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PRESENTATION

Operator

Welcome to the second-quarter 2026 ICF earnings conference call. My name is Lauren Cannon and I will be your operator for today's call.

(Operator Instructions) Please be advised that today's conference is being recorded.

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

Lynn Morgen - *AdvisIRy Partners - Investor Relations*

Thank you, Lauren. Good afternoon, everyone, and thank you for joining us to review ICF's second-quarter 2026 performance. With us today from ICF are John Wasson, Chair and CEO; Anne Choate, President; and James Morgan, Chief Operating and Financial Officer.

During this conference call, we will make forward-looking statements to assist you in understanding ICF management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially, and I refer you to our August 6, 2026 press release and our SEC filings for discussions of those risks.

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

I will now turn the call over to ICF’s CEO, John Wasson, to discuss second quarter 2026 performance. John?

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

Thank you, Lynn, and thank you all for joining us this afternoon to review our second quarter results and discuss our business outlook. Second quarter business trends in our markets were consistent with our expectations, allowing us to deliver revenues in line with last year's second quarter while we continued to carefully manage costs and directed our resources toward expanding our pipeline of new business opportunities.

Key takeaways from our second-quarter results included: a 6% increase in revenues from commercial clients, led by commercial energy efficiency and related utility program revenues that increased 6.7% year on year; a sequential increase in revenues from federal government clients as we had anticipated, reflecting growth in our technology modernization work; a 35% increase in revenues from international government clients as we ramped up work on the large contract awards secured in 2025 and earlier this year; we maintained our strong margins with adjusted EBITDA margin of 11.2%, up 10 basis points from last year's second quarter; Non-GAAP EPS increased 12%, driven by the profitability I just noted, and year-on-year tax, interest, and share count benefits; our trailing 12-month book-to-bill ratio was a healthy 1.09, and since the end of the second quarter we've been awarded contracts in excess of $200 million; and we ended the second quarter with a robust pipeline valued at $9.3 billion, a 9% sequential increase over the $8.5 billion reported at the end of this year's first quarter. In short, this was another quarter in which our diversified, integrated business model made a positive difference in ICF results, positioning us to achieve our guidance expectations for the full year.

Revenues from our commercial, state and local and international clients accounted for 61% of our second quarter revenues, in keeping with our expectation that these client categories will represent over 60% of our 2026 revenues, up from 57% in 2025.

The diversification within our client set provides us with both resilience and the ability to shift our resources to capture growth opportunities as markets evolve. Approximately 75% of our second quarter contract wins were in these non-federal client categories, as delays in procurement decisions constrained federal government awards. We continue to invest in these non-federal client categories while at the same time pivoting to expand our presence in federal agencies that are benefiting from increased funding.

Additionally, we are seeing greater opportunities to bring insights and capabilities from across client categories and domain expertise to help clients address complex challenges.

For example, many of the issues facing today's energy market, including load growth, grid reliability, transmission development, resilience, affordability, and energy security are being addressed simultaneously by commercial clients, regulators, and other government agencies. The fact that we work with all these market participants gives us a broader perspective on emerging challenges and potential solutions, providing significant competitive advantage to ICF.

Also, our work with state regulators and industry associations helps us to develop innovative approaches to transmission investment and grid planning and provides us with insights that we can directly apply to our energy advisory clients. Our work related to data centers leverages capabilities across planning, policy, financial, and engineering disciplines, as well as across our client categories. We provide assistance to states, counties, and other local governments as they evaluate the economic and energy, infrastructure and community impacts of data center development. That gives us valuable perspective on stakeholder concerns and public [acceptance] issues that we are able to bring to our hyperscaler, developer, and utility clients as they plan for and develop new projects.

And our deep energy expertise, including decades of support to the federal government and to commercial oil and gas companies regarding critical reserves and potential disruptions, positioned us to support the state of California with real-time monitoring of refinery production, energy imports, and stocks so the state can better take actions to address price variability.

Finally, we are adapting AI-enabled analytics and technical assistance solutions that we originally developed for federal government clients to support commercial and state and local government clients.

As I mentioned earlier, we ended the second quarter with a business development pipeline of $9.3 billion. Opportunities in the key long-term growth markets we have identified, namely commercial energy, technology modernization, and disaster management and related state and local government work, accounted for approximately $5.5 billion or 60% of that pipeline, supporting our expectation for continued growth in these markets.

Summing up the quarter, we were pleased that our revenues were similar to last year's second-quarter, in advance of our return to year-on-year growth for 2026 and to positive quarterly revenue comparisons beginning next quarter.

