, sympathetic perspectives from utilities to allow recovery.

Anne Choate: I know we still have Val. Val, is there anything you want to add to that?

Val Jensen: I would say, if I understood the question correctly, that a lot of these program costs are treated as expenses in terms of utility rate-making and don't technically go into the rate base. There are some states that do allow actual rate basing of energy efficiency costs, but most of the time, it is an expense. It goes into a revenue requirement and not the rate base.

Now, I think there are increasing opportunities in **[unintelligible 01:57:08]** ways to convert what historically has been an expense into a capital item that would be rate basable, which means that utilities are going to be much more likely to want to spend money on those things since they'll want a return on them.

Anne Choate: Thanks. Any other questions? Yes.

Participant: Do you have internally all the resources and capabilities to prosecute the faster part of the market that you described? If not, are there external investments you can make to enhance your position?

David Pickles: The short answer is, the infrastructure and the skills that were really bought and paid for by the energy efficiency business—how do you understand what the technical opportunity for a measure is? Whether it's an electrification measure or a conservation measure? How do you influence a customer to make a technology choice? How do you change that behavior with an incentive? How do you support that customer? How do you provide technical support?—a lot of those skills are the same whether you're doing electrification or whether you're doing energy efficiency. The answer to that I feel is, yes, and I think the fact that we've got such a powerful market share in electrification is perhaps a testament to that.

Now, we continue to invest in things that we think are especially important. For instance, over the past few years, we built a very strong behavioral economics group that really understands how people make decisions in technologies and how can you take some of the lessons learned from our retail and commercial practice or from our airlines practice about how different incentives drive behavior. We've been investing pretty heavily in that. We started in the electrification business long before our competition. I think our oldest program is 12 years old now. There are always, I think, improvements that we want to make, but in terms of a fundamental gap, I don't see any.

Anne Choate: I think I would just add that, in the equity space where ICF has, we have decades of working these social programs that we talked about earlier, we've been able to bring those equity and social science skillsets to a new problem, and then marry them up with the behavioral economics and others. I think more what we're doing is filling small gaps, not filling larger gaps of the expertise. It's more like, "Should we put a person on top of this team?" That kind of question.

John Wasson: I just want to add, Toby. I agree with everything that's been said. I do think, when we think about the M&A strategy for ICF, I think we remain very disciplined. We're focused on these growth drivers. I think energy is an area where we're certainly scouring the landscape for firms that create some expertise or scale. I think several areas we've talked about **[unintelligible 02:00:14]**. I think a lot of opportunity came along, this **[inaudible 02:00:21]** I think energy is an area where we would certainly consider adding capabilities.

Anne Choate: I think that Lynn has told me it's time to move on. Well, thanks, everybody. We appreciate your interest and we're glad you're here today. I'm going to hand it over to John, who will introduce the next panel. All right.

John Wasson: Great. Well, I want to thank Anne and Mark, and their teams for presenting on our five growth areas. I think I said at the outset that these folks would demonstrate their passion and their commitment to the work, their willingness to collaborate, and their deep expertise. I really do think that that shone through for us. Thank you. We're going to shift gears here and focus on some of our corporate areas that are critical to supporting our growth objectives.

I have three leaders of corporate functions here to present on those activities. First up, we have the head of strategy, Dave Speiser. Dave also plays a critical role on our corporate citizenship efforts and defining the impact that ICF has for clients. I think, as you know, we take corporate citizenship and ESG issues quite seriously. We are an impact company given the nature of the work we do.

We're going to spend a little bit of time talking about that and those efforts. Then we'll have James Morgan, who's our chief of business operations, spend some time giving an overview of our business operations activities to support our growth and improve our margins, and also talk about M&A which that function and corporate development does report to him. Then lastly, we'll have our new CFO, Barry Broadus, give a financial overview of our efforts. With that, I'll turn it over to Dave.

David Speiser: Thanks, John. Good afternoon, everyone. ICF has impact on the world both by how we operate as a company and especially by what we do for and with our clients. The impact we have from how we operate as a company, of course, is captured under the ESG rubric. On the environmental side, as many of you may know, we're proud of having been carbon neutral since 2006. More recently, we were awarded an A List designation by CDP and, separately, we were given a Climate Leadership Award as well.

