FINAL TRANSCRIPT

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ICFI - Q2 2008 ICF INTERNATIONAL INC Earnings Conference Call

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PRESENTATION

Operator

Welcome to the ICF International Second Quarter 2008 Conference Call. During the presentation, all participants will be in a listen-only mode. Afterward, you will be invited to participate in a question and answer session.

(OPERATOR INSTRUCTIONS)

As a reminder, this conference is being recorded on Wednesday, August 6, 2008, and cannot be reproduced or rebroadcast without permission from the Company. And now, I would like to turn the program over to Douglas Beck, Senior Vice President, Corporate Development. Please go ahead.

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

Thank you. Good morning, everyone, and thank you for joining us to review ICF's second quarter 2008 performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO, John Wasson, COO, and Alan Stewart, CFO.

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, 2008 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 the future developments will cause our views to change. Please consider the information presented in that light. We may, at some point, elect to update the future forward looking statements made today, but specifically disclaim any obligation to do so.

During this call, we will refer you to non-GAAP financial measures such as backlog and EBITDA. Our reconciliation of these measures to the most directly comparable GAAP measures is available in the investor relations section of our website. I will now turn the call over to our CEO, Sudhakar Kesavan to discuss second quarter 2008 highlights. Sudhakar?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Thank you, Doug, and good morning, everyone. We completed another quarter of very solid financial and operating results, reporting strong growth in core business revenue and consistent profitability levels that were firmly within our guidance range.

Our growth strategy is working well. All business revenue increased 84.5% year over year and 23.2% sequentially to $113.7 million and accounted for about 62% of total revenue in the second quarter. This is an important offset for the wind down of the road home contract, where our activities over the next ten months will primarily involve wrapping up open cases, auditing completed files and preparing to transition the management of the program to the state.

Organic growth in our core business was 24% in the quarter, a clear indication of our strength of our markets and their growth potential as well as ICF's increasing prominence in these markets. Importantly, we are consistently reporting solid profitability in line with our projections of EBITDA margin within the 9% to 10% range.

Several trends are contributing. First, we are getting good traction and leveraging our advisory work as a larger implementation contract, our recently announced win of the $60 million NIH contract is a good example of this, and we are waiting to hear on a couple of additional implementation contracts that should be decided shortly.

Second, our government business contract mix is steadily shifting towards higher margins, time and materials and fixed price contract work. These contracts accounted for 81% of our core business revenue in the 2008 second quarter compared to 76% for all of 2007 and 66% in 2005. Third, our commercial business is growing as a percentage of revenue. This business traditionally has higher margins than our government business. And fourth, we are taking advantage of opportunities to increase efficiencies within our organization.

ICF continues to benefit from favorable backlog trends, providing us with good visibility of future revenue. Backlog at the end of the second quarter, excluding the road home contract and FH&E, was $621.6 million, an increase of 53% from last year second quarter and up 5% sequentially.

Also, our new business pipeline is growing, moving up to $1.6 billion today. We continue to actively look at potential acquisitions while maintaining our disciplined approach. With that, I would like to turn the call over to John Wasson to give you additional information on our operation. John?

John Wasson - *ICF International - COO*

Thank you, Sudhakar, and good morning. As Sudhakar noted, we are experiencing strong growth in our core business that reflects broad based demand for our services from government and commercial clients. This growth is more than balancing out of the decrease in our activities under the road home contract.

For today, we have completed 116,000 closed links, totaling some $6.8 billion. Which we estimate to be nearly 98% of all expected initial closings. This pace is about six months ahead of the original plan. Between now and mid 2009, we will continue with other [disbursements] for additional parts of the program including funds for elevations and for homes sold after the storm and to prepare final documentation on all the closings. The very positive trends we are seeing in our core business are across all of our four markets.

Our release today mentioned some of the most important contract wins for the quarter, which totaled $146 million. We were particularly pleased to win the new ERA contract at the national institutes of health, worth some $60 million over five years. It not only solidified our leading role in IT services for what is one of the largest research grant programs in the federal government. It also reflected our competitive advantage in domain expertise among competitive bidders that included many of the largest IT firms in the government space.