We're also pleased with the way we have managed our cost structure to maintain strong margin performance while investing in growing our substantial business development pipeline. Our year-to-date repurchases of over 435,000 shares represented a first-half record for ICF and a strong indication of the confidence that management and the Board have in our company's long-term prospects. We continue to review acquisition opportunities, particularly in the commercial energy space, but we remain very disciplined. Our focus is primarily on tuck-in transactions that provide capabilities with the potential to drive meaningful revenue synergies and will be accretive soon after completion.

Now, I'll turn the call over to our President, Anne Choate, to discuss our business performance. Anne?

Anne Choate - *ICF International Inc - President*

Good afternoon, everyone. I'm pleased to present a business review of ICF's second quarter results, which, as John mentioned, set the stage for our return to year-on-year growth in the second half of this year, starting at Q3. I'm also happy to discuss how ICF's diversified and integrated business model continues to differentiate us and provide us with a unique, multidisciplinary viewpoint in solving complex problems for clients.

In my remarks, I'll walk through some specific examples of work in each of our client categories, starting with commercial energy. We continued to experience strong demand for ICF utility programs, which include energy efficiency, flexible load management, electrification, and battery storage programs. Revenues from this part of the business increased 6.7% in the second quarter and represented approximately 82% of second quarter commercial energy revenues. Our results in this area were driven by the continued success of our performance-based programs, the expansion of existing engagements, and the start-up of new projects. The addressable market for these services is large, and ICF is a recognized market leader, with our share gains coming from excellent results we are delivering to clients, introduction of new services, and winning work away from competitors.

Energy advisory work for commercial clients increased 2.5% in the quarter, reflecting the timing of client transaction activities, and increased 8.6% for the first half, accounting for about 13% of first-half commercial energy revenues. Contributions from this part of our business tend to vary due to the timing of assignments and client transactions. As we look to Q3, we're expecting more robust M&A activity, which should drive our valuation and due diligence services.

Additionally, we're seeing increased demand for our supply strategy and market access assessments for natural gas, as well as greater developer demand for data centers and other large loads in need of assistance in siting decisions. These decisions reflect a complex suite of factors, including grid capacity, interconnection and queue position, and proximity to future load growth, all areas where ICF’s integrated advisory capabilities are particularly well positioned.

In addition, our energy advisory team is fielding requests for our energy advisory services from state and local governments as they also address siting challenges, affordability concerns, economic development priorities, reliability, and growing energy demand. The remaining less than 5% of our commercial energy revenues represents environmental and planning work that we do for utility and other commercial clients. Lower quarterly revenue comparisons in this part of our business were due to the wind-down of several wind energy projects that ended in last year's third quarter. We expect improvement in this area of our business in the second half of this year given recent utility transmission line-related awards and our increasing support for power developers who are co-locating data centers with renewable generation assets.

To sum up commercial energy, the drivers underlying demand for this part of our business remain very strong. The combination of accelerating electricity demand and the need to modernize aging infrastructure is expanding the addressable market across nearly all of our energy offerings. As these infrastructure investments are unlikely to satisfy the scale and timing of emerging grid needs, demand for cost-effective community-centric programmatic solutions such as energy efficiency, demand response, distributed energy resources, and flexible load management programs continues to grow. These are areas where ICF has significant scale and expertise, and the economics of these solutions are becoming increasingly attractive as power and capacity costs rise.

Commercial energy contract awards represented approximately 47% of ICF's second quarter contract awards and commercial energy opportunities accounted for more than $1.5 billion of our pipeline at the end of the quarter, good indications of our future growth prospects.

Next, I'll move to our state and local portfolio. Second quarter state and local government revenues were 1.9% below the comparable period last year, with disaster management and recovery services continuing to account for about 45% of this client category. ICF is a recognized leader in the development and implementation of disaster recovery and mitigation programs, and we currently support 75 active disaster recovery projects in 22 states and territories. Fewer major disasters and funding delays have constrained near-term activity in this arena, but ICF continues to execute on substantial rebuilding and mitigation projects, which includes utilizing our environmental and climate expertise to advise state and local clients on optimal mitigation solutions. We anticipate a direct opportunity for ICF as states and local governments look to increase their capability and capacity for both response and recovery as well as preemptive disaster mitigation.

In February, we announced the award of a comprehensive management services contract by the state of Florida. As expected, that contract is now serving as a platform for new opportunities, including a $4 million funded contract to support the administration's approach to rural health transformation via state agencies. Also in Florida, we expect to see more opportunities for a state agricultural land preservation program we support that just earned appropriations of $425 million in funding for the 2026-27 program budget year.

Additionally, we recently leveraged our state and local expertise in the disaster management arena to win a contract to provide grants management and compliance services to a commercial client, a Northeast utility, where we will support hundreds of millions of dollars in FEMA funding across multiple hazard mitigation projects designed to improve the utility's grid infrastructure, resilience, and reliability.

