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CORPORATE PARTICIPANTS

Douglas Beck
ICF International, Inc. - SVP - Corporate Development

Sudhakar Kesavan
ICF International, Inc. - Chairman, CEO

John Wasson
ICF International, Inc. - COO

Alan Stewart
ICF International, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Joseph Vafi
Jefferies & Company - Analyst

Mike Smith
BB&T Capital Markets - Analyst

Ed Caso
Wells Fargo Securities - Analyst

Tim McHugh
William Blair & Company - Analyst

Steve Ferazani
Sidoti & Company - Analyst

Tobey Sommer
SunTrust Robinson Humphrey - Analyst

James Harlow
Stifel Nicolaus - Analyst

Chris Whitman
Wells Fargo Securities - Analyst

PRESENTATION

Operator

Welcome to the ICF International fourth quarter and year-end 2009 conference call. During the presentation, all participants will be in a listen only mode. Afterwards, you will be invited to participate in a question and answer session.

(Operator Instructions)

As a reminder, this conference is being recorded on Tuesday, March 9, 2010, and cannot be reproduced or rebroadcast without the permission of the Company. And now I'd like to turn the program over to Douglas Beck, Senior Vice President, Corporate Development. Please go ahead.

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

Thank you. Good afternoon, everyone, and thank you for joining us to review ICF's fourth quarter 2009 performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO, John Wasson, COO, and Alan Stewart, CFO.

During this conference call, we will make forward-looking statements to assist you in understanding ICF management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially, and I refer you to our March 9, 2010, press release in our SEC filings for discussions of those risks. In addition, our statements during this call are based on our views as of today. We anticipate that future developments will cause our views to change. Please consider the information presented in that light. We may at some point elect to update the forward-looking statements made today, but specifically disclaim any obligation to do so. I will now turn the call over to our CEO, Sudhakar Kesavan, to discuss fourth quarter 2009 highlights. Sudhakar?

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

Thank you, Doug, and good afternoon, everyone. ICF ended the year 2009 with solid revenue and earnings performance and entered 2010 with leadership position in our markets. Fourth quarter revenue, $174.1 million, was above our guidance range of $165 million to $170 million. Revenues benefited from a $1.2 million contribution from the Jacob & Sundstrom acquisition, representing the 22 days they were owned by us in 2009.

Organic revenue growth was almost 22% for the fourth quarter. Our market benefited from strong demand from Federal Government clients, including the Department of Health and Human Services, the Department of Energy, the Department of State, the Environmental Protection Agency, and the Department of Homeland Security and the Department of Defense.

Growth in our commercial business was driven by energy efficiency programs. We achieved strong core business revenue growth across all of our key markets in the fourth quarter. Energy, environment, and infrastructure increased 16.8% over last year's fourth quarter. Health, human services, and social programs almost tripled, thanks in large part to the Macro acquisition, but even without Macro, would have been up over 45%. Homeland security and defense was up 11.6%, of which about one-half was organic growth.

Our profitability remained consistent in the fourth quarter, with EBITDA margin of 9.1%, adjusted to exclude acquisition related expenses. This was a little below what we had hoped for. A couple of the energy efficiency contracts did not ramp up as quickly as we thought, and this is also true for the broadband contract. We expect to see more benefits from these efforts beginning in the second quarter.

In summary, we had a positive ending to 2009, a year in which we successfully transitioned from The Road Home Contract, completed two strategically important acquisitions, gained share in our areas of domain expertise, and continued to leverage our advisory work to win larger implementation contracts.

For the year, core business revenue was up 42%, and organic revenue growth was 14.7%. Federal Government clients accounted for 66% of core business revenues. Commercial and international equaled 22.6%, and state and local government represented 11.4%.

Revenue by market also showed a well diversified mix. Energy, environment, and infrastructure accounted for 47% of full-year core business revenue. Health, human service, and social programs was 38%, and homeland security and defense represented 15%.

A comment on our recent acquisition of Jacob & Sundstrom, Incorporated. JASI, as we call it, is a 175 person cybersecurity firm that has a tremendous depth of knowledge in areas of identity management solutions, vulnerability assessment, and monitoring. A Federal Government executive order, known as Homeland Security Policy Directive 12, HSPD-12, in short, mandates that all Federal agencies have an identity management solution, and JASI is currently working with several agencies in this area. We are now teaming with JASI to both expand their reach in civilian agencies, where ICF has longstanding relationships, and to bring their implementation solutions to our energy industry clients, who are particularly sensitive to managing these vulnerabilities.

To start off, 2010 looks to be another strong year for ICF. ICF's domain expertise and implementation capabilities are well aligned with the most prominent policy issues facing our Government and commercial clients. We are positioned well for 2010. We see significant opportunities for growth in our Federal markets. Looking at the 2011 US Federal budget, we see continued growth in the areas in which we are strongest, because our portfolio aligns well with issues such as health, more efficient use of energy, childhood education, and cybersecurity.

Let me give you some examples from our internal analysis of the budget proposal to support my point. At the Department of Health and Human Services, the four agencies where we do most of our work, Center for Disease Control, the National Institute for Health, the Substance Abuse and Mental Health Services Administration, and the Agency for Children and Families, are projected to have an average discretionary budget increase of 5% in 2011 over 2010. This reflects increased funding for areas such as HIV Aids prevention and research, health statistics, food safety, behavioral and social science research, mental health and substance abuse programs, and the education Head Start program.