Additionally, it is a good example of how we are working closely with recent acquisitions, in this case Z-Tech, to capture business that neither firm would have gotten independently. Beyond this, we are seeing numerous opportunities for large implementation support contracts in the health, housing and human services area where our subject matter expertise is coupled with training, technical assistance and clearing house program execution experience.

Similarly, in the defense and homeland security arena, we continue to leverage our human capital and our modeling simulation technology capabilities to pursue larger contracts and this program has been helped by the broader geographic presence we now have in areas of growing importance to this market.

ICF's strong position in environment and energy enhanced by recent acquisitions is providing us with more muscle as well as on the ground presence to take advantage of the expanding number of local, regional, national and international opportunities. On Monday, we announced a $3 million win by ICF Jones and Stokes with the San Diego Water Authority to help implement their master plan. In the near future we will be announcing another similar sized engagement to assist with energy efficiency investment in Russia.

In addition, our strong energy industry knowledge combined with implementation capabilities continues to give us a competitive advantage in managing energy efficiency programs for both commercial and government clients. We are looking forward to announcing several contract wins over the next couple of months, the implementation of additional energy efficiency and human capital programs.

Our energy environmental capabilities have contributed strongly to the rapid growth of our revenue from commercial clients. Our commercial business represented 25% of our core business revenues in the 2008 second quarter, up from 19% for full year 2007 and 15% for full year 2006. We had approximately $28 million in new commercial sales wins in the second quarter, comprised of more than 180 projects for commercial clients, ranging from energy companies and utilities to transportation companies and large multinationals seeking to address environmental and climate change issues.

We were pleased that our competitive advantage in climate change consulting was officially recognized by Verdantix, an independent research firm, which recently named ICF the global leader in climate change consulting among 16 global consultancies, including many of the most recognized consulting names.

In addition, our overall new business pipeline continues to be strong. At the end of the first quarter, our pipeline of leads under active pursuit totaled $1.2 billion. Today, that pipeline value has grown to $1.4 billion and with the recent incorporation of the Jones and Stokes pipeline, it stands at $1.6 billion.

Our rate of personnel retention also continues to be good. in the second quarter, a quarter in which we generally see a seasonal upswing in turnover, the annualized rate of turn over was 16%, without the road home, and 21% with the road home. The annualized turnover rate, year to date, including the first quarter was 13.3%, without the road home, and 17.3% with the road home. Now, I'd like to turn the call over to our Chief Financial Officer, Alan Stewart, to go over the second quarter financial highlights. Alan?

Alan Stewart - *ICF International - CFO*

Thank you, John, and good morning to all. As Sudhakar said, core business revenue for the second quarter was up 84.5% to $113.7 million from the $61.6 million reported in last year's second quarter. Revenue from the road home program was $70.4 million for the recent quarter, compared to $128.6 million in the second quarter of 2007. The Company took $1 million charge in this quarter for the road home program for performance metrics, which was substantially offset by corporate reserves.

This quarter, direct costs decreased as a percentage of gross revenue to 64.8% from 74.9% in the second quarter of last year. Primarily due to decreased levels, subcontract costs associated with the road home contract. Gross profit margin was 35.2% up significantly from the 25.1% reported in last year's second quarter. We anticipate the gross profit margin will continue to increase back to our historical levels as the road home revenue winds down and we replace this revenue with organic growth supplemented by acquisitions.

Indirect and selling expenses, including non-cash equity related compensation were $46.9 million for 25.4% of revenue, compared to $27.7 million or 14.6% of revenue for last year's second quarter. The 68.9% increase in indirect and selling expenses was primarily due to the overhead from the Z-Tech, SH&E and Jones and Stokes acquisitions which are fully reflected in this recent quarter's results.