In the social dimension of ESG, we're very proud to have been named to Forbes Best Employers for Diversity list for both 2021 and 2022. Our philanthropy is driven primarily by our matching program that's driven by employee-giving choices. In the governance dimension, we're very proud of our structural approach to governance as well as by our robust ethics and compliance program.

If any of you are interested in other aspects of our ESG posture, I'd encourage you to look at both our corporate citizenship report and our shareholder proxy, of course both of which can be found on our corporate website. Also, keep an eye out for our updated 2021 Corporate Citizenship report, which should be published later this summer. It's always an award-winning presentation. I'm sure that will be true once again this year.

Of course, the impact we have on the world from our client work is what attracts most of us to the company and why most of us stay working for ICF. We've received questions from investors about our ability to quantify the impact that we have on the world through our client work. The impact we have on society through our client work and our ability to quantify it really depends on the kind of work that we do. We really want to describe for you three different categories of our work and talk about how to think about quantifying that impact.

The first, the most difficult to quantify, is the work we do to support our client's enterprises overall. That work can include things like enterprise IT support, workforce strategy, policy analysis. When we do that work, we are supporting the entirety of the client's mission. We like to associate ourselves with the impact they have through that mission, but it's very difficult to quantify the specific impact that we have.

You've heard today many examples already of how we do specific program support and execution work for and side by side with our clients. Those programs often can analyze their impact extremely carefully. You can give specific impact characterizations for those programs. We love to associate ourselves with the impact that those programs have but we're doing it with our clients. Some of that impact might be attributed to ICF, and we'll describe some of those examples for you.

There are some cases though where ICF is directly and completely responsible for delivery of program benefits to the recipients, and we'll give you an example of that today. In those cases, we feel comfortable in attributing all of the impact of those programs to ICF. I want to give you an example of how to quantify that work and compare it frankly, with the size of the business that we have in that space.

First, let's talk about enterprise support. While it's difficult to actually quantify the specific impact this work has, we're very proud of the fact that the clients we support have missions that cover the entire span of the UN Sustainable Development Goals, or SDGs. If you're familiar with the impact space, you'll understand that most companies associate themselves with impacts in one or two or three of the SDGs.

ICF is somewhat unique in being able to cover all 17 SDGs, whether it's support of USAID to end hunger, the European Commission to enhance partnerships among governments, Department of Health and Human Services and you've heard a lot of our work there from both JC and Jen, our work for our enterprise clients spans all 17 SDGs, and we're all very, very proud of that work.

It's much easier to actually quantify the work that we do in support of specific programs for our clients. Many of you, if you've covered ICF for a while, understand our impact in some of these areas. I want to cover some specifics here for you today. ENERGY STAR. ICF was present at the creation of ENERGY STAR. We were there in the room, and we've supported it everyday since. ENERGY STAR in 2020 saved 520 billion kilowatt-hours of electricity in the US, $42 billion in energy costs, and kept 400 million metric tons of CO_2 out of the atmosphere.

Jen talked about the BioSense syndromic surveillance system for the National Syndromic Surveillance Program. 6 to 8 million health level 7 messages arrived daily from emergency rooms all across the country into CDC and informed the core of CDC's understanding and response to the COVID-19 pandemic. The work we do for the National Cancer Institute in the Smokefree.gov campaign helps hundreds of thousands of Americans quit smoking with personalized support and doubles their chances of success.

You probably know we've supported Head Start for a very long time. We cover multiple regions of the country for Head Start. Of the one million children and families that are enrolled in the Head Start program the regions we support cover over half of those children and families.

Finally, you heard Andrew talk in great detail about our Disaster Management Recovery Mitigation programs. We've helped manage over $63 billion in federal funds and helped hundreds of thousands of homeowners recover and return to their lives and their homes.

We do this work with and for side by side with our clients. We're very proud of this impact. I'm sure they're very proud of the impact as well, and we share the attribution for that. I want to give an example of how to quantify the impact we have, and one of the businesses you've already heard about today, and that's energy efficiency demand-side management.