Energy, environmental, and disaster services have always comprised the majority of our state and local portfolio. As I mentioned, this year we are actively expanding the offerings we provide to our state and local clients to include health expertise and advanced technology solutions. State and local government opportunities represented approximately $1.3 billion of the total pipeline at the end of the second quarter, and we expect year-on-year revenue growth from this client category in the second half of the year.

As we discussed in our last call, our international portfolio is showing exceptional growth. International government revenues increased 35% in the second quarter, reflecting the significant contracts that ICF has been awarded over the last 18 months by the European Union and UK clients. Sales continued to be strong across our international portfolio, as we've been winning key recompetes and securing net new contracts that support growth for the next few years.

Lastly, I'll talk about our work with US federal clients. Our federal business has stabilized. Second quarter revenues from federal government clients increased 1.4% sequentially, in line with our expectations, after delivering 8.6% sequential growth in Q1. Moving forward, we are expecting Q3 to be another quarter of sequential revenue growth before returning to year-on-year growth in federal revenues in this year's fourth quarter.

Procurement activity continues to improve, but award activity remains constrained and varies from agency to agency. Protests of large opportunities are also much more common. Accordingly, we've adapted our go-to-market approach to increasingly focus on rapid prototyping and demonstration of capabilities, both on contract and to secure new contracts.

Technology modernization represents about one-half of our $185 million in revenues from federal government clients and increased 4% sequentially in the second quarter. Over 80% of ICF’s technology modernization work is performed under outcome-based fixed-price contracts, the preferred contract vehicles for government technology projects. Federal agency clients remain focused on data, AI, speed, efficiency, and automation, and continue to prioritize modernizing legacy systems and improving interoperability across the federal technology environment, areas that are closely aligned with ICF’s expertise.

While primarily serving federal agency clients, we have deployed our technology modernization capabilities across the company's client categories. As such, technology modernization represented approximately $2.6 billion of our pipeline at the end of the second quarter.

With respect to our programmatic work for federal government clients, we continue to execute key contracts across our long-standing client agencies. At the same time, we are making progress repositioning our federal portfolio toward areas aligned with administration priorities. For example, we are seeing growing opportunity as agencies look to move away from traditional labor-intensive approaches and towards more data-driven AI-enabled customer engagement models. We believe ICF's combination of technology, data, and mission expertise positions us well to support this shift, snd at both DHS and HHS, we are seeing increased engagement and pipeline activity related to these capabilities. On balance, we see significant opportunities for our integrated capabilities in the federal government arena.

In summary, second quarter business trends across all four of our client categories were aligned with our expectations. Our business unit leaders are collaborating across client categories with a winning mindset and a commitment to assist clients with speed and agility.

Now, I will turn the call over to Chief Operating and Financial Officer, James Morgan.

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

Thank you, Anne. Good afternoon, everyone. I'm pleased to provide additional details on our second quarter 2026 results.

From an overall perspective, as you've heard from both John and Anne, second quarter results were consistent with our expectations. Our non-federal revenues increased just under 7% year over year and our federal government revenues increased sequentially, in line with the expectations we provided on our last call.

Additionally, we continue to execute various cost management initiatives that we have discussed on past calls, including modernizing our infrastructure, specifically our contract management system and our vendor management system. These ERP system implementations remain on track and are expected to drive meaningful efficiency gains in our back-office operations over time.

And, we have a disciplined programmatic initiative to implement AI tools across our internal processes to drive further efficiencies. While a portion of these efficiency gains will be seen in our margin expansion, we will continue to reinvest in growth initiatives to ensure ICF is well positioned to capitalize on the opportunities we see in front of us.

With these efficiency improvements and a favorable business mix derived from the greater contribution of commercial revenues and a higher percentage of revenues tied to fixed and T&M contracts, we remain well positioned to achieve our target of 10 to 20 basis points of adjusted EBITDA margin expansion for the full year, as well as over the longer-term. We have committed to this level of margin expansion over the last decade, during which we have averaged more than 10 basis points per year, and we have the confidence that we will continue to be able to deliver on this commitment into the foreseeable future.

Turning to second quarter results, total revenue was $474.5 million, stable with the $476.2 million reported in the second quarter of 2025. Revenues from federal clients declined 9.5% year on year given the difficult comparisons caused by the impact of contract cancellations that occurred in the first half of 2025. Non-federal revenues in the second quarter grew 6.6% year over year.

On a sequential basis, total revenues increased 8.5% from the $437.5 million reported in the first quarter of fiscal year 2026, as revenues with commercial clients sequentially increased 13.6%, state and local grew 9.1%, international government revenues increased 24.2% sequentially, and federal revenues again improved sequentially, consistent with our expectations.