Non-cash stock compensation expense was $1.7 million in the second quarter of this year, compared to $0.8 million in the second quarter of 2007. EBITDA was $17.9 million, a decline of 9.6% from the 19.8% reported last year. EBITDA margin was 9.7% compared to 10.4% last year. Depreciation and amortization was $3.6 million compared to $1.2 million in the second quarter of 2007. This is substantially due to the increased amortization of purchased intangibles related to our recent acquisitions.

Interest expense was $1.0 million compared to $0.4 million for the second quarter of 2007. The amount of debt outstanding as of June 30th was approximately $92.9 million, primarily related to the acquisitions of SH&E and Jones and Stokes. The effective tax rate for the second quarter of 2008 is 40.4%, compared to 39.2% in the second quarter of 2007. This increase is attributable to more significant tax credits realized last year and all our percentage of permanent differences in 2007. We expect the tax rate for the third quarter to be similar to the six month tax rate of 41.2%.

Second quarter 2008 net income was $7.9 million or $0.52 per fully diluted share, compared to net income of $11.2 million or $0.75 per fully diluted share in the second quarter of 2007. The fully diluted shares for the second quarter includes 14.586 million for basic weighted average shares and 593,000 common stock equivalents resulting in a fully diluted total share count of 15.179 million.

In reviewing our balance sheet as of June 30, 2008 there are several points to note. Our net accounts receivable balance was $153.9 million compared to the $161.2 million balance at March 31st. The represents 75 days sales outstanding at June 30th compared to 83 days and 92 days in March 31, 2008 and December 31, 2007 respectively.

If you deduct the amount of deferred revenue for these periods, the adjusted DSOs would be 69 days, 76 days and 84 days respectively for periods ending March 31, 2008, 2007. This decrease in DSOs is primarily attributable to active management of our accounts. We continue to anticipate DSOs in the long term to follow our more traditional 75 to 85 day historical average.

At the end of our second quarter, our evolving bank debt was approximately $92.9 million. Turning to our cash flow statement for the six months ending June 30th, our accounts receivable balances declined by $53.9 million for the recent period, our accounts payable, accrued expenses and accrued salaries and benefits decreased by [$49.8 million] , [$9.7 million] and $6.2 million respectively.

Cash flow from operations provided $7.1 million. We had cash -- capital -- cash capital expenditures of $3.8 million for the first half and payments for business acquisitions totaled $51.3 million, primarily attributable to the Jones and Stokes acquisitions which was closed in February 2008. And with that, I'd like to turn the call back to Sudhakar.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Thank you, Alan. As you have heard, our core business is robust and the trends in our business are favorable. We are increasing our non-road home revenue expectations for the full year 2008 to $430 million to $435 million, up from the $415 million to 420 million that we had previously anticipated. This goes a long way towards offsetting road home contract revenues which are likely to come in between $250 million and 260 million in 2008 due to fewer closings compared to the $275 million to $300 million we expected earlier in the year.

Our EBITDA margin guidance remains firmly between nine to 10% based on our current total revenue estimate for $680 million to $695 million, we expect full year 2008 earnings for diluted share to range from $1.85 to $1.92. For the third quarter, we are anticipating total revenues between $170 to 175 million, of which, our core business accounts for about two thirds, up from 62% in the second quarter. We anticipate EBITDA margin to be about 9.5% and diluted EPS to be approximately $0.45. With that, operator, I would like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(OPERATOR INSTRUCTIONS)

Your first question comes from the line of Joseph Vafi, representing Jeffries and Company. Please, proceed.

Joseph Vafi - *Jeffries and Company - Analyst*

Hi, gentlemen. Good morning. Good results here. I was wondering if we could talk, just a little bit more, on the energy business. I don't know if you actually broke out how many -- how big it was and maybe how many points of growth it contributed to the core business here in the second quarter.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

John, do you want to take that?

John Wasson - *ICF International - COO*

Yes, I don't have a break out of the energy business revenues, separate from the Company. I would say, in general, the energy business, the energy and climate business has been our fastest growing portion of the business over the last several quarters the growth has been in the range of 25% to 30% area, but it's certainly the fastest growing segment in the Company.

