UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM ______ TO

Commission File Number: 001-33045

ICF International, Inc.
(Exact name of Registrant as Specified in its Charter)

Delaware	**22-3661438**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1902 Reston Metro Plaza, Reston, VA	**20190**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 934-3000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock	ICFI	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b–2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 28, 2023, there were 18,814,675 shares outstanding of the registrant's common stock.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2023

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ICF International, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share and per share amounts)	June 30, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,972	$ 11,257
Restricted cash	4,498	1,711
Contract receivables, net	226,360	232,337
Contract assets	200,202	169,088
Prepaid expenses and other assets	32,579	40,709
Income tax receivable	7,629	11,616
Total Current Assets	478,240	466,718
Property and Equipment, net	84,029	85,402
Other Assets:		
Goodwill	1,236,380	1,212,898
Other intangible assets, net	117,145	126,537
Operating lease - right-of-use assets	146,539	149,066
Other assets	53,089	51,637
Total Assets	$ 2,115,422	$ 2,092,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 20,500	$ 23,250
Accounts payable	113,273	135,778
Contract liabilities	19,647	25,773
Operating lease liabilities	17,544	19,305
Finance lease liabilities	2,420	2,381
Accrued salaries and benefits	86,777	85,991
Accrued subcontractors and other direct costs	43,623	45,478
Accrued expenses and other current liabilities	65,372	78,036
Total Current Liabilities	369,156	415,992
Long-term Liabilities:		
Long-term debt	581,297	533,084
Operating lease liabilities - non-current	185,924	182,251
Finance lease liabilities - non-current	14,894	16,116
Deferred income taxes	62,820	68,038
Other long-term liabilities	28,486	23,566
Total Liabilities	1,242,577	1,239,047
Commitments and Contingencies (Note 17)		
Stockholders' Equity:		
Preferred stock, par value $.001; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $.001; 70,000,000 shares authorized; 23,946,260 and 23,771,596 shares issued at June 30, 2023 and December 31, 2022, respectively; 18,814,675 and 18,883,050 shares outstanding at June 30, 2023 and December 31, 2022, respectively	24	23
Additional paid-in capital	411,187	401,957
Retained earnings	734,468	703,030
Treasury stock, 5,131,585 and 4,906,209 shares at June 30, 2023 and December 31, 2022 respectively	(266,518)	(243,666)
Accumulated other comprehensive loss	(6,316)	(8,133)
Total Stockholders' Equity	872,845	853,211
Total Liabilities and Stockholders' Equity	$ 2,115,422	$ 2,092,258

The accompanying notes are an integral part of these consolidated financial statements.

ICF International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenue	$ 500,085	$ 423,110	$ 983,367	$ 836,578
Direct Costs	325,404	268,905	637,969	527,063
Operating costs and expenses:				
Indirect and selling expenses	126,522	114,403	250,255	231,855
Depreciation and amortization	6,826	5,063	13,135	9,901
Amortization of intangible assets	9,286	4,963	18,510	10,280
Total operating costs and expenses	142,634	124,429	281,900	252,036
Operating income	32,047	29,776	63,498	57,479
Interest, net	(10,132)	(4,049)	(19,589)	(6,676)
Other (expense) income	(677)	44	(1,235)	(395)
Income before income taxes	21,238	25,771	42,674	50,408
Provision for income taxes	926	7,374	5,964	14,149
Net income	$ 20,312	$ 18,397	$ 36,710	$ 36,259
Earnings per Share:				
Basic	$ 1.08	$ 0.98	$ 1.95	$ 1.93
Diluted	$ 1.07	$ 0.97	$ 1.94	$ 1.91
Weighted-average Shares:				
Basic	18,791	18,796	18,785	18,795
Diluted	18,919	18,954	18,942	18,991
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.28	$ 0.28
Other comprehensive income (loss), net of tax	3,151	(4,211)	1,817	(1,552)
Comprehensive income, net of tax	$ 23,463	$ 14,186	$ 38,527	$ 34,707

The accompanying notes are an integral part of these consolidated financial statements.

ICF International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash Flows from Operating Activities		
Net income	$ 36,710	$ 36,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) credit losses	837	(172)
Deferred income taxes	(4,823)	4,741
Non-cash equity compensation	6,688	6,507
Depreciation and amortization	31,646	20,181
Facilities consolidation reserve	—	(156)
Amortization of debt issuance costs	651	617
Impairment of long-lived assets	888	—
Other adjustments, net	(1,411)	868
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Net contract assets and liabilities	(38,332)	(71,612)
Contract receivables	8,856	17,520
Prepaid expenses and other assets	13,864	(5,758)
Operating lease assets and liabilities, net	2,894	(997)
Accounts payable	(22,742)	(5,801)
Accrued salaries and benefits	405	1,512
Accrued subcontractors and other direct costs	(2,173)	6,754
Accrued expenses and other current liabilities	(18,311)	(3,253)
Income tax receivable and payable	3,999	(1,572)
Other liabilities	233	771
Net Cash Provided by Operating Activities	19,879	6,409
Cash Flows from Investing Activities		
Capital expenditures for property and equipment and capitalized software	(13,139)	(11,026)
Proceeds from working capital adjustments related to prior business acquisition	—	2,911
Payments for business acquisitions, net of cash acquired	(32,664)	—
Net Cash Used in Investing Activities	(45,803)	(8,115)
Cash Flows from Financing Activities		
Advances from working capital facilities	669,437	869,529
Payments on working capital facilities	(624,553)	(838,259)
Proceeds from other short-term borrowings	7,632	—
Repayments of other short-term borrowings	(2,483)	—
Receipt of restricted contract funds	4,940	10,967
Payment of restricted contract funds	(3,962)	(20,550)
Debt issuance costs	—	(4,776)
Payments of principal portion of finance leases	(1,183)	—
Proceeds from exercise of options	278	194
Dividends paid	(5,271)	(5,280)
Net payments for stock issuances and buybacks	(20,588)	(20,778)
Payments on business acquisition liabilities	—	(121)
Net Cash Provided by (Used in) Financing Activities	24,247	(9,074)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	179	(1,189)
Decrease in Cash, Cash Equivalents, and Restricted Cash	(1,498)	(11,969)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	12,968	20,433
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 11,470	$ 8,464
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 19,129	$ 6,473
Income taxes	$ 8,450	$ 12,373
Non-cash investing and financing transactions:		
Tenant improvements funded by lessor	$ —	$ 20,243

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation

The accompanying consolidated financial statements include the accounts of ICF International, Inc. ("ICFI") and its principal subsidiary, ICF Consulting Group, Inc. ("Consulting," and together with ICFI, the "Company"), and have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP"). Consulting is a wholly owned subsidiary of ICFI. ICFI is a holding company with no operations or assets other than its investment in the common stock of Consulting. All other subsidiaries of the Company are wholly owned by Consulting. Material intercompany transactions and balances have been eliminated.

Nature of Operations

The Company provides professional services and technology-based solutions, including management, marketing, technology, and policy consulting and implementation services, in the areas of energy, environment, infrastructure and disaster recovery; health and social programs; and security and other civilian & commercial. The Company offers a full range of services to clients throughout the entire life cycle of a policy, program, project, or initiative, from research and analysis, assessment, and advice to design and implementation of programs and technology-based solutions, and the provision of engagement services and programs.

The Company's major customers are U.S. federal government departments and agencies. The Company also serves U.S. state (including territories) and local government departments and agencies, international governments, and commercial clients worldwide. Commercial clients include airlines, airports, electric and gas utilities, health care companies, banks and other financial services companies, transportation, travel and hospitality firms, non-profit associations, manufacturing firms, retail chains, and distribution companies. The term "federal" or "federal government" refers to the U.S. federal government, and "state and local" or "state and local government" refers to U.S. state (including territories) and local governments, unless otherwise indicated.

The Company, incorporated in Delaware, is headquartered in Reston, Virginia. The Company maintains additional offices throughout the world, including more than 50 offices in the U.S. and U.S. territories and more than 20 offices in key markets outside the U.S., including offices in the United Kingdom, Belgium, India, and Canada.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas of the consolidated financial statements where estimates may have the most significant effect include contractual and regulatory reserves, valuation and lives of tangible and intangible assets, impairment of goodwill and long-lived assets, accrued liabilities, revenue recognition (including estimates of variable considerations in determining the total contract price and allocation of performance obligations), the remaining costs to complete fixed-price contracts, bonus and other incentive compensation, stock-based compensation, reserves for tax benefits and valuation allowances on deferred tax assets, provisions for income taxes, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ from management's estimates.

Interim Results

The unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). These rules and regulations permit some of the information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. GAAP, to be condensed or omitted. In management's opinion, the unaudited consolidated financial statements contain all adjustments that are of a normal recurring nature, necessary for a fair presentation of the results of operations and financial position of the Company for the interim periods presented. The Company reports operating results and financial data in one operating segment and reporting unit. Operating results for the three- and six-months period ended June 30, 2023 and 2022 are not necessarily indicative of the results that may be expected for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2022 and the notes thereto included in the Company's Annual Report on Form 10-K, filed with the SEC on March 1, 2023.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The standard is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease accounting and financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The provisions of this ASU are elective and apply to all entities, subject to meeting certain criteria, that have debt or hedging contracts, among other contracts, that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Entities can elect to not apply certain modification accounting requirements to contracts affected by reference rate reform if certain criteria are met. Also, entities can elect various optional expedients that would allow it to continue to apply hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met. This guidance was effective beginning on March 12, 2020 and entities may elect to apply the amendments prospectively through December 31, 2022, the sunset date. In December 2022, the FASB issued ASU 2022-06 Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 which extended the sunset date from December 31, 2022 to December 31, 2024.

At December 31, 2022 the Company had one interest rate contract with a variable interest rate that references LIBOR, which was amended during the second quarter of 2023 to term Secured Overnight Financing Rate ("SOFR") based interest pricing convention.

Reclassification

Certain immaterial amounts in the consolidated statements of comprehensive income have been reclassified to conform to the current year's presentation. To be consistent with the current presentation of interest, net, the Company reclassified $0.1 million and $0.1 million in interest income for the three- and six-months period ended June 30, 2022, respectively, from "Other expense" to "Interest, net".

NOTE 2 – RESTRICTED CASH

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets for the periods presented to the total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows for the six months ended June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Beginning	Ending	Beginning	Ending
Cash and cash equivalents	$ 11,257	$ 6,972	$ 8,254	$ 6,063
Restricted cash	1,711	4,498	12,179	2,401
Total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 12,968	$ 11,470	$ 20,433	$ 8,464

NOTE 3 – CONTRACT RECEIVABLES, NET

Contract receivables, net consisted of the following:

	June 30, 2023	December 31, 2022
Billed and billable	$ 231,638	$ 238,449
Allowance for expected credit losses	(5,278)	(6,112)
Contract receivables, net	$ 226,360	$ 232,337

On December 23, 2022, the Company entered into a Master Receivables Purchase Agreement (the “MRPA”) with MUFG Bank, Ltd. (“MUFG”) for the sale from time to time of certain eligible billed receivables. The purchase price of each receivable is equal to the net invoice amount minus a specified discount. The receivables are sold without recourse and the Company does not retain any ongoing financial interest in the transferred receivables other than providing servicing activities. The Company accounts for the transfers as sales under ASC 860, Transfers and Servicing, derecognizes the receivables from its consolidated balance sheets at the date of the sale, and includes the cash received from MUFG as part of cash flows from operating activities on its consolidated statement of cash flows.