Subcontractor and other direct costs totaled $121.4 million and represented 25.6% of total revenues, up [from] 23.6% in the prior year quarter, reflecting higher pass-throughs on certain non-federal contracts.

In spite of the 200 basis point increase in subcontractor and other direct costs, our gross margin at 37.2% remained similar to the 37.3% in the prior year, benefiting from the contribution of higher margin commercial revenues, as well as a healthy contract mix, with fixed price and T&M contracts representing approximately 95% of revenues.

Indirect and selling expenses totaled $123.3 million, representing 26% of total revenues, in line with the prior year. As I mentioned before, we are carefully managing our indirect spend while continuing to invest in our highest-priority growth areas.

Second quarter EBITDA was essentially flat year over year at $53.1 million. Adjusted EBITDA rose 0.9% to $53.4 million, and adjusted EBITDA margin expanded year over year by 10 basis points to 11.2%. Net interest expense declined nearly 20% to $6.8 million, reflecting progress in reducing our average debt balance.

The second quarter tax rate was 17.8%, down from 21% in the second quarter of fiscal year 2025. This year's second quarter benefited from various strategic tax planning actions, which drove a tax benefit of $0.09 to EPS on a GAAP basis and $0.11 to non-GAAP EPS, relative to the second quarter 20.3% tax rate guidance we shared during our last earnings call in May. We are still expecting our full year tax rate of approximately 20.5%, with the third quarter carrying the largest offsetting discretionary tax benefits.

Net income in the second quarter was $26.9 million, $1.49 per diluted share, above the $23.7 million or $1.28 per diluted share reported in the prior year quarter. Non-GAAP EPS rose 12% year over year to $1.86 per share, driven mainly by a lower tax rate, lower interest expense, and a reduced share count, as well as improved EBITDA margins. The bottom-line results are tracking well, and we continue to expect full-year EPS to be within the guidance range.

Turning to the balance sheet and cash flows, operating cash flow in the second quarter was approximately $99.7 million, a substantial increase from the $52 million generated in the prior year period. It is worth noting that the operating cash flow amounts include restricted cash that is mostly associated with energy efficiency programs for utilities. For those utility programs, the cash is passed through and tied to incentive payments to utility customers, the timing of which can be uneven. Excluding this item, our core cash generation remains strong at $56.7 million for the quarter as compared to $50.4 million in the prior year quarter. Excluding the potential impact of restricted cash, which is aligned with the basis of our initial guidance, we continue to expect full year operating cash flow of $135 million to $150 million.

Days sales outstanding were 72 days compared to 80 days in last year's second quarter, driven mainly by improved collections and increases in advance payments. Capital expenditures totaled $5.7 million in the quarter, the same as the prior-year quarter.

We ended the quarter with net debt of $403 million, down from $457 million at the end of last year's second quarter, with approximately 43% of the debt at a fixed rate. Our adjusted leverage ratio was 2.06x, and absent any acquisitions, we expect our year-end adjusted leverage ratio to be under 1.6x.

On capital allocation, our priorities remain unchanged: organic investment to drive growth and operating efficiencies, ongoing quarterly dividends, returning capital through opportunistic share repurchases, and evaluating acquisitions in our key growth markets.

On that note, we repurchased approximately 435,000 shares in the first half of this year. As John discussed, we are actively evaluating acquisition opportunities, with commercial energy the primary focus. Today, we announced a quarterly dividend of $0.14 per share, payable on October 9, 2026, to shareholders on record on September 4, 2026.

We are pleased to again reaffirm the guidance we gave in February for 2026 revenue and EPS to return to growth. Full year revenues are expected to range from $1.89 billion to $1.96 billion. And as of today, more than 90% of the revenues required to achieve our guidance for full year 2026 are already in backlog. For EPS, we continue to forecast GAAP EPS of $5.95 to $6.25 and non-GAAP EPS of $6.95 to $7.25.

Now to help you with your financial models, please note the following for the full year 2026. With regard to the cadence of the remainder of the year, we would expect sequential revenue growth in each of the next two quarters, accelerating at a faster pace in the fourth quarter than in the third. Depreciation and amortization and amortization of intangibles are expected to continue to be between $22 million to $24 million.

Full year interest expense is now expected to be between $26 million and $28 million, compared to the prior guidance of $27 million to $29 million. We anticipate capital expenditures of $23 million to $25 million versus prior guidance of $24 million to $26 million. We continue to expect operating cash flow of $135 million to $150 million for full year, exclusive of the impact of restricted cash. As I previously mentioned, we continue to expect a full year tax rate of approximately 20.5%.

And lastly, we have lowered our full year weighted average share count guidance from 18.3 million shares to 18.2 million shares to reflect share repurchases in the first half.