Joseph Vafi - *Jeffries and Company - Analyst*

Okay.

John Wasson - *ICF International - COO*

And we see those trends continue. We see very positive trends in the energy and climate area.

Joseph Vafi - *Jeffries and Company - Analyst*

And in that area, are we seeing any change basically in the types of projects you're doing or I guess, expansion of the types of projects that are out there in the bid and proposal pipeline. I know you're doing more in the private sector now, but just curious if the types of opportunities you're seeing continues to grow and what those might be.

John Wasson - *ICF International - COO*

I think we --

Sudhakar Kesavan - *ICF International - Chairman, CEO*

I can take that, John. Yes, I think that basically the -- the -- one of the significant changes in the energy and plans business has been the increase in the number of the energy efficiency implementation jobs which we are seeing, which -- not only the government, but also the utilities are putting out. So we believe that that is certainly -- is a good omen for us because we believe that we are well qualified to do a lot of work in the energy efficiency and these are large contracts and we believe that we are well positioned to win some of them.

So, that's -- that's primarily in the -- with the utilities and those are significantly large significant jobs, Joe. So that's, I think, a change for the traditional size of contracting fee. We traditionally see contracts in the single digits, millions of dollars in the commercial arena, but this time we are seeing contracts in the tens of millions of dollars, so we believe that that will significantly change the nature of the opportunity we're seeing in that business. So the implementation opportunities in the energy efficiency and the demand side management business are significant. Go ahead, John, I'm sorry I interrupted you.

John Wasson - *ICF International - COO*

I was going to make the same point. That's exactly right.

Joseph Vafi - *Jeffries and Company - Analyst*

Okay, and then just one follow up on that is finding people that have the capabilities and experiences in this area. Is this a challenge in this environment? Are there enough people with this type of energy experience that you can recruit?

John Wasson - *ICF International - COO*

Well, I think recruiting folks in this market is a challenge, there's -- it's a very hot market. there's a lot of activity and I think we have a very focused recruiting effort in this market, I think we're certainly a market leader in this area, we're well known in the market, I think, given our culture and the breadth of the work we do, we're a very attractive place to come and I think we, given our size in the market, we know where the talent is and can go find it.

So I think we continue to recruit actively, we're very focused on that. It is a very challenging market, but we're meeting our recruiting needs and we're also working very hard to do the necessary training and internal staff development so that we develop the staff internally to support these efforts. So, I think we're doing fine on the recruiting front.

Joseph Vafi - *Jeffries and Company - Analyst*

Okay, and then one just final question on some of the numbers, clearly there's a mix shift going on here and we're bringing down the road home revenue and upping the base revenue, obviously, there's a margin impact there and we see -- I think that's what we're seeing in some of the guidance changes. Maybe Alan, if you could kind of provide a little bit more color, I guess, on how you see the incremental change in the base business impacting margins versus where we were previously in terms of road home contribution on the margin line.

Alan Stewart - *ICF International - CFO*

Right, I think as we indicated clearly, the gross margins increasing back to our historical norms as the road home winds down and a significant amount of the subcontractor costs and declines, we'll see the gross margins continue to increase. We've done a number of acquisitions over the last year and clearly we have the overhead now fully included in our quarterly numbers and as the road home contract works down, we'll continue to work to manage our indirect cost structure to continue to deliver our nine to 10% EBITDA margins. So we would not expect a decline in those expectations.

Joseph Vafi - *Jeffries and Company - Analyst*

Okay, great. Thanks, guys.

Operator

The next question comes from the line of Tim Mchugh representing William Blair and Company. Please, proceed.

Tim Mchugh - *William Blair and Company - Analyst*

Yes, I wanted to ask you -- you mentioned there's a few large implementation projects that you hope to hear on soon. Were those the state efficiency programs or were there other potential large projects out there? And I was wondering if you could give us a sense of how large are you talking about?