In 2020, ICF conducted over 160 specific energy efficiency programs around the nation. When you add up all of the savings measures that were part of those programs, validated by third parties and reported back to utility regulators, the actions we took helped save over the lifetime of those actions, 5.1 million megawatt-hours of electricity that equates to 12.1 million metric tons of CO_2 kept out of the atmosphere. That equates to somewhere between two and two and a half million cars taken off the road.

At the same time, billions of dollars of cost savings for those energy users and consumers. After accounting for program costs, including our own revenue and the cost of incentives, that saved users, customers $3.4 billion. That's real impact and I take you back to David's presentation of this business being slightly over $200 million. We're talking about impact that's 15 times the revenue that ICF took in.

If you're in the impact investing space, I hope you agree that that is a really great impact investing opportunity. With that, I'm going to turn it over to my colleague, James Morgan, our chief of business operations.

James Morgan: Thank you, Dave. As Dave mentioned, I'm James Morgan, Chief of Business Operations or known internally as the CBO. As the CBO, I have a multitude of responsibilities that both directly and indirectly support the growth efforts of the company. Just to give you a little bit of color, those responsibilities include things like leading monthly business reviews of each of the groups to go through and check the status of activities with regard to financials, business development, people issues, things of that nature.

I'm also responsible for approving various key activities. If there's major investments, if there's large complex bids, reviewing and approving those sorts of activities. Also, I have overall responsibility for various corporate departments such as contracts, IT, transformation efforts, and corporate development, which obviously is key to our growth efforts.

Given my role, one of my key areas of focus in partnership with Barry, our CFO, is to drive margin improvement. It's been an area of focus for the last several years, and we've had some nice multi-year improvement. In fact, if you get back to 2019, we had 13.4% margin. For 2022, we're looking at having 14% margin. I'm measuring margin as being adjusted EBITDA over service revenue. We expect to be able to continue delivering margin improvement like we've done in the past.

We see that margin improvement coming from a multitude of areas that are listed on the left side of the chart, but they include improving utilization as we win larger jobs and add more scale like Mark talked about earlier today, as well as we have various efforts ongoing to mature back-office systems and increase automation, which is allowing us to scale more efficiently and reduce infrastructure cost.

Another big initiative that we've had in recent years has been to reduce our facility footprint. In fact, if you look at the last two to three years, we've eliminated $7 million of annual facility expenses out of our cost. As we move into our new headquarters next year, we'll save another $3 million of annual facility-related expenses. Those savings, as you also heard today, a lot of it is going back in helping to drive organic growth for the long-term of the company. It's being invested in things like business development and marketing, recruiting, retention, training, things of that nature. Then a portion of that is being dropped to the bottom line to deliver margin improvement. As a result, given our margin improvement efforts, combined with our strategic acquisitions that we go after that have usually pretty favorable margins with those also, we have the visibility and the confidence that we'll be able to continue improving margins for the next several years by 10 to 20 basis points on average per year.

With regard to acquisitions, as I mentioned, one of my overall areas of responsibility is corporate development. As you would expect, that includes things like identifying and evaluating M&A targets, managing the due diligence and integration processes, and leading valuation negotiation efforts. As represented by this chart, ICF has had an acquisitive history. In fact, we've been a successful acquirer since we went public in 2006.

Those capabilities or those acquisitions that we've acquired, many of those are capabilities that we now consider to be core to the company, including capabilities that you've heard about today that we expect to drive future growth for us.

For instance, if you look to the left of this chart, Caliber and Macro, that provided to us the ability to serve clients in the social programs in public health areas.

If you look at DMS, although it was a small acquisition, it provided critical skills in the disaster recovery business. Most recently, we've built a high-performing technology implementation business on top of our legacy IT business with the ITG and Creative Systems acquisitions. As we move into the future, we're going to continue building out capabilities in our key growth areas, and we're going to add new core capabilities and market access through acquisitions as the markets and the company evolve.

Our M&A strategy is relatively straightforward. As indicated on the chart, we're growing capabilities and key growth markets. That's what we focus on. We also put an eye to revenue synergies whenever we bring on acquisitions. That's a big focus.