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

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

Thanks, James. We are pleased that 2026 is shaping up as we expected, and we are looking ahead to a return to growth this year and an acceleration next year, bringing us back to mid- to high single-digit growth in 2027.

This could not be achieved without the agility and dedication shown by our professional staff and management teams who have effectively pivoted to capture revenue opportunities while maintaining our margin levels. In many ways, the disruptions in 2025 have made ICF a stronger company; more diversified, more collaborative, more efficient, and more agile. We're enthusiastic about the opportunities ahead.

And with that, operator, I'll please open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tim Mulrooney, William Blair.

Tim Mulrooney - *William Blair Capital Partners - Equity Analyst*

Yeah. Good afternoon. Congrats on the solid execution here in the second quarter. It sounds like the guidance is fully intact here. So I'm going to ask some more targeted questions. The first one is on your commercial energy business. It grew 4% in the second quarter. I think that implies a growth rate of about 3% in the first half.

I think you need to grow more in the mid-teens range in the second half of the year to achieve your full year goal of at least 10% growth for the full year. My question is, am I right about that math? And can you walk us through the primary drivers that would help get you there?

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

Well, maybe I'll start off Tim and then I'll let Anne and James weigh in. I think generally your math is correct, we'll grow mid-teens in the second half of the year.

To achieve that goal, I think as you noted, and as I think we indicated in our remarks, I think the way we'll get there is, first of all, we did have strong awards in the second quarter as announced in our release. You can see the list of projects there.

Second, we do have a set of projects that since that time we've been told we will be awarded, but we're still in negotiations with those contracts and we have a robust pipeline of opportunities on the commercial energy front. So, I think those three things are giving us confidence that we can achieve the double-digit growth required in the second half of the year to get to our original guidance.

I'd also note that our performance award, the performance fees are typically back-half loaded, and so we'll certainly benefit from those awards coming in to help drive additional revenue growth for the year. So I think that's at a high level what we see getting us to that level of growth, but Anne, do you want to add anything on?

Anne Choate - *ICF International Inc - President*

Well, maybe I'll just mention that, so the energy advisory work, which you know is a smaller percentage, but an important percentage of our commercial energy work, that was a little bit slower in the second quarter and that reflected delayed timing of certain of the technical advisory and the independent engineering services that we provide, which actually had the reason for that was that the administration sunset date for some of the tax credits was July 4.

It put several of the client there, it put their focus on the immediate initiating construction to hit that tax credit deadline. And so now that we're past that date, we've already seen signs that the planning and the financing work that we do will proceed as expected for the rest of the year. So that's a piece of that.

But otherwise, I agree with what John has said. The pipeline is really strong.

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

And I would just reiterate, again, the last two years, the two prior years in our energy business, we grew mid-teens for the year. And we have not seen a shift in the market and the trends driving that business. And so I think for us to return to mid-teens growth in our commercial energy business in the second half of the year is achievable, and it's consistent certainly with the performance we've had the last several years in that market.

Tim Mulrooney - *William Blair Capital Partners - Equity Analyst*

Okay. Thank you. That's a good point, John, and appreciate all the color there, Anne. I also heard you say in your prepared remarks, too, you expect to pick up in M&A activity in the second half, maybe some other things, too. So that's helpful color.

Shifting gears really quickly to the backlog, which was $3.3 billion, down slightly sequentially from the first quarter. We've seen backlog flat to up the last couple of years as you move from the second, from the first quarter to the second quarter.

Can you talk about some of the factors here that impacted that slight decel into the second quarter? Is it still somewhat sluggish, I guess, on the US federal side or is it primarily a timing thing? Just trying to understand your expectations for book-to-bill as we move through the third quarter here?

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

Yeah. I guess I can speak to that a little bit. I would say as far as we reported for the quarter, this is James, for the quarter, our book-to-bill was 0.85% and where that was the main impact below one was in the federal space where I think we've mentioned we've had a little bit slower in the procurement cycle.

But we are seeing signs where that's picking up and has been starting to pick up even subsequent to the end of Q2. So we are looking to have a healthier book-to-bill as we move into Q3, which will certainly look at driving the backlog up as we move forward beyond that. So from an overall perspective, if you look at what the impact is on backlog. Quarter over quarter, it's more on the federal area is probably the biggest area impact.

Tim Mulrooney - *William Blair Capital Partners - Equity Analyst*

Understood. Thanks, James. Thank you, everybody.

Operator

Jason Tilchen, Canaccord Genuity.

Jason Tilchen - *Canaccord Genuity LLC - Equity Analyst*

Good afternoon, everyone. Thanks for taking my questions. Starting with your outlook commentary referenced that same return to mid to high single-digit growth in 2027 that you mentioned last quarter. Just hoping maybe with a little bit more visibility, you could expand on your expectations for next year a bit more and help frame some of the key puts and takes that could drive either upside or downside relative to that range. Thanks.