John Wasson - *ICF International - COO*

Yes, I think they're both -- there's a portion that are the energy efficiency implementation projects with utilities in the range of \$20 million to \$50 million total contract value. And then we do have quite a -- several large federal implementation opportunities. Those range from \$25 million to as much as \$100 million.

Tim Mchugh - *William Blair and Company - Analyst*

Are those in your energy segment as well? Or your -- or your climate change segment?

John Wasson - *ICF International - COO*

Federal opportunities cut across human -- health and human services, defense, homeland security. So the larger federal opportunities tend to be more in the classic federal health, human services, defense, homeland security areas.

Tim Mchugh - *William Blair and Company - Analyst*

Okay, and based on the backlog in the organic growth, I'm assuming you're not seeing much of an impact from corporations cutting spending on any discretionary type of items, but I would be curious to get just your qualitative color there if you have seen anything or if this just remains a priority for firms?

John Wasson - *ICF International - COO*

Yes, we really haven't seen any impact, economic impacts, in the commercial sector. For the services we provide, demand remains strong and we continue to see a lot of opportunity. So we really haven't seen a pull back on the commercial side in our markets.

Tim Mchugh - *William Blair and Company - Analyst*

Okay, and then for Alan, a quick -- the road home, can you give a -- I kind of thought what you said there it was, the charge was offset against some reserves that you had? Is that correct?

Alan Stewart - *ICF International - CFO*

Correct.

Tim Mchugh - *William Blair and Company - Analyst*

Okay. So that was not a contra revenue item. That was a expense?

Alan Stewart - *ICF International - CFO*

It was a reduction of revenue but we had some related prior reserves. So the net impact on operating income was fairly nominal.

Tim Mchugh - *William Blair and Company - Analyst*

Okay. And then, given the faster than expected, kind of winding down in that project -- or in that program. As we look to -- you gave your guidance for 2008, as we kind of think to 2009 now, should that program be pretty much wound down by the end of 2008? What should we expect for '09?

John Wasson - *ICF International - COO*

Well, I think the contract still goes, as you know, through June of 2009, so we would expect to continue to be working on that program right up until June 2009. I think that, as we had said in a prior call, the total contract value of the road home is $912 million. I think we indicated in our prior call that we thought it would be about $25 million of contract capacity unspent upon completion of the contract, I think we still believe that.

So we'll spend about $887 million on the road home, though I think we gave the guidance for what we expect to spend in 2008 I think on prior calls we had given 2007, 2006 revenues. So I don't have the number in front of me, but I think you can do the math for what we would expect in 2000 -- nine, certainly we'll be working on a contract right up until June 2009.

Tim Mchugh - *William Blair and Company - Analyst*

Okay, great. And then, one last one if I could quickly. Do you have a sense of what's the backlog growth organically, if we stripped out some of the recent acquisitions? I know SH&E wasn't in there, but adjusting for some of the other ones?

John Wasson - *ICF International - COO*

I don't know if I have that number in front of me. Yes, I think it's -- in general, it's been similar to our business growth. So I think in a general way it's -- the growth in the backlog has been similar to the business growth, I don't have the exact number in front of me right now.

Tim Mchugh - *William Blair and Company - Analyst*

Okay, thanks. Congratulations again.

John Wasson - *ICF International - COO*

Thank you.

Operator

The next question comes from the line of Jason Kupferberg, representing UBS. Please, proceed.

Jason Kupferberg - *UBS - Analyst*

Thanks, good morning, guys. Just wanted to hone in on the core business here, obviously better than expected results in the second quarter and I think you guys have talked, in general terms in the past about a organic growth target for that business heading in to '09 of somewhere in the 12% to 15% range.

You've obviously been signing some new contracts here, your DNH deal not long ago and now that you've got another quarter under your belt and you're a little close to '09, do you have any further view in terms of that 12% to 15% range, is that still the right way to think about the organic growth in the core business next year?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

We have not given any guidance for '09 at the moment, Jason. We believe that the organic growth numbers for the [balance] part of '08, I think we certainly believe that we can up them to around 15% to 17.5%. We traditionally said 12% to 15%, for the balance part of '08 15% to 17.5% I think seems good for us for our core business.