During the three and six months ended June 30, 2023, the Company sold $37.8 million and $66.4 million, respectively, in billed receivables to MUFG that is included in operating cash on the consolidated statements of cash flows. At June 30, 2023 and December 31, 2022, the Company had $10.3 million and $6.2 million, respectively, in cash collections from previously sold invoices to be remitted to MUFG which is included as part of “accrued expenses and other current liabilities” on the consolidated balance sheets.

NOTE 4 – GOODWILL

The changes in carrying amount of goodwill during the six months ended June 30, 2023 were as follows:

Balance as of December 31, 2022	$ 1,212,898
Goodwill resulting from business combination - CMY acquisition	21,366
Effect of foreign currency translation	2,116
Balance as of June 30, 2023	$ 1,236,380

NOTE 5 – LEASES

The Company has operating and finance leases for facilities and equipment which have remaining terms ranging from 1 to 15 years. The leases may include options to extend the lease periods for up to 5 years at rates approximating market rates and/or options to terminate the leases within 1 year. The leases may include a residual value guarantee or a responsibility to return the property to its original state of use. A limited number of leases contain provisions that provide for rental increases based on consumer price indices. The change in lease cost resulting from changes in these indices is included within variable lease cost.

The Company’s lease cost is recognized on a straight-line basis over the lease term. Lease cost consists of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Operating lease cost	$ 6,393	$ 9,436	$ 12,882	$ 18,938
Finance lease cost - amortization of right-of-use assets	494	—	988	—
Finance lease cost - interest	149	—	300	—
Short-term lease cost	183	144	333	277
Variable lease cost	69	27	124	47
Sublease income	—	(28)	(28)	(38)
Total lease cost	$ 7,288	$ 9,579	$ 14,599	$ 19,224

Future minimum lease payments under non-cancellable operating and finance leases as of June 30, 2023 were as follows:

	Operating		Finance	
June 30, 2024	$	20,872	$	2,967
June 30, 2025		29,232		2,967
June 30, 2026		26,696		2,967
June 30, 2027		21,826		2,967
June 30, 2028		16,886		2,967
Thereafter		134,824		4,449
Total future minimum lease payments		250,336		19,284
Less: Interest		(46,868)		(1,970)
Total lease liabilities	$	203,468	$	17,314

Other information related to operating and finance leases for six months ended June 30, 2023 and 2022 is as follows:

	2023		2022	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows for operating leases	$	9,995	$	19,983
Operating cash outflows for finance leases		300		—
Financing cash outflows for finance leases		1,183		—
Right-of-use assets obtained in exchange for operating lease liabilities	$	9,722	$	4,885
Weighted-average remaining lease term				
Operating leases		11.5		11.7
Finance leases		6.5		—
Weighted-average discount rate				
Operating leases		3.5%		3.2%
Finance leases		3.4%		—

NOTE 6 – LONG-TERM DEBT

At June 30, 2023 and December 31, 2022, long-term debt consisted of:

	June 30, 2023			December 31, 2022		
	Average Interest Rate	Outstanding Balance		Average Interest Rate	Outstanding Balance	
Term Loan		$	281,250		$	288,750
Delayed-Draw Term Loan			220,000			220,000
Revolving Credit			105,000			52,616
Total before debt issuance costs	6.5%		606,250	3.3%		561,366
Unamortized debt issuance costs			(4,453)			(5,032)
Total		$	601,797		$	556,334

As of June 30, 2023, the Company had unused delayed-draw term loan facility of $180.0 million (available through November 6, 2023) and unused borrowing capacity under the $600.0 million revolving line of credit of $492.6 million under a credit agreement with a group of lenders (the “Credit Facility”). The unused borrowing capacity is inclusive of outstanding letters of credit totaling $2.4 million. Considering the financial, performance-based limitations, available borrowing capacity was $388.5 million as of June 30, 2023. The average interest rate on borrowings under the Credit Facility was 6.6% and 6.5% for the three- and six-months period ended June 30, 2023, respectively, and 3.3% for the twelve-month period ended December 31, 2022. Inclusive of the impact of floating-to-fixed interest rate swaps (see “Note 8 – Derivative Instruments and Hedging Activities”), the average interest rate was 5.5% for the three- and six-months period ended June 30, 2023 and 3.7% for the twelve-month period ended December 31, 2022.

Future scheduled repayments of debt principal are as follows:

Payments due by	Term Loan	Delayed-Draw Term Loan	Revolving Credit	Total
June 30, 2024	$ 15,000	$ 5,500	$ —	$ 20,500
June 30, 2025	16,875	12,375	—	29,250
June 30, 2026	22,500	16,500	—	39,000
May 6, 2027 (Maturity)	226,875	185,625	105,000	517,500
Total	$ 281,250	$ 220,000	$ 105,000	$ 606,250

NOTE 7 – REVENUE RECOGNITION

Disaggregation of Revenue

The Company disaggregates revenue from clients, most of which is earned over time, into categories that depict how the nature, amount, and uncertainty of revenue and cash flows are affected by economic and business factors. Those categories are client markets, client type, and contract mix. Client markets provide insight into the breadth of the Company's expertise. In classifying revenue by client market, the Company attributes revenue from a client to the market that the Company believes is the client's primary market. The Company also classifies revenue by the type of entity for which it does business, which is an indicator of the diversity of its client base. The Company attributes revenue generated as a subcontractor to a commercial company as government revenue when the ultimate client is a government agency or department. Disaggregation by contract mix provides insight in terms of the degree of performance risk that the Company has assumed. Fixed-price contracts are considered to provide the highest amount of performance risk as the Company is required to deliver a scope of work or level of effort for a negotiated fixed price. Time-and-materials contracts require the Company to provide skilled employees on contracts for negotiated fixed hourly rates. Since the Company is not required to deliver a scope of work, but merely skilled employees, it considers these contracts to be less risky than a fixed-price agreement. Cost-based contracts are considered to provide the lowest amount of performance risk since the Company is generally reimbursed for all contract costs incurred in performance of contract deliverables with only the amount of incentive or award fees (if applicable) dependent on the achievement of negotiated performance requirements.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Markets:								
Energy, environment, infrastructure, and disaster recovery	$ 202,723	41 %	$ 172,103	41 %	$ 389,254	40 %	$ 343,025	41 %
Health and social programs	207,224	41 %	159,165	37 %	411,463	42 %	314,964	38 %
Security and other civilian & commercial	90,138	18 %	91,842	22 %	182,650	18 %	178,589	21 %
Total	$ 500,085	100 %	$ 423,110	100 %	$ 983,367	100 %	$ 836,578	100 %

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Type:								
U.S. federal government	$ 271,817	55 %	$ 225,298	53 %	$ 539,578	55 %	$ 444,341	53 %
U.S. state and local government	81,206	16 %	63,704	15 %	156,236	16 %	129,768	15 %
International government	26,322	5 %	28,616	7 %	46,995	5 %	55,994	7 %
Total Government	379,345	76 %	317,618	75 %	742,809	76 %	630,103	75 %
Commercial	120,740	24 %	105,492	25 %	240,558	24 %	206,475	25 %
Total	$ 500,085	100 %	$ 423,110	100 %	$ 983,367	100 %	$ 836,578	100 %

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Contract Mix:								
Time-and-materials	$ 208,417	42 %	$ 169,923	40 %	$ 409,368	42 %	$ 334,890	40 %
Fixed-price	225,396	45 %	185,902	44 %	444,383	45 %	369,915	44 %
Cost-based	66,272	13 %	67,285	16 %	129,616	13 %	131,773	16 %
Total	$ 500,085	100 %	$ 423,110	100 %	$ 983,367	100 %	$ 836,578	100 %

Contract Balances:

Contract assets consist primarily of unbilled amounts resulting from long-term contracts when revenue recognized exceeds the amount billed often due to billing schedule timing. Contract liabilities result from advance payments received on a contract or from billings in excess of revenue recognized on long-term contracts due to billing schedule timing.

The following table summarizes the contract balances as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Contract assets	$ 200,202	$ 169,088
Contract liabilities	(19,647)	(25,773)
Net contract assets (liabilities)	$ 180,555	$ 143,315

The net contract assets (liabilities) as of June 30, 2023 increased by $37.2 million as compared to December 31, 2022. The increase in net contract assets (liabilities) is primarily due to the timing difference between the performance of services and billings to and payments from customers. There were no material changes to contract balances due to impairments or credit losses during the period. During the six months ended June 30, 2023 and 2022, the Company recognized $16.2 million and $24.9 million in revenue related to the contract liabilities balance at December 31, 2022 and 2021, respectively.

Performance Obligations:

The Company had $1.3 billion in unfulfilled performance obligations as of June 30, 2023 which primarily reflects the future delivery of services for which revenue will be recognized over time. The obligations relate to continued or additional services required on contracts, including those that are either non-cancellable or have substantive termination penalties, and were generally valued using an estimated cost-plus margin approach, with variable consideration being estimated at the most likely amount. The amounts exclude marketing offers, which are negotiated but unexercised contract options and indefinite delivery/indefinite quantity (IDIQ) and similar arrangements that provided a framework for customers to issue specific tasks, delivery, or purchase orders in the future. The Company expects to satisfy these performance obligations in approximately two years.

NOTE 8 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses interest rate swap agreements (the “Swaps”) to manage its interest rate risk associated with its borrowings under the Credit Facility. Notwithstanding the terms of the swaps, the Company is ultimately obligated for all amounts due and payable under the Credit Facility. The derivative instruments are recorded on the consolidated balance sheets at fair value. Unrealized gains and losses on derivatives designated as cash flow hedges are reported in other comprehensive income (loss) and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. Management intends that the Swaps remain effective and, on a quarterly basis, evaluates them to determine their effectiveness or ineffectiveness and records the change in fair value as an adjustment to other comprehensive income or loss. The Company does not use derivative instruments for speculative or trading purposes.

During the second quarter of 2023, the Company entered into new floating-to-fixed interest rate swaps for a total notional amount of $100.0 million that will mature on June 27, 2028.

At June 30, 2023, the Company had floating-to-fixed interest rate swaps for an aggregate notional amount of $375.0 million, of which $100.0 million will mature on August 31, 2023, $100.0 million will mature on February 28, 2025, $75.0 million will mature on February 28, 2028, and $100.0 million will mature on June 27, 2028. The Company has designated the Swaps as cash flow hedges.

NOTE 9 – INCOME TAXES

The Company's effective tax rate for the three months ended June 30, 2023 and 2022 was 4.4% and 28.6%, respectively, and 14.0% and 28.1% for the six months ended June 30, 2023 and 2022, respectively.