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

Sure. So I think, as we do expect a return to mid to high single-digit growth next year. I think the way we've discussed that in the past, I think, and what we continue to believe today is for the 60% of the business that's non-federal, we would expect to deliver high single-digit to low double-digit growth.

In the federal arena, we'd expect to achieve low to mid-single-digit growth. And so then if you do the math on that, I think it will get you to mid to high single-digit growth across the portfolio. And so I think that's how we're thinking about that for next year.

Jason Tilchen - *Canaccord Genuity LLC - Equity Analyst*

Okay. Great. Thank you. And then I just wanted to unpack that particularly strong international growth, both in the quarter and really the award wins you've seen over the past 18 months or so, just wondering if you could help dive into some of the underlying trends in those markets that are driving those wins and how confident you are that you expect that to be able to continue here going forward?

Anne Choate - *ICF International Inc - President*

So I think I'd mentioned in my remarks that, so we had won several of those contracts over the last, say, 18 months or so, and it was a matter of mobilizing. It took a while as a result of elections and some of the things happening in Europe for those contracts to really hit their stride. But we now feel like they have hit their stride.

We feel that the runway for those contracts and our positioning is really strong. In some cases, we're the single award holder. In other cases, we're one of two or at the top of a framework contract, right of first refusal.

And so, as a result, you're seeing the results of, I guess, of that long-term business development efforts materialize here and we continue to expand that footprint. So that's the part that from a BD standpoint that's been exciting this year is just using that as a launching off point for winning work with additional agencies under the EU umbrella.

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

Yeah, this is James. I would just add on top of that, too, if you look at even going forward, certainly we're ramping up those programs in the past, but also the pipeline of opportunities that we have in front of us is actually healthier now than even what it's been in the past. There's a multitude of opportunities coming out. So, we have the largest pipeline of opportunities for our international government business beyond what we've had in the last, ever, I mean, actually.

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

And I would say for -- I mean, you guys have seen the results for the first half of the year in terms of growth in international business, I think we expect similar growth results for the second half of the year. And based on the comments both Anne and James made about the pipeline and the backlog, I'm confident in double-digit growth in international, so we look for 2027.

Jason Tilchen - *Canaccord Genuity LLC - Equity Analyst*

Very helpful. Thank you very much.

Operator

Tobey Sommer, Truist.

Tobey Sommer - *Truist Securities - Analyst*

Thank you very much. Within your technology modernization business, what the trend has been like on contract size and in the procurement environment and pace of procurements and maybe if you could as part of your answer touching on this particular market, describe your experience with customers purchasing licenses, and other things that historically have been passed through directly from OEMs. Thanks.

Anne Choate - *ICF International Inc - President*

Hi, there. So I think that in terms of, you had several parts, but I think that we've seen procurements picking up in that area. We have a very significant amount of, a high fraction of our submitted, bids where we're pending award relate to that technology modernization business. That's an area where, as we mentioned, we've been pivoting in the federal space.

We've been using those technology modernization services as a way to access new clients and new offices within client agencies. So that's been pretty successful. In terms of the size, I don't think we've seen a significant change in the average size of those deals.

We have, as I mentioned, we have seen tremendous variability in terms of the time between knowing about an opportunity, seeing an RFI or not seeing an RFI, going to either a limited competition or an open competition, and then actually getting the award.

And then in many cases when it's large, seeing a protest. And so I think that is, that's the part of that sales cycle that we're trying to navigate. But I think that it's pretty consistent, for technology modernization across the federal government right now.

I'm trying to think of your last question. The licenses with OEMs, can you say a little bit more about that?

Tobey Sommer - *Truist Securities - Analyst*

Yeah, there's been news in the market about government deciding to procure those things directly from the OEMs rather than via an integrator. So I'm wondering if that's something that you're having experience with or not at this juncture?

Anne Choate - *ICF International Inc - President*

Not that I'm aware of. So I think that we're working in close partnership with our customers. And in some cases, for instance, their access to certain providers. They may want us to work in their cloud environment or something like that. But I'm not aware of anything beyond that.

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

Yeah, I would say we haven't seen a material shift. As you know, Tobey, we work and have the capabilities to work across a low code, no code set of players, and we're still seeing opportunities to support the federal government and partner across Salesforce, ServiceNow, Appian. We also can deliver IT modernization capabilities and services on open source. And I don't think we've seen a fundamental shift in those markets or our relationships with those players to date on our IT modernization work.

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

Yeah, I guess I would also say, too, I mean, the majority, keep in mind the work we do is more labor-based services. It's not passing through of license costs and things of that nature.