But I think as we come closer to '09, we'll be able to give better guidance. We -- we remain optimistic on the potential for the growth, but we're not prepared at the moment to give you a significant range in timers of what we can do in 2009. But we're pretty optimistic. But the balance of our 2008 we said we think 15% to 17.5% is a good number.

Jason Kupferberg - *UBS - Analyst*

Okay, and how soon will that big NAH contract start ramping?

John Wasson - *ICF International - COO*

Well, I think we're -- I think we'll be fully ramped up by some time in the first quarter of next year. We are beginning to ramp up and I think certainly by the first quarter of next year we'll be fully ramped up under that contract.

Jason Kupferberg - *UBS - Analyst*

Okay, okay. And when you start to think about the Company post road home, so I guess as you look at the second half of '09 and beyond, is there any reason why you wouldn't expect to continue achieving nine to 10% EBITDA margins and how would we also think about the EBIT margin profile of the core business after road home completely runs off?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Yes, I think tried to make the point in my initial conference call remarks about the four factors we believe are helping us maintain the EBITDA profitability numbers, the larger contract obviously leveraging [hats off] leverage are fixed costs, I think the government business makes commercial business, the percentage of the commercial business and the fact that we are trying to consolidate and take advantage of opportunities within the Company because we have made certain acquisitions and there are certainly increased efficiencies.

So we believe those factors will help us keep the nine to 10% I think, going forward even the latter half of '09 and I think, if you look at the numbers for the second quarter of '07 and now the second quarter of '08, and the relative numbers of a core business and world home. It sort of speaks for itself in terms of I think our profitability has remained firmly within our guidance range and we don't think that that's going to change very much going forward. So, I think those four factors contribute to it and we believe that we can maintain the nine to 10% in the second half of '09.

Jason Kupferberg - *UBS - Analyst*

Okay, thanks guys.

Operator

The next question will come from the line of Tim Quillin, representing Stephens Incorporated. Please, proceed.

Tim Quillin - *Stephens Incorporated - Analyst*

Good morning. Nice results in the core business. In terms of your EBITDA margin target of nine to 10%, what factors might influence that towards the low end or the high end, especially as we get past the road home contract?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

I think that, if we keep wining the larger contracts then I would -- the four factors which I mentioned, again, larger contracts, we win more large contracts we could go up to the higher end. If the mix continues to move to more T&M and more fixed price as opposed to DPFS, it will be higher.

The commercial business mix, if the commercial business continues to grow at about, I think 25% or something now, I think we mentioned the number, if that mix stays constant then that will help the higher end and the efficiencies aspect of our -- in our business as to consolidate the acquisitions and as we make sure that we take advantage of the fact that -- of minimal duplication of efforts between different the companies we've acquired.

So, I think all those will help us go to the higher end, obviously if we are not going to turn down large DPFS contracts, and if we find one of those, then obviously we do it towards the lower end, but I think that we believe that these four factors, depending on the way they change, will determine the 9% to 10%.

Tim Quillin - *Stephens Incorporated - Analyst*

Okay. And then just --

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Relating to the 9% to 10%.

Tim Quillin - *Stephens Incorporated - Analyst*

Just for us analysts that have to try and make a forecast for, let's say, the back half of '09, would you say that kind of targeting that mid point and those swing factors would take you higher or lower, but the mid point is kind of a good starting point for the back half of '09.

John Wasson - *ICF International - COO*

You mean the back half of '08?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

No, '09.

Tim Quillin - *Stephens Incorporated - Analyst*

'09, past road home.

John Wasson - *ICF International - COO*

Past road home, all right. I think the mid point is probably a good approximate view.