Our ability to find deals is often dependent upon ICF being the destination of choice by the leadership of the acquisition targets. They want to come to ICF, which is great because of our distinctive culture that you've heard about today from John and from others.

However, we are increasingly seeing the need to help companies transition from small business to full and open competition. I'm pleased to say that we've built that capability. It's proven with the acquisition of ITG and Creative Systems. Both of those acquisitions were mainly small business portfolios when we first bought them. They're obviously not that now, and they've done quite well since they came on board with ICF.

Obviously, our M&A is enabled by our great cash flow. It's something we put a lot of focus on. As we lever up, it allows us to basically pay it down and regenerate our financial capacity to do acquisitions.

If you look to the right side of the chart, like most companies, we have a series of filters that we use to assess targets. I think most of these are common sense. A few things I would point out. Obviously, new capabilities, market access is why we acquire. We seldom do it just for scale. Cultural fit is a must. It's not only a differentiator for us, but we want to work with colleagues that basically buy into what ICF is all about and what our mission is. We're not a “fix it” shop. We do not do turnarounds at all. We make sure that we're buying sound businesses with a good management team.

Likewise, we seldom stray from our services business model. It's increasingly becoming more tech-enabled, but we're not a manufacturing company. We're not a potato chip company, we're not going to be. We're going to stick to our knitting. We strive to make sound business decisions when we deploy capital. That's why, in some cases, there may be a lull in periods of time when we're doing acquisitions. It's because we're looking for the right deal, the right price, the right cultural fit, the right management team, the right business.

We do everything we can to avoid bad deals. The last thing I'd mention is that all of our M&A process is underpinned by a very disciplined process. We have a dedicated M&A team. It's an extremely talented team. We have a formalized playbook as to how we do due diligence and how we do integration. We stick to it to make sure that we have success in our acquisitions that we do. With that, let me turn it over to Barry Broadus, our CFO, who will speak to the financial side.

Barry Broadus: Thank you, James.

James Morgan: You're welcome.

Barry Broadus: Hello, everybody. I'm Barry Broadus. I'm the Chief Financial Officer at ICF. It's a pleasure to be with you today and to talk about ICF’s financial performance and also touch on the guidance for 2022. I'd like to start off by talking about our financial position with a couple of key financial indicators, as shown on this particular chart. I think that these financial indicators are a really good indication and exhibit ICF’s strong, sustained financial performance.

If you take a look at this chart, we've had great performance over the past several years, and I've highlighted the financials from the last time that we met in an in-person investor meeting from 2019 through 2021. If you take a look at this chart, it really highlights how our unique market position along with our capabilities and our deep domain expertise have really driven a strong track record of financial performance.

We'll just go ahead and start by examining our service revenue, which over the last three years has grown at a compound annual growth rate of 5.4%. This expansion has been delivered by expanding our customer base with those capabilities that we talked about in the key growth markets that you've heard about today.

Turning to our adjusted EBITDA, which has grown at a faster pace than our service revenue, with a compound annual growth rate of 8.8%. These results were driven by a favorable revenue mix, our high utilization, and many of the initiatives that James had talked about to create economies of scale and efficiencies in the business.

Our non-GAAP EPS has also grown at a compound annual growth rate which is faster than our service revenue at 7.7%, and this is due to the same business drivers that really drove our adjusted EBITDA.

Now, turning to our cash flow, as we have reported, ICF has a history of generating strong cash flows from operations. This has been a trait throughout the last several years and we expect that to continue.

If you look at this chart, you see sometimes we have a spike or two in our cash flow. This is usually due to the timing of when we receive a payment or a collection. Now, given our low requirements for CapEx and other cash expenditures, we typically have a very high conversion of cash to net income. This is a great trait and provides the fuel for many of the activities that we heard about today.

As we look to the future growth and stability and predictability of our revenue streams, one of the things that you look at is our backlog and our pipeline. These are really strong indicators of our future success. The first quarter of this year, we announced that we had record backlog of $3.2 billion. This was broken out with funded and unfunded backlog. The funded backlog was at $1.6 billion, and that backlog component is very important to the future success and stability of our revenue streams.