A reconciliation of the Company's statutory rate to the effective tax rate for the three and six months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Taxes at statutory rate	21.0%	21.0%	21.0%	21.0%
State taxes, net of federal benefit	5.8%	5.6%	5.8%	5.6%
Executive compensation	1.3%	1.5%	1.3%	1.5%
Corporate-Owned Life Insurance	(0.2%)	0.6%	(0.3%)	0.9%
Other permanent differences	0.9%	0.6%	0.5%	0.5%
Prior year tax adjustments	(3.5%)	(0.5%)	(1.8%)	(0.5%)
Capital Loss	(21.3%)	—	(10.6%)	—
Valuation allowance	1.4%	1.0%	1.2%	1.0%
Equity-based compensation	—	(0.7%)	(2.1%)	(1.4%)
Tax credits	(1.0%)	(0.5%)	(1.0%)	(0.5%)
Taxes at effective rate	4.4%	28.6%	14.0%	28.1%

The Company restructured the ownership of its Canadian entities for tax purposes during the second quarter of 2023, resulting in a decrease in the Company's effective income tax rate for the three months and the six months ended 2023 compared to 2022.

The Company is subject to federal income tax as well as taxes in various state, local, and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require the application of significant judgment. The Company's 2019 through 2021 tax years remain subject to examination by the Internal Revenue Service for federal tax purposes. Certain significant state, local, and foreign tax returns also remain open under the applicable statutes of limitations and, as such, are subject to examination for the tax years from 2018 to 2021.

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss as of June 30, 2023 and 2022 included the following:

	Three Months Ended June 30, 2023		
	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Hedge Agreements [(2)]	Total
Accumulated other comprehensive (loss) income at March 31, 2023	$ (12,495)	$ 3,028	$ (9,467)
Current period other comprehensive (loss) income:			
Other comprehensive (loss) income before reclassifications	1,652	3,811	5,463
Amounts reclassified from accumulated other comprehensive (loss) income [(3)]	—	(1,778)	(1,778)
Effect of taxes [(4)]	10	(544)	(534)
Total current period other comprehensive (loss) income	1,662	1,489	3,151
Accumulated other comprehensive (loss) income at June 30, 2023	$ (10,833)	$ 4,517	$ (6,316)

	Three Months Ended June 30, 2022			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement [1]	Change in Fair Value of Interest Rate Hedge Agreement [2]	Total
Accumulated other comprehensive (loss) income at March 31, 2022	$ (10,700)	$ 437	$ 1,887	$ (8,376)
Current period other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications	(6,721)	—	1,793	(4,928)
Amounts reclassified from accumulated other comprehensive (loss) income [3]	—	(180)	596	416
Effect of taxes [4]	859	48	(606)	301
Total current period other comprehensive (loss) income	(5,862)	(132)	1,783	(4,211)
Accumulated other comprehensive (loss) income at June 30, 2022	$ (16,562)	$ 305	$ 3,670	$ (12,587)

	Six Months Ended June 30, 2023			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement [1]	Change in Fair Value of Interest Rate Hedge Agreements [2]	Total
Accumulated other comprehensive (loss) income at December 31, 2022	$ (14,056)	$ 41	$ 5,882	$ (8,133)
Current period other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications	3,405	—	1,279	4,684
Amounts reclassified from accumulated other comprehensive (loss) income [3]	—	(60)	(3,138)	(3,198)
Effect of taxes [4]	(182)	19	494	331
Total current period other comprehensive (loss) income	3,223	(41)	(1,365)	1,817
Accumulated other comprehensive (loss) income at June 30, 2023	$ (10,833)	$ —	$ 4,517	$ (6,316)

	Six Months Ended June 30, 2022			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement [1]	Change in Fair Value of Interest Rate Hedge Agreement [2]	Total
Accumulated other comprehensive (loss) income at December 31, 2021	$ (8,759)	$ 569	$ (2,845)	$ (11,035)
Current period other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications	(9,025)	—	7,302	(1,723)
Amounts reclassified from accumulated other comprehensive (loss) income [3]	—	(360)	1,498	1,138
Effect of taxes [4]	1,222	96	(2,285)	(967)
Total current period other comprehensive (loss) income	(7,803)	(264)	6,515	(1,552)
Accumulated other comprehensive (loss) income at June 30, 2022	$ (16,562)	$ 305	$ 3,670	$ (12,587)

(1) Represents the unamortized value of an interest rate hedge agreement, designated as a cash flow hedge, which was sold on December 1, 2016. The fair value of the interest rate hedge agreement, at the date of the sale, was recorded in other comprehensive income, net of tax, and is being reclassified to interest expense when earnings are impacted by the hedged items and as interest payments are made on the Credit Facility from January 31, 2018 to January 31, 2023.

(2) Represents the change in fair value of interest rate hedge agreements designated as cash flow hedges. The fair value of the interest rate hedge agreements was recorded in other comprehensive income, net of tax, and will be reclassified to earnings when earnings are impacted by the hedged items, as interest payments are made on the Credit Facility from August 31, 2018 to June 27, 2028 (see “Note 8 — Derivative Instruments and Hedging Activities”).

(3) The Company expects to reclassify $6.6 million of gains related to the Change in Fair Value of Interest Rate Hedge Agreement from accumulated other comprehensive loss into earnings during the next 12 months.

(4) The Company’s effective tax rate for the three months ended June 30, 2023 and 2022 was 4.4% and 28.6%, respectively, and 14.0% and 28.1% for the six months ended June 30, 2023 and 2022.

NOTE 11 – STOCKHOLDERS’ EQUITY

Changes in stockholders’ equity for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended June 30, 2023							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at March 31, 2023	18,788	24	$ 405,818	$ 716,795	5,131	$ (266,481)	$ (9,467)	$ 846,689
Net income	—	—	—	20,312	—	—	—	20,312
Other comprehensive income	—	—	—	—	—	—	3,151	3,151
Equity compensation	—	—	2,938	—	—	—	—	2,938
Exercise of stock options	4	—	167	—	—	—	—	167
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	23	—	2,264	—	—	—	—	2,264
Payments for stock buybacks	—	—	—	—	—	(37)	—	(37)
Dividends declared	—	—	—	(2,639)	—	—	—	(2,639)
Balance at June 30, 2023	18,815	$ 24	$ 411,187	$ 734,468	5,131	$ (266,518)	$ (6,316)	$ 872,845

	Three Months Ended June 30, 2022							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at March 31, 2022	18,793	$ 23	$ 388,639	$ 664,532	4,886	$ (241,516)	$ (8,376)	$ 803,302
Net income	—	—	—	18,397	—	—	—	18,397
Other comprehensive loss	—	—	—	—	—	—	(4,211)	(4,211)
Equity compensation	—	—	2,944	—	—	—	—	2,944
Exercise of stock options	4	—	102	—	—	—	—	102
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	22	—	1,539	—	—	—	—	1,539
Payments for stock buybacks	(1)	—	—	—	1	(50)	—	(50)
Dividends declared	—	—	—	(2,606)	—	—	—	(2,606)
Balance at June 30, 2022	18,818	$ 23	$ 393,224	$ 680,323	4,887	$ (241,566)	$ (12,587)	$ 819,417

	Six Months Ended June 30, 2023							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2022	18,883	$ 23	$ 401,957	$ 703,030	4,906	$ (243,666)	$ (8,133)	$ 853,211
Net income	—	—	—	36,710	—	—	—	36,710
Other comprehensive income	—	—	—	—	—	—	1,817	1,817
Equity compensation	—	—	6,688	—	—	—	—	6,688
Exercise of stock options	8	—	278	—	—	—	—	278
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	149	1	2,264	—	—	—	—	2,265
Payments for stock buybacks	(225)	—	—	—	225	(22,852)	—	(22,852)
Dividends declared	—	—	—	(5,272)	—	—	—	(5,272)
Balance at June 30, 2023	18,815	$ 24	$ 411,187	$ 734,468	5,131	$ (266,518)	$ (6,316)	$ 872,845

	Six Months Ended June 30, 2022							
	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Loss	Total
Balance at December 31, 2021	18,876	$ 23	$ 384,984	$ 649,298	4,659	$ (219,800)	$ (11,035)	$ 803,470
Net income	—	—	—	36,259	—	—	—	36,259
Other comprehensive loss	—	—	—	—	—	—	(1,552)	(1,552)
Equity compensation	—	—	6,507	—	—	—	—	6,507
Exercise of stock options	8	—	194	—	—	—	—	194
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	162	—	1,539	—	—	—	—	1,539
Payments for stock buybacks	(228)	—	—	—	228	(21,766)	—	(21,766)
Dividends declared	—	—	—	(5,234)	—	—	—	(5,234)
Balance at June 30, 2022	18,818	$ 23	$ 393,224	$ 680,323	4,887	$ (241,566)	$ (12,587)	$ 819,417

NOTE 12 – STOCK-BASED COMPENSATION

On April 4, 2018, the Company's board of directors (the "board") approved the 2018 Omnibus Incentive Plan (the "2018 Omnibus Plan"), which was subsequently approved by the Company's stockholders and became effective on May 31, 2018 (the "Effective Date"). The 2018 Omnibus Plan replaced the previous 2010 Omnibus Incentive Plan (the "Prior Plan"). The 2018 Omnibus Plan was amended on May 28, 2020 to increase the number of shares available for issuance.

On June 1, 2023, the Company's stockholders approved an amendment and restatement of the 2018 Omnibus Plan (the "2018 A&R Omnibus Plan") which further increased the number of shares available for issuance, incorporated compensation recovery provisions consistent with new SEC and NASDAQ requirements, and made certain other clarifying changes.

The A&R 2018 Omnibus Plan, as amended, allows the Company to grant 2,050,000 shares using stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance units and performance share awards ("PSAs"), cash-settled restricted stock units ("CSRSUs"), and other stock-based awards to all officers, key employees, and non-employee directors of the Company. Outstanding shares granted under the Prior Plan, totaling 2,631 as of June 30, 2023, remain subject to its terms and conditions, and no additional awards from the Prior Plan are to be made after the Effective Date. As of June 30, 2023, the Company had approximately 1,131,521 shares available for grant under the 2018 A&R Omnibus Plan. CSRSUs have no impact on the shares available for grant under the Omnibus Plan, nor on the calculated shares used in earnings per share calculations.

During the six months ended June 30, 2023, the Company granted to its employees 76,613 shares in the form of RSUs with an average grant date fair value of $107.29, and the equivalent value of 66,464 shares in the form of CSRSUs with an average grant date fair value of $109.33. During the six months ended June 30, 2023, the Company also granted 36,956 shares in the form of PSAs to its employees with a grant date fair value of $115.67 per share. The RSUs, CSRSUs, and PSAs granted are generally subject to service-based vesting conditions, with the PSAs also having performance-based vesting conditions. The performance conditions for the PSAs granted in 2023 have a performance period from January 1, 2023 through December 31, 2025 and performance conditions that are consistent with the PSAs granted in prior years.