Tim Quillin - *Stephens Incorporated - Analyst*

Okay, and then, I missed the first part of the call, but if you could take about what you're seeing in terms of customer demand, both on the government and corporate side in terms of your energy and climate change consulting, that'd be helpful. Thank you.

John Wasson - *ICF International - COO*

Yes, I think as we mentioned at the outset, I think the energy and climate area is certainly one of the fastest, if not the fastest growing segment in the Company and we continue to see a lot of opportunity there, both on the advisory side and the implementation side.

I think we've mentioned the large energy efficiency implementation programs that we're seeing out of the regulated utilities. There's quite a lot of activity in the utilities to get energy efficiency programs in place. That does play to our core capabilities. These opportunities are tending to be larger, longer term. And I think that we're seeing quite a lot of opportunities there. So, on the commercial side, the energy efficiency implementation and then a lot of interest in the climate and climate strategy opportunities.

On the public sector side, the business continues to be good. As we've talked about, in prior calls, we have won three or four key prime contracts with the Environmental Protection Agency in the last six months to a year and I think that we continue to do a fair amount of policy and program related work. I think obviously, as it becomes a greater focus in the United States on addressing climate change, which both presidential candidates, I think, have committed to addressing the climate issue.

We certainly think we have the vehicles and the positioning and the client relationships to see significant increase in growth on the government side once there's a greater focus on addressing the climate issue. So energy and climate in both the commercial and public sector are very strong for us. We're seeing terrific trends and I think we're very bullish going forward on those markets.

Tim Quillin - *Stephens Incorporated - Analyst*

Great. Thank you.

Operator

(OPERATOR INSTRUCTIONS)

The next question comes from the line of Bill Loomis, representing Stifel Nicolas. Please, proceed.

Bill Loomis - *Stifel Nicolas - Analyst*

Hi, thank you. Good quarter. Just looking at the road home, is there any other deadlines coming up, or are you negotiating any deadlines that would result in financial penalties right now?

John Wasson - *ICF International - COO*

We are in discussions with the state right now around performance metrics for the third quarter of 2008. I think we expect to finalize those in the next couple weeks. The metrics for the third quarter will focus on things such as the number of second grant disbursements we give to home owners, elevation only awards, the number of files that we've reviewed and got ready for long term record storage. There will be several metrics related to the small rental program.

We're working hard with the state to make sure the metrics are fair and reasonable, consistent with the goals of the contract. I think that we certainly don't expect to incur penalties going forward, at all, and certainly we don't expect in the -- in the event that we did, we would not expect anything close to the level we experienced in quarter two. So, as I say, I think we are in the process of finalizing metrics and that we expect to wrap that up in the next week or two.

Bill Loomis - *Stifel Nicolas - Analyst*

Okay, and then Alan, on the cash flow, it looks like the accrued and payables dropped a little faster than I thought relative to the receivables drop. Is there -- was there some timing issues or to ask it another way, should we expect a much better second half cash flow?

Alan Stewart - *ICF International - CFO*

Yes, I think clearly we've been working down paying down a lot of the sub contractors on the road home as the receivables have been coming in, as well as working through their accruals and some of the acquisition related accruals as well. So, yes, I would hope that the third and fourth quarter would have a bit of improvement, yes.

Bill Loomis - *Stifel Nicolas - Analyst*

Okay, and then, can you give us the break out of the revenue like you've done in the past between domestic, commercial, international, state and local?

Alan Stewart - *ICF International - CFO*

We'll have that in our 10Q that we'll be filing at the end of the week. I think our view, right now, for the third quarter is U.S. state and local government was about 47% and that includes the road home. The U.S. federal government was 35% for the quarter. Domestic commercial about 13%, international about 5%.

Bill Loomis - *Stifel Nicolas - Analyst*

Okay.

Alan Stewart - *ICF International - CFO*

For the second quarter, right.