This impressive backlog was driven by our strong sales results which accounted for our book-to-bill on a trailing 12-month basis of 1.27. That's a terrific result and really fuels that backlog.

In addition, we recorded a record pipeline of $7.9 billion and, as you know, that pipeline is a catalyst for future revenue growth. We're very pleased to have that point as well. If you look at the backlog and the pipeline over the three-year period, you've seen that we've had substantial growth in both of those indicators. Again, that's a real great view into the future growth of the company and really speaks to the stability and predictability of our financial success.

As we reported on May 9th, we entered into a new credit agreement. The credit agreement really provides the flexibility that we need to fuel that future growth and including acquisitions. The credit agreement really consists of three main components which is a term A note of $300 million, access to a $600-million revolver and access to a $400-million delay-draw term loan. This really provides the company with a great deal of flexibility to fuel those growth initiatives that we talked about as well as acquisitions.

If you look at the right side of the chart, let's look at our leverage position and our debt capacity. Now, the darker blue sections of this chart indicate our leverage position; the lighter blue is the debt capacity that we have. As you see over the several years, we have most recently added to our leverage position through the acquisitions of ITG as well as ESAC and Creative, and those happened in 2021. We added the leverage, but from a historical perspective, the company typically deploys capital for acquisitions and then quickly de-levers.We had that ability to de-lever based on the strong cash flows that the operations generate.

We expect this to continue. If you look at 2022, we have an estimate of the amount of de-levering that we'd be able to produce given the strong cash flows from the company. Now, this along with the additional capacity from the credit agreement will provide us with about $380 million of dry powder to fuel future acquisitions and other growth initiatives.

This view certainly doesn't consider any acquisitions. We certainly expect to have acquisitions in the future which has been part of our history, but this doesn't include any acquisitions. It also takes into account a reserve for $100 million of working capital. We also cap the amount of capacity at four and a half turns of leverage.

From a future-looking perspective, we don't expect to be at a leveraged position at four and a half turns. We'll continue to do acquisitions, and drive those through the company to improve our capabilities and access to customers. From a leverage perspective, we expect to be at four turns or less as we go through the acquisition process.

As we reported, in the first quarter on our May 4th earnings call, the company had very strong financial performance. In fact, we outpaced the Street's consensus, which we're very happy about. This performance certainly provided confidence for management in the guidance that we provided for 2022. We feel very good about that performance and our guidance for 2022, which includes the service revenue, our non-GAAP EPS, adjusted EBITDA, and operating cash flows as you see here. With that, I will turn the presentation back over to John, and I appreciate your time.

John Wasson: Great. Thanks, Barry. Much appreciated. I just wanted to reiterate our roadmap for growth and close this out here. In terms of the roadmap for long-term value creation at ICF, I would want to reiterate we have a very clear strategic intent, and we have visibility of how we're going to achieve this growth that I think can offer significant long-term shareholder value.

I think there's six elements or levers that give us confidence in our ability to grow the business in the long run.

First, we've talked about the five long-term key growth drivers in the company. Those today in 2022, represent 70% of our total service revenue and we believe we can grow in those areas at least 10% as we look forward. That will and should deliver high single-digit organic service revenue growth for ICF over the next several years. I've also talked about the investments we're making to capture that organic growth. Those have been significant, and we will continue to do that. As part of that, I think as Mark talked about early in his presentation, those investments are allowing us to bid and capture larger contracts over time both in IT modernization, across our disaster management, in our energy business. That's clearly going to be a part of our strategy to capture these larger, longer-term contract opportunities.

Third, as James talked about, we've had a very disciplined approach to M&A, looking for companies that are a good strategic fit, a good cultural fit, where we can achieve a strong revenue synergies. That will certainly continue to be a key part of our growth strategy with a focus on acquisitions in our five growth areas.

Barry obviously talked about the fact that we've put a new credit agreement in place that has certainly given us significant firepower to continue to execute on our M&A strategy. We will continue to also improve our margins. James Morgan talked about that, and the efforts that will give us confidence we can improve our margins 10 to 20 bps a year as we look forward over the next several years.