The Company recognized stock-based compensation expense of $4.9 million and $4.4 million for the three months ended June 30, 2023 and 2022 and $10.8 million and $9.0 million for the six months ended June 30, 2023 and 2022. Unrecognized compensation expense of approximately $16.9 million as of June 30, 2023 related to unsettled RSUs is expected to be recognized over a weighted-average period of 2.0 years. The unrecognized compensation expense related to CSRSUs totaled approximately $14.3 million at June 30, 2023 and is expected to be recognized over a weighted-average period of 2.1 years. Unrecognized compensation expense related to PSAs of approximately $5.7 million as of June 30, 2023 is expected to be recognized over a weighted-average period of 1.5 years.

NOTE 13 – BUSINESS COMBINATION

CMY Solutions, LLC.

On May 1, 2023, the Company acquired CMY Solutions, LLC. ("CMY"), a privately-held company that provides engineering and automation solutions to utilities and organizations. The acquisition enhances ICF's offerings in the field of power and energy advisory services.

As preliminary allocation of purchase consideration of $32.6 million, the Company recorded $10.0 million of intangible assets, $1.2 million in net working capital, and $21.4 million of goodwill. Intangible assets consist of $9.9 million related to existing customer relationships and $0.1 million related to trade names and trademarks. The acquisition of CMY is not material to the Company's results of operations.

NOTE 14 – EARNINGS PER SHARE

The Company's earnings per share ("EPS") is computed by dividing reported net income by the weighted-average number of shares outstanding. Diluted EPS considers the potential dilution that could occur if common stock equivalents of stock options, RSUs, and PSAs were exercised or converted into stock. PSAs are included in the computation of diluted shares only to the extent that the underlying performance conditions: (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related performance period and the result would be dilutive under the treasury stock method.

As of June 30, 2023, the PSAs granted during the year ended December 31, 2021 met the related performance conditions for the initial performance period and were included in the calculation of diluted EPS. However, the PSAs granted during the year ended December 31, 2022 and during the six months ended June 30, 2023 have not yet completed their initial two-year performance period and therefore were excluded in the calculation of diluted EPS.

The dilutive effect of stock options, RSUs, and PSAs for each period reported is summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Income	$ 20,312	$ 18,397	$ 36,710	$ 36,259
Weighted-average number of basic shares outstanding during the period	18,791	18,796	18,785	18,795
Dilutive effect of stock options, RSUs, and performance shares	128	158	157	196
Weighted-average number of diluted shares outstanding during the period	18,919	18,954	18,942	18,991
Basic earnings per share	$ 1.08	$ 0.98	$ 1.95	$ 1.93
Diluted earnings per share	$ 1.07	$ 0.97	$ 1.94	$ 1.91

NOTE 15 – SHARE REPURCHASE PROGRAM

In September 2017, the board approved a share repurchase program that allows for share repurchases in the aggregate up to $100.0 million under approved share repurchase plans pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In November 2021, the board amended and increased the previously-authorized aggregate repurchase limit from $100.0 million to $200.0 million. The Restated Credit Agreement permits share repurchases provided that the Company's Consolidated Leverage Ratio, prior to and after giving effect to such repurchases, is 0.50 to 1.00 less than the then-applicable maximum Consolidated Leverage Ratio and subject to the Company having net liquidity of at least $100.0 million after giving effect to such repurchases. Notwithstanding the formula-based limit, the Company is permitted to make share repurchases up to $25.0 million per calendar year provided that it was not in default.

Purchases under this program may be made from time to time at prevailing market prices in the open market or in privately negotiated transactions pursuant to Rule 10b-18 under the Exchange Act and in accordance with applicable insider trading and other securities laws and regulations. The purchases are funded from existing cash balances and/or borrowings, and the repurchased shares are held in treasury. The timing and extent to which the Company repurchases its shares will depend on market conditions and other corporate considerations in the Company's sole discretion.

For the six months ended June 30, 2023 and 2022, the Company used $18.1 million to repurchase 180,000 shares and $17.0 million to repurchase 176,375 shares, respectively, under the share repurchase program. As of June 30, 2023, $93.7 million of authorization remained available for share repurchases under the repurchase program.

NOTE 16 – FAIR VALUE

Financial instruments measured at fair value on a recurring basis and their location within the accompanying consolidated balance sheets are as follows:

	June 30, 2023				
(in thousands)	Level 1	Level 2	Level 3	Total	Location on Balance Sheet
Assets:					
Interest rate swaps - current portion	$ —	$ 6,594	$ —	$ 6,594	Prepaid expenses and other assets
Forward contract agreements	—	15	—	15	Prepaid expenses and other assets
Interest rate swaps - long-term portion	—	2,536	—	2,536	Other assets
Company-owned life insurance policies	—	19,375	—	19,375	Other assets
Liabilities:					
Interest rate swaps - long-term portion	$ —	$ 2,988	$ —	$ 2,988	Other long-term liabilities

	December 31, 2022				
(in thousands)	Level 1	Level 2	Level 3	Total	Location on Balance Sheet
Assets:					
Interest rate swaps - current portion	$ —	$ 5,051	$ —	$ 5,051	Prepaid expenses and other assets
Interest rate swaps - long-term portion	—	2,950	—	2,950	Other assets
Company-owned life insurance policies	—	17,869	—	17,869	Other assets

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Letters of Credit

At June 30, 2023 and December 31, 2022, the Company had open standby letters of credit totaling $2.4 million and $2.0 million, respectively. The open standby letters of credit reduce the Company’s unused borrowing capacity under the Credit Facility.

Litigation and Claims

The Company is involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause it to incur costs, including, but not limited to, attorneys’ fees, the Company currently believes that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on its financial position, results of operations, or cash flows.

NOTE 18 - SUBSEQUENT EVENTS

Dividend

On August 3, 2023, the board approved a $0.14 per share cash dividend. The dividend will be paid on October 13, 2023 to shareholders of record as of the close of business on September 8, 2023.

Divestiture

On July 19, 2023, the Company entered into a definitive agreement to sell its U.S. Commercial Marketing business. The proposed sale is in line with the Company’s strategy to streamline its business and deploy resources to support its key growth markets. The sale is expected to close prior to the end of the third quarter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report on Form 10-Q (this "Quarterly Report") constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, as amended. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," "would," or similar words. You should read statements that contain these words carefully. The risk factors described in our filings with the Securities and Exchange Commission (the "SEC"), as well as any cautionary language in this Quarterly Report, provide examples of risks, uncertainties, and events that may cause actual results to differ materially from the expectations described in the forward-looking statements, including, but not limited to:

- Our dependence on contracts with United States ("U.S.") federal, state and local, and international governments, agencies, and departments for the majority of our revenue;
- Changes in federal government budgeting and spending priorities;
- Failure by Congress or other governmental bodies to approve budgets and debt ceiling increases in a timely fashion and related reduction in government spending;
- Failure of the presidential administration (the "Administration") and Congress to agree on spending priorities, which may result in temporary shutdowns of non-essential federal functions, including our work to support such functions;
- Results of routine and non-routine government audits and investigations;
- Dependence of commercial work on certain sectors of the global economy that are highly cyclical;
- Failure to realize the full amount of our backlog;
- Risks inherent in being engaged in significant and complex disaster relief efforts and grants management programs involving multiple tiers of government in very stressful environments;
- Risks resulting from expanding service offerings and client base;
- Difficulties in identifying attractive acquisitions available at acceptable prices;
- Acquisitions we undertake may present integration challenges, fail to perform as expected, increase our liabilities, and/or reduce our earnings; and
- Additional risks as a result of having international operations.

Our forward-looking statements are based on the beliefs and assumptions of our management and the information available to our management at the time these disclosures were prepared. Although we believe the expectations reflected in these statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

The terms "we," "our," "us," and "the Company," as used throughout this Quarterly Report, refer to ICF International, Inc. and its subsidiaries, unless otherwise indicated. The term "federal" or "federal government" refers to the U.S. federal government, and "state and local" or "state and local government" refers to U.S. state and local governments and the governments of U.S. territories. The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with our consolidated financial statements and the related notes contained elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 1, 2023 (our "Annual Report").

OVERVIEW AND OUTLOOK

We provide professional services and technology-based solutions, including management, marketing, technology, and policy consulting and implementation services. We help our clients conceive, develop, implement, and improve solutions that address complex business, natural resource, social, technological, and public safety issues. Our services primarily support clients that operate in three key markets:

- Energy, Environment, Infrastructure, and Disaster Recovery;
- Health and Social Programs;
- Security and Other Civilian & Commercial

We provide services to our diverse client base that deliver value throughout the entire life cycle of a policy, program, project, or initiative. Our primary services include:

- Advisory Services;
- Program Implementation Services;
- Analytics Services;
- Digital Services; and
- Engagement Services.

Our clients utilize our services because we combine diverse institutional knowledge and experience with the deep subject matter expertise of our highly educated staff, which we deploy in multi-disciplinary teams. We believe that our domain expertise and the program knowledge developed from our research and analytics, and assessment and advisory engagements further position us to provide a full suite of services.

We report operating results and financial data as a single segment based on the consolidated information used by our chief operating decision-maker in evaluating the financial performance of our business and allocating resources. Our single segment represents our core business: professional services to our broad array of clients. Although we describe our multiple service offerings to clients that operate in three markets to provide a better understanding of the scope and scale of our business, we do not manage our business or allocate our resources based on those service offerings or client markets. Rather, on a project-by-project basis, we assemble the best team from throughout the enterprise to deliver highly customized solutions that are tailored to meet the needs of each client.

We believe that, in the long-term, demand for our services will continue to grow as government, industry, and other stakeholders seek to address critical long-term societal and natural resource issues due to heightened concerns about the environment and use of clean energy and energy efficiency; health promotion, treatment, and cost control; the means by which public health can be improved effectively on a cross-jurisdiction basis; natural disaster recovery and rebuild efforts; and ongoing homeland security threats.

We also see significant opportunity to further leverage our digital and client engagement capabilities across our client base. Our future results will depend on the success of our strategy to enhance our client relationships and seek larger engagements that span the entire program life cycle, and to complete and successfully integrate additional strategic acquisitions. We will continue to focus on building scale in our vertical and horizontal domain expertise, developing business with our existing clients as well as new customers, and replicating our business model in selective geographies. In doing so, we will continue to evaluate strategic acquisition opportunities that enhance our subject matter knowledge, broaden our service offerings, and/or provide scale in specific geographies.

Although we continue to see favorable long-term market opportunities, there are certain business challenges facing all government service providers. Administrative and legislative actions by the federal government to address changing priorities or in response to the budget deficit and/or debt ceiling could have a negative impact on our business, which may result in a reduction to our revenue and profit and adversely affect cash flow. Similarly, the very nature of opportunities arising out of disaster recovery means they can involve unusual challenges. Factors such as the overall stress on communities and people affected by disaster recovery situations, political complexities and challenges among involved government agencies, and a higher-than-normal risk of audits and investigations may result in a reduction to our revenue and profit and adversely affect cash flow. However, we believe we are well positioned to provide a broad range of services in support of initiatives that will continue to be priorities to the federal government, as well as to state and local and international governments and commercial clients. We believe that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund ongoing operations, potential acquisitions, customary capital expenditures, and other working capital requirements.