Bill Loomis - *Stifel Nicolas - Analyst*

For the second quarter. And then, finally, on the sales pipeline, you mentioned the $200 million increase from Jones and Stokes, and how much of the -- I mean the pipeline doubled over last year partly because of acquisitions, but is there any change in nature? You mentioned the electric utilities on the energy and home [mutation] that probably added. Anything else that's really adding to opportunities that you weren't targeting a year ago or have -- maybe it's heating up.

John Wasson - *ICF International - COO*

Yes, I would say that in addition to the utility, energy efficiency opportunities. I think, our strategy, we made a concerted effort to really look for larger implementation jobs that leverage kind of the domain expertise we have on the advisory side, and I do think that we are continuing to find attractive, large implementation opportunities in this federal space where we can leverage our domain expertise and differentiate ourselves from the pure IT program management players out there.

So I think, I think the [M&A twin] was an example of that. I think that there are -- we have added material number of large implementation opportunities in the federal government that leverage the domain expertise that have also been driving up the pipeline. We are finding those opportunities and I think we're optimistic that we'll have success there going forward.

Bill Loomis - *Stifel Nicolas - Analyst*

Okay, thank you.

Operator

The next question comes from the line of Rajen Shah, representing Post Road Capital. Please, proceed.

Rajen Shah - *Post Road Capital Management - Analyst*

Hey guys, congratulations on a great quarter. I just have a question on your pipeline. You have -- you mentioned about $1.6 billion in new business pipeline and my question is, if you can -- can you break that down a little bit more in terms of how many of the large -- how much of the larger opportunities that represents so, I don't know, contracts greater than $20 million, $30 million. Does that represent, say, half of the pipeline, or can you just kind of break down the pipeline for us?

John Wasson - *ICF International - COO*

Let me try to give you a little flavor there. I think that of the -- so, as you said, it's $1.6 billion. I think of in terms of the larger opportunities, we have 14 active opportunities that were' either in capture or in a proposal stage on. We have 14 opportunities above a $20 million total contract value in the pipeline today.

So, of that 14, seven are in the range of $20 million to $25 million, total contract value. Five are in the range of $40 million to $70 million. There's two in the range of $110 million to $150 million total contract value. And so -- and of those 14, we expect nine of them to be decided in 2008 to the balance of 2009. And so, that gives you a sense of the largest opportunities above $20 million. I don't have the -- what percentage of the total pipeline that (inaudible - multiple speakers) --

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Rajen Shah - *Post Road Capital Management - Analyst*

And I guess your win rage has been around the 40% range. Is that right?

John Wasson - *ICF International - COO*

Yes. Approximately 40%, that's correct.

Rajen Shah - *Post Road Capital Management - Analyst*

So, if you get your fair share of these larger contracts, I mean would your growth rate be better than what you -- what you guys have just put out?

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Which is why I think we basically decided to -- as we come closer to '09, I think none of these opportunities will help us that much in '08.

Rajen Shah - *Post Road Capital Management - Analyst*

For '08. Okay.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

Yes, as we -- yes, as we get closer to '09, have a better sense, we'll be able to give you better guidance.

Rajen Shah - *Post Road Capital Management - Analyst*

So, we could -- my point is, we could see an acceleration of growth should you win your fair share, just your 40%, we could see an acceleration of growth in '09.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

I could be a politician and I'd say that I don't answer hypotheticals, but yes, I think that that's --

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Rajen Shah - *Post Road Capital Management - Analyst*

Okay.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

A reasonable assumption.

Rajen Shah - *Post Road Capital Management - Analyst*

Okay.

John Wasson - *ICF International - COO*

I think that's a reasonable assumption, I mean I think that's a reasonable assumption.

Rajen Shah - *Post Road Capital Management - Analyst*

Okay, great. Well thank you guys, congratulations on a great quarter.

Operator

gentlemen, with no further question in queue, I would now like to turn the call back to management for closing remarks.

Sudhakar Kesavan - *ICF International - Chairman, CEO*

I would -- we would like to thank you all for participating in today's call. As you have heard, we are enthusiastic about our business prospects and we look forward to keeping you up to date on our progress. Thank you again.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day.