Fifth, we'll continue to invest in our people. Obviously, we're in a people business, and so we'll make sure we invest to continue to have high engagement with our people, to continue to be competitive from a compensation standpoint, and also to maintain the strong culture. As I talked about, really, at the end of the day, it's the strong culture that I think is the glue in terms of keeping our talent and motivating our talent here at ICF.

Lastly, we're certainly an impact company. We're very passionate about what we do. Dave spoke at length about the impacts we have for our clients and our efforts on the ESG front. That will certainly continue to be a key element of our strategy.

Given all that, as I say, I think we are confident we can deliver a high single-digit organic growth in service revenue over the next several years. We'll continue with our active and disciplined M&A. That will be a key aspect of bringing in new skills and capabilities into the firm and increasing our adjustable market. As I said, we'll continue to deliver EBITDA expansion.

Given all that, we do believe by the end of 2024 we can achieve EBITDA growth of 65% to 75% by 2024 off of our 2021 EBITDA of $143 million. That basically will represent approximately a $100 million increase in EBITDA from 2021 to 2024. Quite robust growth, I think, given the opportunities in front of us. With that, I think we're going to open it up for questions. I'm going to ask Dave, you can step down. We'll keep Barry and James up here. We're going to ask Anne and Mark to come back up. Thank you.

Moderator 1: We have some questions from our webcast audience namely from **Pavel Molchanov** with Raymond James. International has been around 10% of revenue in recent years. To what extent are the war and focus on energy security bolstering opportunities in Europe? Then as a follow-up to that, how much appetite do you have for M&A outside of the US?

John Wasson: Our European business, I wouldn't say the war in Ukraine has materially impacted that business. I don't think we're seeing new opportunities on the energy front, at least to date related to the war in Ukraine. I think, generally that business has continued to execute without material impacts from the war in Ukraine.

I don't think we're seeing new opportunities yet on the energy security front in Europe. I don't know. Anne, would you want to--

Anne Choate: Phil and I have spoken to Pavel about this topic before. I think that, right now, it's hard to tell what the signals are going to be. I think there's a tremendous tension between wanting to have energy security under current circumstances but also to decarbonize. Trying to figure out how they can achieve those dual goals is going to be a real challenge. I don't think that we have seen procurements that are specifically addressing that yet but that is going to continue to be a challenge for sure. I would expect we'll see opportunities but we have not seen them yet.

Participant: international M&A?

John Wasson: I would say on the M&A front, we're both quite focused on opportunities in our major growth drivers. Again, we've talked about those five growth drivers. I think, to the extent that we saw opportunities in those growth drivers areas that had a European focus, we'd be interested in that but we don't have a sixth area of focus saying we're looking to be proactive on acquisitions in Europe. I think we would consider such acquisitions in the context of, can we add scaling capabilities in these five growth markets that can help us grow globally?

Marc Riddick: Quick question. It's been mentioned in multiple parts of the presentation around where you are with utilization, and given all the opportunities and such, you have in front of you the timing of improved funding from the federal side of things as well. If you could talk a little bit about how much runway or expansion you have with existing staffing, as far as the expansion of utilization with what you already have versus the planning of additional hiring and bringing in reinforcements. Thank you.

John Wasson: James, do you want to take that?

James Morgan: I guess I would say there's obviously a limit of how much you can push on utilization. Certainly over, if you look at our past few years, we've had the ability to, let's say that, if we're growing service revenues by 6.4%, typically we're growing our staff by say, 5%-5.5%. I think we have that same runway to do a little bit of that as we continue going forward for the next few years.

That certainly will continue to help contribute driving margins, but there'll be a limit. You can't take everybody and run the entire company at 95%. That won't work.

Mark Lee: James, just one other point on that. A lot of that's to do with a mix of the work.

James Morgan: That's true.

Mark Lee: I guess we got to the larger deals, they tend to be more dedicated. They tend to have folks at high 90s rather than more of a matrix staff that are lower. I think the base utilization goes up over time, but it will be as much a factor of the types of work we're going after as probably anything else.

Participant: You mentioned a couple of times throughout the various presentations about improving win rates on the contract opportunities you're seeing, and you mentioned an inflection point in terms of your guidance for 2022. Do you think there's an inflection point going on as well, in terms of the competitive positioning of your company and your ability to increasingly win at a higher rate versus the competition?