Tobey Sommer - *Truist Securities - Analyst*

Okay. Thank you. And last question for me, on the capital deployment front, I think then maybe looking to reengage and be more active since the, in the wake of the DOGE experience and the business stabilizing and even starting to grow, what are your expectations as you look at the back half of the year and into '27 for growing the business inorganically?

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

I think as we discussed in the past, I mean, I think we remain in the market looking for potential acquisitions that we think are good strategic fit, good cultural fit and meet our financial criteria, I think we'll be very disciplined. I think as I said in my remarks. I think we're primarily focused in that arena in the commercial energy area. I would expect this to lean more to tuck-in acquisitions as we think about the rest of this year.

And, generally, I think we have a balanced approach to capital allocation. We're investing for organic growth. I talked about the stock buybacks. We've been active there and we'll continue to look to deploy it on the M&A front if we find the right opportunity. And so balance but discipline would be my message.

James, do you want to --

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

I mean, I think that's right. And we're fortunate enough that we certainly have the capacity in our credit facility where we're not constrained, where we can continue to have that balance between investing organically and doing share buybacks and then also the right opportunity comes across from an acquisition perspective to pursue that. And certainly, that's a focus in identifying and finding those opportunities.

Tobey Sommer - *Truist Securities - Analyst*

Thank you.

Operator

Kevin Steinke, Barrington Research Associates.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Great. Thank you. In your prepared remarks, I believe you talked about on the federal programmatic side, shifting your focus from more labor-intensive projects to more along the lines of helping your clients with AI enablement, efficiencies, et cetera. Correct me if I'm wrong, but I think that's how I heard it. And I'm just wondering what that would do to your business model in terms of project size or staffing levels or any other metrics?

Anne Choate - *ICF International Inc - President*

So, Kevin, this is Anne. Thank you for asking because I'm hoping that's not how it came across. But what I did say was that we are looking to help the federal government in places where the federal government, these agencies, are looking to move away from their traditional labor-intensive approaches. Like think of things like grant management, think of things like data validation and things like that where they're trying to move from, many federal staff and support, doing these kinds of tasks.

We're trying to help them where you can tie systems together, you can have more data-driven AI-enabled customer engagement models that allow them to basically provide their -- to fulfill their mission, but in a more efficient, streamlined way.

And so that's where we have -- where we've been successful working with some of these agencies, combining technology and data and mission expertise. So you know where you can and where you can't find those streamlining efficiencies. And so that's been a sweet spot for us. Does that help?

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Yes. Thank you for that color and that clarification. So I think you also talk when talking about commercial energy, you mentioned one of the growth drivers is being the introduction of new services. And I don't know if there's been anything more recent on that front or if it's been some of the other program management type services that you've discussed in the past contributing to growth.

Anne Choate - *ICF International Inc - President*

Well, no, I think, a couple of years ago, and maybe it was only a year ago, we started talking about how important large load and data centers were going to be. So obviously that's been a place where we have been introducing new services and new packages of services to address a new need. So, as an example, for hyperscalers, now we're helping clients evaluate the speed to power, what strategy should they use to get speed to power, assessing the alternative power and technology solutions.

They're navigating procurement and funding in new ways. There's some that are trying to look to get the speed to power, but in a renewable or a sustainable way, depending on where they are. That's obviously a place where we can provide a lot of value.

We also are supporting some of this community impact initiative to the extent that they're trying to work to balance the need for increased electricity with the impact on the communities, we're helping to work with them to think about that strategy -- those strategies. That's one example or one suite of examples. But I could give you more.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

No, I think that's fine. Yeah, that's helpful. Lastly, I just wanted to ask a little more about international government. You talked about these large contracts maybe being a launching point for you to pursue work with other EU agencies and just wondering how much of a focus international government is right now for, growth investments, expansion of services or if you feel like that you have the service footprint already in place that you need there.

Anne Choate - *ICF International Inc - President*

I think that we are -- I think that the role that John's asked me to play does provide a little bit more connectivity. So for instance, our energy, our decarbonization or whatever skill sets that we have here where we can augment skill sets that we have in our Europe and Asia, business lines I think that connectivity is strong and has been strong, but it can -- I think it's even stronger now.

I think that the business development engine that we have there is pretty tight and efficient. And we have -- because of the work that we've done over the last couple of years, I think that our brand, our reputation is really strong both in the UK and the areas where we work and also in the EU.

So I guess the answer is absolutely we're committed to it, absolutely we're supporting it, but I don't see that we're investing more necessarily in that direction.

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

I agree. I think that business is doing terrific. I do think that there's ways we can connect the capabilities in North America to Europe and find additional opportunity. And so we have a very strong fellow there running that business. And so it's a good business.