Energy, Environment, Infrastructure, and Disaster Recovery

For decades, we have advised our clients on energy and environmental issues, including the impact of human activity on natural resources, and have helped develop solutions for infrastructure-related challenges. In addition to addressing government policy and regulation in these areas, our work focuses on industries that are affected by these policies and regulations, particularly in those industries most heavily involved in the use and delivery of energy. Significant factors affecting suppliers, users, and regulators of energy are driving private and public sector demand for professional services firms, including:

- Changing power markets, increasingly diverse sources of supply including distributed energy resources and an increased demand for more carbon-free sources of energy and/or energy storage;
- The changing role of the U.S. in the world's energy markets;
- Ongoing efforts to upgrade energy infrastructure to meet new power, transmission, environmental, and cybersecurity requirements and to enable more distributed forms of generation;
- Changing public policy, regulations, and incentives (including those established by the Inflation Reduction Act) surrounding the modernization of and investment in an upgraded energy infrastructure, including new business models that may accompany those changes;
- The need to manage energy demand and increase efficient energy use in an era of environmental concerns, especially regarding carbon and other emissions; and
- The disruption of global energy markets and supplies, involving natural gas in particular, that have emerged as a result of the invasion of Ukraine by Russia.

We assist energy enterprises worldwide in their efforts to analyze, develop, and implement strategies related to their business operations and the interrelationships of those operations with the environment and applicable government regulations. We utilize our policy expertise, deep industry knowledge, and proprietary modeling tools to advise government and commercial clients on key topics related to electric power, traditional fuels, and renewable sources of energy. Our areas of expertise include power market analysis and modeling, transmissions analysis, flexible load and distribution system management, electric system reliability standards, energy asset valuation and due diligence, regulatory and litigation support, fuels market analysis, air regulatory strategy, and renewable energy and green power project implementation.

We also assist commercial and government clients in designing, implementing, and evaluating demand side management programs, both for residential and for commercial and industrial sectors. Utility companies must balance the changing demand for energy with a price-sensitive, environmentally-conscious consumer base. We help utilities meet these needs, guiding them through the entire life cycle of energy efficiency and related demand side management and electrification programs, including policy and planning, determining technical requirements, and program implementation and improvement.

Carbon emissions have been an important focus of federal government regulation, international governments, many state and local governments, and multinational corporations around the world. Reducing or offsetting greenhouse gas ("GHG") emissions continues to be the subject of both public and private sector interest, and the regulatory landscape in this area is still evolving. The need to address carbon and other harmful emissions has significantly changed the way the world's governments and industries interact and continues to be one of the drivers of interest in energy efficiency. Moreover, how government and business adapt to the effects of climate change continues to be of global importance. We support governments at the federal and state and local levels, including providing comprehensive support to the National Science and Technology Council's Global Change Research Program. Additionally, we support ministries and agencies of the government of the United Kingdom (the "U.K.") and the European Commission (the "E.C."), as well as commercial clients, on these and related issues.

We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to provide natural disaster recovery and rebuilding. In the wake of the major hurricanes (Ian, Harvey, Ida, Irma, Maria, Laura, and Michael) that devastated communities in Texas, Florida, North Carolina, Louisiana, the U.S. Virgin Islands, and Puerto Rico, the affected areas remain in various stages of relief and recovery efforts. Our prior experience with disaster relief and rebuild efforts, including after hurricanes Katrina and Rita and Superstorm Sandy, puts us in a favorable position to provide recovery and housing assistance, and environmental and infrastructure solutions, including disaster mitigation, on behalf of federal departments and agencies, state, territorial and local jurisdictions, and regional agencies. We support ongoing disaster recovery and mitigation efforts in a variety of U.S. states, territories, and local jurisdictions that have been affected by natural disasters including but not limited to hurricanes.

We also have decades of experience in designing, evaluating, and implementing environmental policies and environmental compliance programs for energy, transportation (including aviation), and other infrastructure projects. A number of key issues are driving increased demand for the services we provide in these areas, including:

- Increased focus on the proper stewardship of natural resources;
- Changing precipitation patterns and drought that is affecting water infrastructure and availability;
- Aging water, energy, and transportation infrastructure, particularly in the U.S.;
- The increasing exposure of infrastructure to damage and interference by severe weather events influenced by a changing climate, and therefore the need to become more resilient to those effects;
- Past under-investment in transportation infrastructure that was recently the center of the Infrastructure Investment and Jobs Act passed by Congress and signed by the President on November 15, 2021;
- Economic and policy incentives for the implementation of carbon-free energy sources that were the centerpiece of the Inflation Reduction Act passed by Congress and signed by the President on August 16, 2022;
- The increasing demand for businesses to respond to climate change and similar environmental, social, and governance priorities being championed not only by the public sector, but also by investors, financing sources, business organizations, ratings agencies, and proxy advisory firms; and
- Changing patterns of economic development that require transportation systems and energy infrastructure to adapt to new patterns of demand.

By leveraging our interdisciplinary skills, which range from finance and economics to earth and life sciences, information technology, and program management, we are able to provide a wide range of services that include complex environmental impact assessments, environmental management information systems, air quality assessments, program evaluation, transportation and aviation planning and operational improvement, strategic communications, and regulatory reinvention. Our acquisition of Blanton & Associates ("Blanton") in September 2022 added to these skills and expanded our geographic reach. We help clients deal specifically with the interrelated environmental, business, and social implications of issues surrounding all transportation modes and infrastructure. From the environmental management of complex infrastructure engagements to strategic and operational concerns of airlines and airports, our solutions draw upon our expertise and institutional knowledge in transportation, urban and land use planning, industry management practices, financial analysis, environmental sciences, and economics.

Health and Social Programs

We also apply our expertise across our full suite of services in the areas of health and social programs. We believe that a confluence of factors will drive an increased need for public and private focus on these areas, including, among others:

- Weaknesses in our public health and healthcare delivery systems exposed by COVID-19;
- Expanded healthcare services to underserved portions of the population;
- Rising healthcare expenditures, which require the evaluation of the effectiveness and efficiency of current and new programs;
- Rampant substance abuse and widespread social and health impacts of the opioid abuse epidemic;
- The emphasis on improving the effectiveness of the U.S. and other countries' educational systems;
- The perceived declining performance of the U.S. educational system compared to other countries;
- The need to digitally transform and modernize the technology infrastructure underpinning government operations;
- The need for greater transparency and accountability of public sector programs;
- A continued high need for social support systems, in part due to an aging population, and the interrelated nature of health, housing, transportation, employment, and other social issues;
- A changing regulatory environment; and
- Military personnel returning home from active duty with health and social service needs.

We believe we are well positioned to provide our services to help our clients develop and manage effective programs in the areas of health, education, and social programs at the international, regional, national, and local levels. Our subject matter expertise includes public health, biomedical research, healthcare quality, mental health, international health and development, health communications and associated interactive technologies, education, child and family welfare needs, housing and communities, and substance abuse. Our combination of domain knowledge and our experience in information technology-based applications provides us with strong capabilities in health and social programs informatics and analytics, which we believe will be of increasing importance as the need to manage information grows. We partner with our clients in the government and commercial sectors to increase their knowledge base, support program development, enhance program operations, evaluate program results, and improve program effectiveness.

In the area of federal health, we support many agencies and programs within the U.S. Department of Health and Human Services ("HHS"), including the National Institutes of Health (the "NIH"), the Centers for Disease Control and Prevention (the "CDC"), and the Centers for Medicare and Medicaid Services ("CMS") by conducting primary data collection and analyses, assisting in designing, delivering, and evaluating programs, managing technical assistance centers, providing instructional systems, developing information technology applications, and managing information clearinghouse operations. Our 2021 acquisition of ESAC brought a strong team with deep expertise in bioinformatics to further extend our capabilities in this arena. Our 2022 acquisition of SemanticBits, LLC ("SemanticBits") brought substantial expertise in technology applications used in CMS to oversee healthcare quality. Increasingly, we provide multichannel communications and messaging for public health programs. We also provide training and technical assistance for early care and educational programs (such as Head Start), and health and demographic surveys in developing countries for the U.S. Department of State (the "DoS"). In the area of social programs, we provide extensive training, technical assistance, and program analysis and support services for a number of the housing programs of the U.S. Department of Housing and Urban Development ("HUD") and state, territorial, and local governments. In addition, we provide research, program design, evaluation, and training for educational initiatives at the federal and state level. We provide similar services to a variety of U.K. ministries, as well as several Directorates-General of the E.C.

Security and Other Civilian & Commercial

We serve a number of other important government missions and commercial markets. These government missions range from Security (e.g., the U.S. Departments of Defense ("DOD"), Homeland Security ("DHS"), and Justice ("DoJ")) to a variety of other civilian government departments and agencies; commercial markets include those we serve with our commercial marketing and communications services.

Security programs continue to be a critical priority of the federal government, state and local governments, international governments (especially in Europe), and in the commercial sector. We believe we are positioned to meet the following key safety concerns:

- Vulnerability of critical infrastructure to cyber and terrorist threats;
- Increasing risks to enterprises' reputations in the wake of a cyber-attack;
- Broadened homeland security concerns that include areas such as health, food, energy, water, and transportation;
- Reassessment of the emergency management functions of homeland security in the face of natural disasters;
- Safety issues around crime and at-risk behavior;
- Increased dependence on private sector personnel and organizations in emergency response;
- The need to ensure that critical functions and sectors are resilient and able to recover quickly after attacks or disasters in either the physical or cyber realms; and
- The challenges resulting from changing global demographics.

These security concerns create demand for government programs that can identify, prevent, and mitigate key cybersecurity issues and the societal issues they cause.

In addition, the DoD is undergoing major transformations in its approach to strategies, processes, organizational structures, and business practices due to several complex, long-term factors, including:

- The changing nature of global security threats, including cybersecurity threats;
- Family issues associated with globally deployed armed forces;
- The increasing use of commercial cloud computing infrastructure and services to support the DoD enterprise; and
- The increasing need for real-time information sharing and the global nature of conflict arenas.

We provide key services to DoD, DHS, DoJ, and analogous Directorates-General at the E.C. We support DoD by providing high-end strategic planning, analysis, and technology-based solutions around cybersecurity. We also provide the defense sector with critical infrastructure protection, environmental management, human capital assessment, military community research, and technology-enabled solutions.

At the DHS, we assist in shaping and managing critical programs to ensure the safety of communities, developing critical infrastructure protection plans and processes, establishing goals and capabilities for national preparedness at all levels of government in the U.S., and managing the national program to test radiological emergency preparedness at the state and local government levels in communities adjacent to nuclear power facilities. At the DoJ, we provide technical and communications assistance to programs that help victims of crime and at-risk youths. At the E.C., we provide support and analytical services related to justice and home affairs issues within the European context.