John Wasson: Certainly, I think we've talked about the significant investments we're making in business development around strategic capture, around expanding the scale of our proposal operation. We've made investments in our price to win to make sure that we're very smart about how we're pricing deals. I think those investments are critical and have paid off in terms of the key forward-looking metrics that we track.

We're seeing stronger sales, stronger trailing 12-month book-to-bill ratios. We have a record pipeline. I do think that, and I think Mark can speak to this, the extent that we can up our game on capture, we write better proposals, you should see that flow through on the win rates front. I think we've seen positive direction there over the last couple of years.

At the end of the day, I would say two things. One is these five growth markets, the markets' expanding, the budgets are expanding. That's a big part of the reason we're growing, is just the increased spend and increased scale. In certain markets, I also think the investments we made have made us more competitive.

I think we've become a leader or the leader in IT modernization in the last three or four years and really improved our competitive position through, I think, our investments and M&A and how we've integrated that. I'm sure there's other markets where that is the case, maybe I'll ask you more first.

Mark Lee: I think sometimes when you're trying to pursue larger opportunities, win rate, if you look too much of that, it can be a little misleading, because, I do expect our win rate to increase on the types of deals that we've been winning, things up to like $100 million. As we start going after bigger things, the win rates on those are just by their nature lower because there's a lot more competition.

I think we need to be smart about picking the right deals so that we can deliver historic win rates for those new things and, hopefully, our win rates go up because that other stuff where we continue to win those at a higher clip. I'll often push my team, if our win rates get too high, we're not bidding enough. We need to be more aggressive as of development, because I care about the sales as much as anything. It's a mix. I think as we take bigger swings, and we're learning how to go after bigger things and how to be successful, then we're not going to necessarily be 50% win rate on day one.

Anne Choate: I was just going to add to that, which I agree with everything that you said to the word. But I think that the other thing that we're seeing in some of the areas I talked about is that, as those budgets grow, you can be more selective about what you go after. You can go after the bigger things. You can dedicate the capture and I think that leads to better outcomes.

Participant: Two questions, if you don't mind. First, as you've integrated in the wake of COVID to large transactions, and some of the policies and procedures have evolved, how are your risk management policies evolving as deal sizes get bigger and the company is expanding into new areas? The second question is, you talked about staying underneath four times leverage. What's the tolerance level for M&A at three times leverage?

James Morgan: Certainly, we're pretty diligent about doing risk profiling on our business overall. We run a scenario planning exercise, contingency business planning exercises. In fact, prior to COVID, we ran a business continuity plan on having a pandemic in the company and how would we manage the business, and to tell you the truth, it helped us quite a bit. We were able to flip to a virtual environment basically overnight.

There was never a hiccup in the business.

As we look at acquisitions and bring them on board, we're prepared to integrate them and be able to continue running those businesses. Whenever there's certain risk, we look at all sorts of risk, everything from IT issues to whether there is a pandemic-type issue, could be any sort of other financial cashflow issue and things of that nature. We run different scenarios constantly looking at the business to make sure we can keep operating effectively.

Barry Broadus: From a leverage tolerance perspective, one of the things that James talked about was the type of acquisitions that we go after. As we look to deploy capital for those acquisitions, we really hone in on those companies that not only have a great strategic fit, but they're also very accretive to the company. With that, that measure in place, we have the ability to go ahead and lever up like we've done in the past, and then use the cash flows in the EBITDA along with the cash flows that the company would generate outside that acquisition to de-lever quickly.

That helps with the leverage tolerance. If we find a really great acquisition that's accretive, and we need to go above three times and maybe inch up a little bit more than that, certainly we'll take that into consideration and look at how the company will be able to de-lever. That's just something that we typically do. That certainly helps expand our tolerance for being able to lever up and then lever back down, which we've done historically.

John Wasson: I think the company over the years, if you look back over the 15-plus years we've been public, there's been three or four times where we've levered up materially and then paid down the debt. We've generally operated in the range of 2.5 to 4. I think we've had a history of doing that. I think we're comfortable managing the company in that range, given the strong cash flow. If the right opportunity came along, I think we'd certainly consider going up to a four leverage. I don't think we'd go much above that in this environment.