I don't think we're, it's not one of our key -- I mean, the scale and size, it's just not one of our key growth drivers, so it's not getting a disproportionate amount of investment. But we're certainly investing at levels as we have in the past, and we're seeing very nice results. So we'll continue to do that.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay. Great. Thank you.

Operator

(Operator Instructions) Marc Riddick, Sidoti.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Hey. Good afternoon. I wanted to touch a little bit on disaster recovery and mitigation and maybe touch a little bit on some of the commentary you had either in prepared remarks or just in the press release as far as the fewer disasters and funding delays that you're seeing. Maybe we could touch a little bit on some of the details around that and maybe the sources of that. And then I just have a quick follow-up there.

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

Because -- I'll start off, Anne.

Anne Choate - *ICF International Inc - President*

I got that impression.

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

We've been in the disaster business for quite some time. We were quite committed to that business and we're a market leader in that business. I think as Anne noted in her remarks, I mean, there's been fewer disasters recently that have limited the number of new opportunities.

With a long-term view, I do think this is a growth market, and there's optionality. As those of you who have known ICF for some time, we've had three or four periods in this firm when disaster recovery materially grew the company in response to significant disasters. And so, we remain quite committed.

But there is, we've had fewer disasters, but this is certainly optionality in my view for significant growth. As we go down the line, I think we've managed the business very well and are seeing opportunities in state and local markets.

And we've also connected the dots. I think some of the answer, Marc, we talked about how we've connected it to utility work and other areas. So I think we expect the business to grow and there's optionality for very significant growth.

Anne Choate - *ICF International Inc - President*

The only thing I would say is that anybody who's looking at their phone at any point in the day probably thinks, well, what do you mean they're less disasters? There are plenty of natural disasters that are on the news.

I think the issue is that the disasters of the size that John's talking about, those are the ones that have been few and far between. And so it's, it's the size and the declaration that would then lead to the funding that would be a large-scale disaster recovery program.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Okay. I got you. And then I wanted to follow-up on just the timing of procurement decisions on the federal side. And I think you made commentary as to that loosening up toward the end of the quarter, I guess, or going into the third quarter here, but I was wondering if you're seeing that as, is that, do you think that's something that's tied to approaching the end of the federal year-end or is it driven more by current project needs and or maybe what's, what's, what might loosen up that opportunity?

Anne Choate - *ICF International Inc - President*

I mean, my take is that it's so variable. Even within agencies, it's variable. In some places, you have contracting officers who understand they have some deadline, regulatory deadline or otherwise, and they are incentivized to get the contracts moving even if they've been stalled.

And in other places, you might have that same driver, but you don't have enough contract staff to get the thing out the door. And that's where you sometimes see some mods, people are just modding repeatedly. They might also be modding because they're aware or afraid of a protest and so just to keep for continuity purposes they mod and so that sets up delays. In other places we've seen a pickup and things moving more quickly so it really is I would argue it's really variable by agency.

I'm looking at John and James to see if that's like --

James Morgan - *ICF International Inc - Chief Operating and Financial Officer*

100%. That's right.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Great. And then last thing for me maybe you could talk a little bit about some of the range of catalysts on the technology modernization side that you're seeing and whether they differ federal versus non-federal or are you seeing any particular catalysts or needs that are coming to the forefront that are driving folks to act as opposed to standing on the sidelines and weighing how some of these things play out, whether it's an AI driven concern or cost driven or the like?

Anne Choate - *ICF International Inc - President*

In the federal space, I would say that the drivers are much as what we've been talking about, probably not just us, but we have been discussing this desire for streamlining, desire for modernizing aging systems, the desire for more efficiency.

Also, a desire on the part of the federal agencies to find ways to utilize AI, whether it's for efficiency purposes or whether it's for -- as part of this modernization activity. I think that's all true.

I think that when we get involved in technology projects at the state and local level, often it's because there's a mission orientation, whether it's disaster or energy or underground storage times or whatever it is, and there's a technology system that's getting in the way of doing that mission-oriented work.

That's where we actually, have a lot to offer because we can say, well, we can unstick that technology -- barrier to achieving your mission outcome. And so that's really where our sweet spot is outside of federal.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Well, I know it's been quite the journey to get to growth resumption and over the last few quarters and certainly encouraging to see the pacing there. So congratulations on that. Appreciate it.

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

Thank you. Glad to [inaudible], too.

Anne Choate - *ICF International Inc - President*

A lot of hard work.

Operator

Thank you. This concludes the question-and-answer session. I would now like to turn it back to John Wasson for closing remarks.

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

Well, thanks everyone for participating in today's call. We look forward to seeing you at upcoming conferences and calls. So, hope to see you all soon.

Operator

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