Other large Federal departments and agencies, such as the U.S. Department of Agriculture and the U.S. Department of the Treasury, also face important challenges that motivate them to transform their business processes and to modernize the associated technology systems. ICF supports these organizations with a variety of technology and program support services.

In the area of commercial marketing and communications, some of the long-term market factors that we believe will have an impact on our clients include:

- Increased use of interactive digital technologies to link organizations with consumers and other stakeholders in more varied and personalized ways, and less reliance on traditional print and television marketing;
- Changing industry structures in marketing and advertising services;
- The desire for greater return on marketing investments; and
- The continued elevation of data analytics as a business management and marketing tool, as well as the concomitant growth of concerns about, and regulation of, data capture and exploitation for marketing and other private and public sector purposes.

We combine our expertise in strategic communications, marketing and creative services, and public relations with our strengths in interactive and mobile technologies to help companies develop stronger relationships and engage with their customers and stakeholders across all channels, whether via traditional or digital media, to drive better operating results. We took steps in 2022 to exit our traditional advertising and marketing platform technology business lines and refocus on the core services of business transformation, loyalty, and integrated communications across several key verticals. Target customer areas include airlines, airports, electric and gas utilities, health care companies, transportation, travel, and hospitality firms.

Across all of the areas described above we assist our clients in their growing efforts to ensure equity in their program operations, whether it is with an environmental justice or a health equity focus, or some other perspective depending on the program being delivered.

Employees and Offices:

We have approximately 9,000 full and part-time employees around the globe, including many recognized as thought leaders in their respective fields. We serve clients globally from our headquarters in the Washington, D.C. metropolitan area, with more than 50 regional offices throughout the U.S. and more than 20 offices in key regions outside the U.S., including offices in the U.K., Belgium, India, and Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion of our financial condition and results of operations is based on our consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these consolidated financial statements requires us to make certain estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses and our application of critical accounting policies, including revenue recognition, impairment of goodwill and other intangible assets, and income taxes. If any of these estimates, assumptions, or judgments prove to be incorrect, our reported results could be materially affected. Actual results may differ significantly from our estimates under different assumptions or conditions. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 2 –Summary of Significant Accounting Policies" in our Annual Report and "Note 1 – Basis of Presentation and Nature of Operations" in the "Notes to Consolidated Financial Statements" in this Quarterly Report for further discussions of our significant accounting policies and estimates.

We periodically evaluate our critical accounting policies and estimates based on changes in U.S. GAAP and the current environment that may have an effect on our financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting standards are discussed in "Note 1 – Basis of Presentation and Nature of Operations—Recent Accounting Pronouncements" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

SELECTED KEY METRICS

In order to evaluate operations, we track revenue by key metrics that provide useful information about the nature of our operations. Client markets provide insight into the breadth of our expertise. Client type is an indicator of the diversity of our client base. Revenue by contract mix provides insight in terms of the degree of performance risk that we have assumed. Significant variances in the key metrics are discussed under the revenue section of the results of operations. For further discussion see "Note 7 – Revenue Recognition" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain items from our unaudited consolidated statements of comprehensive income, the percentage of revenue for such items in the periods provided, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Three Months Ended June 30,					
	Dollars		Percentages of Revenue		Year-to-Year Change	
(dollars in thousands)	2023	2022	2023	2022	Dollars	Percent
Revenue	$ 500,085	$ 423,110	100.0 %	100.0 %	$ 76,975	18.2 %
Direct Costs:						
Direct labor & related fringe	187,737	152,114	37.5 %	36.0 %	35,623	23.4 %
Subcontractors & other direct costs	137,667	116,791	27.6 %	27.6 %	20,876	17.9 %
Total Direct Costs	325,404	268,905	65.1 %	63.6 %	56,499	21.0 %
Operating Costs and Expenses:						
Indirect and selling expenses	126,522	114,403	25.3 %	27.0 %	12,119	10.6 %
Depreciation and amortization	6,826	5,063	1.4 %	1.2 %	1,763	34.8 %
Amortization of intangible assets	9,286	4,963	1.9 %	1.2 %	4,323	87.1 %
Total Operating Costs and Expenses	142,634	124,429	28.6 %	29.4 %	18,205	14.6 %
Operating Income	32,047	29,776	6.3 %	7.0 %	2,271	7.6 %
Interest, net	(10,132)	(4,049)	(2.0 %)	(1.0 %)	(6,083)	150.2 %
Other (expense) income	(677)	44	(0.1 %)	—	(721)	nm
Income before Income Taxes	21,238	25,771	4.2 %	6.0 %	(4,533)	(17.6 %)
Provision for Income Taxes	926	7,374	0.2 %	1.7 %	(6,448)	(87.4 %)
Net Income	$ 20,312	$ 18,397	4.0 %	4.3 %	$ 1,915	10.4 %

nm - not meaningful

Revenue. Revenue for the three months ended June 30, 2023 was $500.1 million compared to $423.1 million for the three months ended June 30, 2022, an increase of $77.0 million or 18.2%. The increase in revenue was driven by $46.5 million from U.S. federal government, $17.5 million from U.S. state and local government, and $15.2 million from commercial clients, offset by a decrease of $2.2 million from our international government clients.

Our Health and Social Programs client market increased $48.1 million, or 30.2%, over the same period last year driven by:

- Increases of $47.9 million and $3.0 million from our U.S. federal government and U.S. state and local government clients, respectively, offset by
- Reductions of $2.6 million and $0.2 million from our international government and commercial clients, respectively

Our Energy, Environment Infrastructure, and Disaster Recovery client market increased by $30.6 million, or 17.8%, over the same period last year driven by:

- Increases of $18.1 million and $14.4 million from our commercial and our U.S. state and local government clients, respectively, offset by
- Decreases of $1.3 million and $0.6 million from international government and U.S. federal government clients, respectively

Our Security and Other Civilian & Commercial client market saw a decrease of $1.7 million, or 1.9%, over the same period last year due to:

- Decreases of $2.7 million and $0.8 million from commercial and U.S. federal government clients, respectively, offset by
- Increases of $1.7 million and $0.1 million from international government and U.S. state and local government clients, respectively.

Revenue includes subcontractor & other direct costs of $137.7 million and $116.8 million for the three months ended June 30, 2023 and 2022, respectively.

Direct Costs. The increase of $56.5 million in direct costs was driven by increases of $35.6 million in our direct labor and associated fringe benefit costs and $20.9 million in our subcontractor and other direct costs, which was driven, in part, by our recent acquisitions, investment in our people, as well as the growth in the business. Our direct labor & related fringe benefit costs as a percentage of direct costs were 57.7% and 56.6% for the three-month periods ended June 30, 2023 and 2022, respectively. Our subcontractor & other direct costs as a percentage of direct costs was 42.3% and 43.4% for the three-month periods ended June 30, 2023 and 2022, respectively. The increase in our direct costs was also due to additional work performed during the three months ended June 30, 2023 compared to the same period in 2022, partly due to our recent acquisitions previously noted. Our direct costs as a percent of revenue were 65.1% for the three months ended June 30, 2023, compared to 63.6% for the three months ended June 30, 2022. Our direct labor & related fringe benefit costs as a percentage of revenue were 37.5% and 36.0% for the three months ended June 30, 2023 and 2022, respectively, and our subcontractor & other direct costs as a percentage of revenue were steady at 27.6% for the three months ended June 30, 2023 and 2022, respectively.

Indirect and selling expenses. For the three months ended June 30, 2023, our indirect and selling expenses increased $12.1 million, or 10.6%, compared to the prior year, primarily due to additional indirect labor and associated fringe costs of $10.6 million and to general and administrative costs of $1.5 million. The increase in our indirect labor and associated fringe costs was a result of additional headcount from our recent acquisitions in 2022 and 2023 as well as additional labor resources to support our growth. The increase in our general and administrative costs was primarily from an increase of $0.9 million in travel expense, $0.6 million in insurance expense, and software license expense of $0.5 million in 2023 compared to 2022. Although we saw our overall indirect and selling expenses increase in 2023, our indirect and selling expenses as a percent of revenue decreased to 25.3% for the three months ended June 30, 2023 compared to 27.0% for the three months ended June 30, 2022.

Depreciation and amortization. The increase of $1.8 million in our depreciation and amortization was from $1.2 million of additional depreciation expense and $0.6 million of additional amortization expense resulting from additional capital expenditure in the three months ended June 30, 2023 as compared to 2022.

Amortization of intangible assets. The increase of amortization of intangible assets was primarily due to the amortization of intangible assets acquired in our acquisitions in the third quarter of 2022 and in the second quarter of 2023.

Interest, net. The increase of $6.1 million in interest, net, was primarily due to higher average debt balance of $668.8 million during the three months ended June 30, 2023 as compared to $488.5 million during the same period in 2022, primarily as a result of our acquisition activities. Our average interest rate on borrowings, inclusive of the impact of the Swaps, was 5.5% for the three months ended June 30, 2023 compared to 2.9% for the three months ended June 30, 2022. We utilize floating-to-fixed interest rate swap agreements (the “Swaps”) to hedge the variable interest portion of our debt. For the three months ended June 30, 2023, settlements of the Swaps reduced our interest expense, net, by $1.8 million compared to $0.6 million in additional interest for the same period in 2022.

Other (expense) income. Other (expense) income increased by $0.9 million for the three months ended June 30, 2023 compared to the same period in 2022 primarily due to losses on foreign currency rates.

Provision for Income Taxes. Our effective income tax rate for the three months ended June 30, 2023 and 2022 was 4.4% and 28.6%, respectively. The decrease in the effective income tax rate was primarily due to the impact of a tax planning strategy regarding the ownership structure of our Canadian subsidiaries implemented during the quarter, foreign return-to-provision adjustments recorded in connection with our foreign income tax return filings, and non-taxable income on insurance investments partially offset by additional valuation allowance on excess foreign tax credits generated during the quarter.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain items from our unaudited consolidated statements of comprehensive income, the percentage of revenue for such items in the periods provided, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Six Months Ended June 30,					
	Dollars		Percentages of Revenue		Year-to-Year Change	
(dollars in thousands)	2023	2022	2023	2022	Dollars	Percent
Revenue	$ 983,367	$ 836,578	100.0%	100.0%	$ 146,789	17.5%
Direct Costs:						
Direct labor & related fringe	368,324	301,374	37.5%	36.0%	66,950	22.2%
Subcontractors & other direct costs	269,645	225,689	27.4%	27.0%	43,956	19.5%
Total Direct Costs	637,969	527,063	64.9%	63.0%	110,906	21.0%
Operating Costs and Expenses:						
Indirect and selling expenses	250,255	231,855	25.4%	27.7%	18,400	7.9%
Depreciation and amortization	13,135	9,901	1.3%	1.2%	3,234	32.7%
Amortization of intangible assets	18,510	10,280	1.9%	1.2%	8,230	80.1%
Total Operating Costs and Expenses	281,900	252,036	28.6%	30.1%	29,864	11.8%
Operating Income	63,498	57,479	6.5%	6.9%	6,019	10.5%
Interest, net	(19,589)	(6,676)	(1.9%)	(0.8%)	(12,913)	193.4%
Other expense	(1,235)	(395)	(0.1%)	—	(840)	nm
Income before Income Taxes	42,674	50,408	4.5%	6.1%	(7,734)	(15.3%)
Provision for Income Taxes	5,964	14,149	0.6%	1.7%	(8,185)	(57.8%)
Net Income	$ 36,710	$ 36,259	3.9%	4.4%	$ 451	1.2%

nm - not meaningful

Revenue. Revenue for the six months ended June 30, 2023 was $983.4 million, compared to $836.6 million for the six months ended June 30, 2022, an increase of $146.8 million or 17.5%. The increase in revenue was driven by increases of $95.2 million from U.S. federal government, $34.1 million from commercial, $26.5 million from U.S. state and local government clients, offset by a decrease of $9.0 million from international government clients.