Moderator 2: We have a couple of questions from the webcast participants. One of them was a clarification question, whether the EBITDA target for 2024 assumes acquisitions that are not yet completed.

John Wasson: Yes, it assumes acquisitions. I think, as I said, that we're indicating that we can achieve high single-digit service revenue growth and that we will continue to be acquisitive. To get to those EBITDA numbers certainly assumes that we'll continue to execute on our M&A strategy, and that will be a part of the strategy. As I said at the outset, if you look at the history of the company, taking the long view from the time we got our S1 to go public, we've had a CAGR on revenues of 13%, 14%, 15%. Half of that's been organic, half of that's been inorganic. M&A certainly plays a key role.

Moderator 2: The second question was, how much COVID benefit did you receive from BioSense in 2020 and 2021? Do you expect those revenues to burn off fairly quickly?

Mark Lee: I probably have to get the details from Jen. BioSense is a program that we run. It was really important during the pandemic, but I don't know that we got any additional funding on BioSense. It's always been a large program.

Jen Welham: The contract was recompeted actually during the pandemic, and the recompete was larger than the base. I don't know off the top of my head if that was specifically dedicated COVID funding or if that was just the general nature and the growth of the program. It's used for many different types of disease detection and surveillance, not just COVID. I think we'd have to look into that with more detail. It did plus up during the course of the pandemic due to the recompete,

John Wasson: I don't think that the plus-up on BioSense was material to the company's growth. It's a contract we've had for many, many years. I think it's generally a stable contract we've been executing on for some time.

Mark Lee: There's no revenue cliff coming that we got all this benefit from COVID, and all of a sudden that's all going to go away. There shouldn't be any concerns about that.

Matt Bugarin: This is Matt Bugarin from 12th Street Asset Management. Just had a question on the 25% permanent cut in real estate and travel and entertainment that you guys have talked about for a while. I was just curious how you guys arrived to that. Why couldn't that be 40%, 50%? How did we get to 25%? Then along the same lines, how much of that 25% is given back to customers in some formation regarding lower prices on contracts or cost-plus contracts, et cetera, et cetera?

James Morgan: I would say that, as we've talked about 25% long-term reduction in travel costs compared to what we historically had, I will tell you that we'll push to do better than that. I believe that would be the high end of-- and hopefully, we'll have 40% or so that we won't get back. I know that Mark and Anne want to make sure that their teams get out and travel and visit with clients and visit with each other.

Certainly, we're going to be pushing to try to have it be more than a 25% reduction. It's really just standing back and looking at and trying to say, "Okay, what are the types of things that we can now do virtually, or what percentage of that can now be done virtually, as opposed to always having to travel like we did in the past?" It's really a low target. We can do better than that. As far as giving back, when we talk about that, that's mainly on the indirect side. It's not on the direct side. If you look at our book of business, we are 15% cost reimbursable roughly. It's not a big piece of it that is going back to customers as a reduction. It mainly is a benefit on our T&M and fixed-price jobs. 85% of it, we get to maintain effectively.

Matt Bugarin: Then just maybe like, I don't know, **[unintelligible 02:46:46]** lower pricing, if you will, well there's other 85% **[inaudible 02:46:51]**

James Morgan: I guess I would say that it's one of the many things we're doing to improve margins among everything else, whether it's streamlining our infrastructure, if it's reducing facilities, if it's reducing travel. There's a series of those things. Effectively, what we're doing is there's a portion of it, as I talked about before, that's going to be dropped to the bottom line to continue driving 10 to 20 basis points at a minimum.

Then the rest of it is being invested back in the business to really drive growth. Some of that may be that you have to raise people's salaries for retention or it could be that you're spending more on business development or you're doing more in marketing. You can't look at any one component in isolation, but we're managing it as an overall bucket of activities, is a way to think about it.

John Wasson: With that, I think we have drinks next door here and an informal opportunity to chat with the management team that presented today. Please join us for that if you can. Thank you.