Our Health and Social Programs client market increased $96.5 million, or 30.6%, over the same period last year driven by:

- Increases of $93.6 million, $6.2 million, and $5.4 million from our U.S. federal government, U.S. state and local government, and commercial clients, respectively, offset by
- A reductions of $8.7 million from our international government clients.

Our Energy, Environment Infrastructure, and Disaster Recovery client market increased by $46.2 million, or 13.5%, over the same period last year driven by:

- Increases of $31.3 million and $20.2 million from our commercial and U.S. state and local government clients, respectively, offset by
- Decreases of $5.2 million and $0.1 million from international government and U.S. federal government clients, respectively

Our Security and Other Civilian & Commercial client market increased $4.1 million, or 2.3%, over the same period last year due to:

- Increases of $4.9 million, $1.7 million, and $0.1 million from our international government, U.S. federal government, and U.S. state and local government clients, respectively, offset by
- A decrease of $2.6 million from our commercial clients.

Revenue includes subcontractors & other direct costs of $269.6 million and $225.7 million for the six months ended June 30, 2023 and 2022, respectively.

Direct Costs. The increase of $110.9 million in direct costs was driven by increases of $66.9 million in our direct labor and associated fringe benefit costs and $44.0 million in our subcontractor and other direct costs, which was driven, in part, by our recent acquisitions, investment in our people, and growth of our business. For the six-month periods ended June 30, 2023 and 2022, direct labor & related fringe benefit costs as a percentage of direct costs were 57.7% and 57.2%, respectively, and subcontractor & other direct costs as a percentage of direct costs were also consistent at 42.3% and 42.8%, respectively. Our direct costs as a percent of revenue were 64.9% for the six months ended June 30, 2023, compared to 63.0% for the six months ended June 30, 2022. Our direct labor & related fringe benefit costs as a percentage of revenue were 37.5% and 36.0% for the six months ended June 30, 2023 and 2022, respectively, and our subcontractor & other direct costs as a percentage of revenue were 27.4% and 27.0%, for the six months ended June 30, 2023 and 2022, respectively.

Indirect and selling expenses. For the six months ended June 30, 2023, our indirect and selling expenses increased $18.4 million, or 10.6%, compared to the prior year, from additional indirect labor and associated fringe costs of $14.4 million and to general and administrative costs of $4.0 million. The increase in our indirect labor and associated fringe costs was a result of additional headcount from our recent acquisitions in 2022 and 2023 as well as additional labor resources to support our growth. The increase in our general and administrative costs were primarily from $1.8 million in travel expense, $1.1 million in software license expense, $1.0 million in insurance expense, and additional credit losses of $1.0 million in 2023 compared to 2022. Although we saw our overall indirect and selling expenses increase in 2023, our indirect and selling expenses as a percent of revenue decreased to 25.4% for the six months ended June 30, 2023 compared to 27.7% for the six months ended June 30, 2022.

Depreciation and amortization. The increase of $3.2 million in our depreciation and amortization was from $2.1 million of additional depreciation expense and $1.1 million of additional amortization expense resulting from additional capital expenditure in the six months ended June 30, 2023 as compared to 2022.

Amortization of intangible assets. The increase of amortization of intangible assets was primarily due to the amortization of intangible assets acquired in our acquisitions in the third quarter of 2022 and the second quarter of 2023.

Interest, net. The increase of $6.1 million in interest, net, was primarily due to higher average debt balance of $651.6 million during the six months ended June 30, 2023 as compared to $474.9 million during the same period in 2022, primarily as a result of our acquisition activities. Our average interest rate on borrowings, inclusive of the impact of the Swaps, was 5.5% for the six months ended June 30, 2023 compared to 2.6% for the six months ended June 30, 2022. We utilize floating-to-fixed interest rate swap agreements (the “Swaps”) to hedge the variable interest portion of our debt. For the six months ended June 30, 2023, settlements of the Swaps reduced our interest expense, net, by $3.1 million compared to $1.5 million in additional interest for the same period in 2022.

Other expense. Other expense increased by $0.8 million for the six months ended June 30, 2023 as compared to 2022 primarily due to losses on foreign currency.

Provision for Income Taxes. Our effective income tax rate for the six months ended June 30, 2023 and 2022 was 14.0% and 28.1%, respectively. The decrease in the effective income tax rate was primarily due to the impact of a tax planning strategy regarding the ownership structure of our Canadian subsidiaries implemented during the quarter, foreign return-to-provision adjustments recorded in connection with our foreign income tax return filings, and non-taxable income on insurance investments partially offset by additional valuation allowance on excess foreign tax credits generated during the quarter.

NON-GAAP MEASURES

The following tables provide reconciliations of financial measures that are not calculated in accordance with generally accepted accounting principles in the U.S. to their most comparable U.S. GAAP measures (“non-GAAP”). While we believe that these non-GAAP financial measures provided additional information to investors and may be useful in evaluating our financial information, they should be considered supplemental in nature and not as a substitute for financial information prepared in accordance with U.S. GAAP. Other companies may define similarly titled non-GAAP measures differently and, accordingly, care should be exercised in understanding how we define these measures as similarly named measures are unlikely to be comparable across different companies.

EBITDA and Adjusted EBITDA

Earnings before interest, tax, and depreciation and amortization ("EBITDA") is a measure we use to evaluate operating performance. We believe EBITDA is useful in assessing ongoing trends and, as a result, may provide greater visibility in understanding our operations.

Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations. We evaluate these adjustments on an individual basis based on both the quantitative and qualitative aspects of the item, including their size and nature, as well as whether or not we expect them to occur as part of our normal business on a regular basis. We believe that the adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use as these measures do not include certain cash requirements such as interest payments, tax payments, capital expenditures and debt service.

The following table presents a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	$ 20,312	$ 18,397	$ 36,710	$ 36,259
Interest, net	10,132	4,049	19,589	6,676
Provision for income taxes	926	7,374	5,964	14,149
Depreciation and amortization	16,112	10,026	31,645	20,181
EBITDA (1)	47,482	39,846	93,908	77,265
Impairment of long-lived assets (2)	—	—	894	—
Acquisition and divestiture-related expenses (3)	2,103	2,262	2,906	3,581
Severance and other costs related to staff realignment (4)	1,365	185	3,860	1,411
Facilities consolidations and office closures (5)	—	—	359	—
Expenses related to the transfer to our new corporate headquarters (6)	—	1,882	—	3,764
Total Adjustments	3,468	4,329	8,019	8,756
Adjusted EBITDA	$ 50,950	$ 44,175	$ 101,927	$ 86,021

(1) The calculation of EBITDA for the three and six months ended June 30, 2022 has been revised to conform to the current period calculation of EBITDA. Specifically, interest income of $0.1 million and $0.1 million, respectively, was reclassified from "Other expense" to "Interest, net" on the consolidated statements of comprehensive income.

(2) We recognized impairment expense of $0.9 million in the first quarter of 2023 related to impairment of an intangible asset.

(3) These costs consist primarily of third-party costs and integration costs associated with our acquisitions and/or potential acquisitions and separation costs associated with business discontinuation/divestitures.

(4) These costs are mainly due to involuntary employee termination benefits for our officers, and/or groups of employees who have been notified that they will be terminated as part of a consolidation or reorganization.

(5) These costs are exit costs associated with terminated leases or full office closures. The exit costs include charges incurred under a contractual obligation that existed as of the date of the accrual and for which we will (i) continue to pay until the contractual obligation is satisfied but with no economic benefit to us or (ii) we contractually terminated the obligation and ceased utilizing the facilities.

(6) These costs represent incremental non-cash lease expense associated with a straight-line rent accrual during the "free rent" period in the lease for our new corporate headquarters in Reston, Virginia. We took possession of the new facility during the fourth quarter of 2021, while also maintaining and incurring lease costs for the former headquarters in Fairfax, Virginia. The transition to the new corporate headquarters was completed in the fourth quarter of 2022.

Non-GAAP Diluted Earnings per Share

Non-GAAP diluted earnings per share ("Non-GAAP Diluted EPS") represents diluted U.S. GAAP earnings per share ("U.S. GAAP Diluted EPS") excluding the impact of certain items noted above, as well as the impact of amortization of intangible assets related to our acquisitions and income tax effects of these exclusions. While these adjustments may be recurring and not infrequent or unusual, we do not consider these adjustments to be indicative of the performance of our ongoing operations. We believe that the supplemental adjustments applied in calculating Non-GAAP Diluted EPS are reasonable and appropriate to provide additional information to investors.

The following table presents a reconciliation of U.S. GAAP Diluted EPS to Non-GAAP Diluted EPS for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
U.S. GAAP Diluted EPS	$ 1.07	$ 0.97	$ 1.94	$ 1.91
Impairment of long-lived assets	—	—	0.05	—
Acquisition and divestiture-related expenses	0.11	0.12	0.15	0.19
Severance and other costs related to staff realignment	0.07	0.01	0.20	0.07
Facilities consolidations and office closures	—	—	0.02	—
Expenses related to the transfer to our new corporate headquarters	—	0.10	—	0.20
Amortization of intangibles	0.49	0.26	0.98	0.54
Income tax effects on amortization and adjustments (1)	(0.17)	(0.13)	(0.34)	(0.28)
Non-GAAP Diluted EPS	$ 1.57	$ 1.33	$ 3.00	$ 2.63

(1) Income tax effects were calculated using the effective tax rate, adjusted for certain discrete items, if any, of 25.6% and 28.6% for the three months ended June 30, 2023 and 2022, respectively, and 24.6% and 28.1% for the six months ended June 30, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Borrowing Capacity. Short-term liquidity requirements are created by our use of funds for working capital, capital expenditures, debt service, dividends, and share repurchases. We expect to meet these requirements through a combination of our cash and cash equivalents at hand, cash flow from operations, and borrowings. Our primary source of borrowings is from our Credit Facility with a syndicate of multiple commercial banks, as described in "Note 6 – Long-Term Debt" in the "Notes to Consolidated Financial Statements" in this Quarterly Report. As of June 30, 2023, we had $492.6 million, or $388.5 million after taking into account the financial and performance-based limitations, available under the Credit Facility to fund our ongoing operations, future acquisitions, dividend payments, and share repurchase program. We believe that our cash balances, expected cash flows from operations, and access to our Credit Facility will be sufficient to meet our working capital needs, debt servicing commitments, share repurchase, and dividend payment requirements for the next twelve months and beyond.

We have entered into floating-to-fixed interest rate swap agreements for a total notional value of $375.0 million to hedge a portion of our floating rate Credit Facility. The Swaps will expire in 2023, 2025, and 2028, respectively, and we may consider entering into additional hedges as these existing hedges expire. For additional details on the Swaps, see "Note 8 – Derivative Instruments and Hedging Activities" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

There are other conditions, such as the ongoing war in Ukraine and the recent increase in inflation, both in the U.S. and globally, that create uncertainty in the global economy, which in turn may impact, among other things, our ability to generate positive cash flows from operations and our ability to successfully execute and fund key initiatives. However, our current belief is that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund ongoing operations, customary capital expenditures and acquisitions, quarterly cash dividends, share repurchases and organic growth. Additionally, we continuously analyze our capital structure to ensure we have capital to fund future strategic acquisitions.

The recent closures of Silicon Valley Bank ("SVB") and Signature Bank ("Signature") in March 2023 and First Republic Bank ("Republic") in May 2023 have raised significant concerns about bank-specific risks, broader financial institution liquidity risks, and the stability of the banking system in the United States. We did not hold any of our funds in, or have any banking relationship with SVB, Signature, or Republic. To date, we have not experienced any issues with the banks where we do maintain our accounts or have other banking relationships. We hold our funds in large commercial banks and our intent is to maintain account balances at a reasonably low level to reduce our risk of loss from a sudden failure at any individual bank. Our Credit Facility is supported by a syndicate of multiple commercial banks, and each bank in the syndicate provides a pro rata percentage of our total available borrowings and commitments independently of the others. No member of the bank syndicate is responsible for providing more than fifteen percent of the total available borrowings and commitments.

We continue to monitor the state of the financial markets to assess the continuing availability of borrowing capacity under the Credit Facility and the cost of additional capital from both debt and equity markets. At present, we believe we will be able to continue to access these markets at commercially reasonable terms and conditions if we need additional capital in the near term.

Financial Condition. There were several changes in our consolidated balance sheet as of June 30, 2023 compared to the consolidated balance sheet as of December 31, 2022. Significant changes are discussed below.

Cash and cash equivalents decreased to $7.0 million as of June 30, 2023, from $11.3 million on December 31, 2022 and restricted cash increased to $4.5 million as of June 30, 2023 from $1.7 million on December 31, 2022. These balances and the changes to the balances of cash and cash equivalents and restricted cash are further discussed in “Cash Flow” below and in “Note 2 – Restricted Cash” in the “Notes to Consolidated Financial Statements” in this Quarterly Report.

Contract receivables, net of allowance for expected credit losses, as of June 30, 2023, decreased to $226.4 million from $232.3 million on December 31, 2022 due to the timing of our billings and collection of client invoices. Contract receivables are a significant component of our working capital and may be favorably or unfavorably impacted by our collection efforts, including timing from new contract startups, and other short-term fluctuations related to the payment practices of our clients. We also utilize our MRPA with MUFG Bank, Ltd. to sell certain eligible billed receivables during 2023. See “Note 3 – Contract Receivables, Net” in the “Notes to Consolidated Financial Statements” in this Quarterly Report

Contract assets and contract liabilities represent revenue in excess of billings and billings in excess of revenue, respectively, both of which generally arise from revenue recognition timing and contractually stipulated billing schedules or billing complexity. At June 30, 2023, contract assets and contract liabilities were $200.2 million and $19.6 million, respectively, compared to $169.1 million and $25.8 million, respectively, at December 31, 2022.

We evaluate our collections efforts using the days-sales-outstanding ratio (“DSO”), which we calculate by dividing total accounts receivable (contract receivables, net and contract assets, less contract liabilities), by revenue per day for the trailing 90-day period. Our DSO was 73 days at June 30, 2023, compared to 82 days at June 30, 2022, due, in part, to the utilization of our Master Receivables Purchase Agreement (the “MRPA”) with MUFG Bank, Ltd. (“MUFG”) and improved collection efforts. Excluding collections relating to the Puerto Rico disaster relief and rebuild efforts (which include unusually long invoice payment cycles due to complex customer reporting and billing requirements), DSO was 68 days at June 30, 2023 compared to 77 days at June 30, 2022.

Accounts payable decreased to $113.3 million at June 30, 2023 from $135.8 million at December 31, 2022, and our accrued expenses totaled $195.8 million at June 30, 2023 as compared to $209.5 million at December 31, 2022. The changes in our accounts payable and accrued expenses are primarily due to the timing of invoices from our vendors and subcontractors for services rendered and our subsequent payments of those invoices.

Long-term debt (exclusive of unamortized debt issuance costs) increased to $606.3 million on June 30, 2023 from $561.4 million on December 31, 2022, primarily due to the net advance on our Credit Facility of $44.9 million to fund an acquisition during the second quarter of 2023 and our short-term working capital needs. The average debt balances on the Credit Facility for the three months ended June 30, 2023 and 2022 were $668.7 million and $488.5 million, respectively, and $651.6 million and $474.9 million, respectively for the six months ended June 30, 2023 and 2022. We deploy cash flow from operations as our primary source of funding and utilize our Credit Facility to fund any temporary cash requirements.

Inflation. Our business and results of operations have not been materially affected by inflation and changing prices during the period presented and we do not expect to be materially affected in the future due to the nature of our business as a provider of professional services with contracts that can be negotiated with new prices.

Share Repurchase Program. The objective of our share repurchase program has been to offset dilution resulting from our employee incentive plan. Our share repurchase program is described in “Note 15 ─ Share Repurchase Program” in the “Notes to Consolidated Financial Statements” in this Quarterly Report. The timing and extent to which we repurchase our shares will depend upon market conditions and other corporate considerations, as may be considered in our sole discretion. The purchases will be funded from our existing cash balances and/or borrowings, and the repurchased shares will be held in treasury.

During the three months ended June 30, 2023, we did not make any repurchases under the program and $93.7 million remained available for share repurchases as of June 30, 2023.

Dividends. We pay quarterly cash dividends to our shareholders of record at $0.14 per share. Total dividend payments during the six months ended June 30, 2023 were $5.3 million.

Cash dividends declared thus far in 2023 are as follows:

Dividend Declaration Date	Dividend Per Share		Record Date	Payment Date
February 28, 2023	$	0.14	March 24, 2023	April 13, 2023
May 9, 2023	$	0.14	June 9, 2023	July 14, 2023
August 3, 2023	$	0.14	September 8, 2023	October 13, 2023

Cash Flow. We consider cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The following table sets forth our sources and uses of cash for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
(in thousands)	**2023**	**2022**
Net Cash Provided by Operating Activities	$ 19,879	$ 6,409
Net Cash Used in Investing Activities	(45,803)	(8,115)
Net Cash Provided by (Used in) Financing Activities	24,247	(9,074)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	179	(1,189)
Decrease in Cash, Cash Equivalents, and Restricted Cash	$ (1,498)	$ (11,969)

Our operating cash flows are primarily affected by the overall profitability of our contracts, our ability to invoice and collect from our clients in a timely manner, and the timing of vendor and subcontractor payments in accordance with negotiated payment terms. We bill most of our clients on a monthly basis after services are rendered.

Net cash provided by operating activities increased by $13.5 million primarily due to the proceeds from the sale of receivables and higher collections, partially offset by higher payment of our operating expenses.

Net cash used in investing activities increased by $37.7 million primarily due to payments for business acquisitions.

Net cash provided by (used in) cash flows from financing activities increased by $33.3 million primarily due to net increases in borrowing against our Credit Facility, partially to fund our acquisition of CMY, and other short-term borrowings, combined with decreases in net payments of restricted contract funds and debt issue costs, offset by additional payments of finance leases.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the disclosures discussed in the section entitled "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. As of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. We performed the evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in our reports filed with the SEC under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There have been no significant changes in our internal controls over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), during the periods covered by this Quarterly Report or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls. Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been or will be detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and may not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause us to incur costs, including, but not limited to, attorneys' fees, we currently believe that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on our financial position, results of operations, or cash flows.

Item 1A. Risk Factors

There have been no material changes in the risk factors discussed in the section entitled "Risk Factors" disclosed in Part I, Item 1A of our Annual Report.

The risks described in our Annual Report are not the only risks that we encounter. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchase of Equity Securities by Issuer. The following table summarizes our share repurchase activity for the three months ended June 30, 2023:

Period	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs [(2)]
April 1 - April 30	—	$ —	—	$ 93,707,016
May 1 - May 31	329	$ 112.28	—	$ 93,707,016
June 1 - June 30	—	$ —	—	$ 93,707,016
Total	329	$ 112.28	—	

(1) The total number of shares purchased of 329 includes shares purchased from employees to pay required withholding taxes related to the settlement of any restricted stock units in accordance with our applicable long-term incentive plan. During the three months ended June 30, 2023, we did not repurchase shares under the stock repurchase program.

(2) The current share repurchase program authorizes share repurchases in the aggregate up to $200.0 million. The Restated Credit Agreement permits share repurchases, provided the Company's Consolidated Leverage Ratio, prior to and after giving effect to such repurchases, is 0.50 to 1.00 less than the then-applicable maximum Consolidated Leverage Ratio and subject to a net liquidity of $100.00 million. Additionally, we are permitted to make share repurchases up to $25.0 million per calendar year provided that we are not in default. For additional information on the share repurchase program, see "Note 15 – Share Repurchase Program" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit
10.1	Amended and Restated ICF International, Inc. 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit A of the Company's Proxy Statement on Schedule 14A, filed with the SEC on April 21, 2023, relating to the Registrant's Annual Meeting of Stockholders held on June 1, 2023).
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
31.2	Certificate of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following materials from the ICF International, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ICF INTERNATIONAL, INC.
August 4, 2023	By:	/s/ John Wasson
		John Wasson President and Chief Executive Officer (Principal Executive Officer)
August 4, 2023	By:	/s/ Barry Broadus
		Barry Broadus Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to Rule 13a-14(a) and 15d-14(a)

I, John Wasson, President and Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICF International, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or person performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

August 4, 2023

/s/ John Wasson
John Wasson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to Rule 13a-14(a) and 15d-14(a)

I, Barry Broadus, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICF International, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or person performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

August 4, 2023

/s/ Barry Broadus
Barry Broadus
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the “Report”) of ICF International, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, John Wasson, President and Chief Executive Officer of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

August 4, 2023	/s/ John Wasson
	John Wasson
	President and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the “Report”) of ICF International, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Barry Broadus, Chief Financial Officer of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

August 4, 2023

/s/ Barry Broadus
Barry Broadus
Chief Financial Officer
(Principal Financial Officer)