Education programs are receiving much greater emphasis, both in Congress, as well as the White House. The proposed budget provides for $4.5 billion increase in education spending over the comparable total in the 2010 budget. At EPA, programs related to clean air and climate change are getting an 8.9% increase, even though the EPA budget is flat this year after a substantial increase last year. The Department of Energy budget proposal is for a 7.2% increase. However, even greater increases are proposed for Federal energy management, general program support for energy efficiency efforts, and related communications programs, all areas in which we have a strong presence.

Funding efforts at both DoD, for health related activities, and at the VA, for programs ranging from help for the homeless to more efficient services delivery, show strong increases, such as a $294 million increase at the VA to fund plans to eliminate homelessness. These are just a few examples that support our confidence that ICF positioning is in sync with programs and priorities that Government will fact for many years to come.

We are also confident of the opportunities that we will have in the state and local arena and in our commercial business. I would now like to turn the call over to John Wasson to give you more insight into these areas and more detail about new contract wins and other operational metrics. John?

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

Thank you, Sudhakar, and good afternoon, everyone. Sales for the fourth quarter were $124 million. Traditionally, the fourth quarter is not a strong sales quarter, in part, because it follows the peak activity at the end of the Government fiscal year and because of the slowdown due to holidays. Therefore, this past quarter was a typical one, in terms of sales volume. However, many of the larger wins that did occur are significant, because they are central to the Federal Government's focus on using resources effectively to improve programs.

We were pleased that ICF was one of the firms awarded the highly HR Solutions Study and Analysis Support contract from the US Department of the Army. This is a nearly $1.3 billion ID/IQ contract, which is an important vehicle for the Army to source support for human resources planning, research, and evaluation. We believe that our strengths and track record in military human capital and personnel issues will make us a strong competitor in this arena over the next five years.

Also in the human capital area, we won a $4.9 million contract with the US Coast Guard's Office of Acquisition Workforce Management, in support of human capital planning, retention, and recruitment, the analysis of policies and procedures to aid in the development of their human capital framework, a strategic workforce plan. Both of these wins reflect ICF's growing presence in providing human capital planning and implementation services to the Federal Government in the critical area of using personnel resources efficiently and effectively.

At the Federal Department of Housing and Urban Development, ICF again won a nearly $10 million contract to collect, analyze, and report findings on improper payments in HUD assisted programs. This win, coupled with the win reported last week for nearly $16 million for independent verification and validation of HUD IT programs, showed how we are continuing to diversify our traditionally strong role in housing programs, with additional services that expand our leadership role in making a difference for communities and households.

I would also like to emphasize how our ability to utilize expertise across our business areas allows us to capitalize on important new trends. In the current difficult economic environment, the creation of jobs that expand the green workforce is universally valued. ICF has been working with a number of nonprofit organizations throughout the country to assist in winning Federal green workforce grants through our knowledge of the drivers of green workforce growth and developing appropriate job training programs. We do this effectively by combining our disparate skills in human service program for disadvantaged populations, grants management, and knowledge of green industries in order to create sustainable jobs in green occupations.

We have subsequently won additional grants and look forward to helping organizations prepare for new opportunities in rapidly growing green industries. All of these wins underscore our ability to provide essential services to the Federal arena that are especially valued when budgets tighten, and the effectiveness of dollars spent become even more tested.

While these were some of the larger wins, I should also note that we won over 150 new engagements during the fourth quarter in the commercial arena, ranging from energy efficiency projects to utility markets modeling to planning and implementation work for airlines and airports. Likewise, in our state and local markets, we won approximately 100 projects, ranging from environmental management and master planning to transportation planning to health and medical program evaluations. We are seeing an increased number of attractive environmental opportunities in state and local markets in the West around energy, rail, and highway infrastructure.

The Company-wide pipe -- active pipeline today stands at over $2 billion. Integration of ICF Macro, with our existing capabilities in human services, social programs, communications, and IT, continues to proceed well. In the fourth quarter, there were more than $7 million in sales closed that would have been highly unlikely without the combination of the two firms. In addition, the active pipeline of joint projects that reflect new value propositions with our combined resources continues to grow and now totals nearly $100 million.

Finally, I am pleased to report that our turnover rate continues to be historically low. For the full-year, total core business turnover at ICF was 8.3%. Now I will turn over the call to our CFO, Alan Stewart, to review the fourth quarter financial highlights. Alan?

Alan Stewart - *ICF International, Inc. - CFO*

Thank you, John, and good afternoon. Total revenue for the fourth quarter of 2009 was $174.1 million and was comprised entirely of core business revenue. This was a 57% increase over the 2008 fourth quarter core business revenues of $110.8 million. And last year's fourth quarter, $51.1 million revenue from The Road Home contract, brought total revenues to $161.9 million.

This quarter's gross profit increased to $67.5 million, compared to last year's fourth quarter of 2008, and our gross profit margin was 38.8%, which was up from 35.2% in the fourth quarter of 2008. This year's gross margin was slightly below the 40% level we projected, due to a higher level of subcontractor and other direct cost for the quarter.

Indirect and selling expenses were $52.0 million this quarter, up from the $42.0 million reported in the 2008 fourth quarter, primarily reflecting the additional indirect cost from the Macro International and Jacob & Sundstrom acquisitions closed in 2009. Amortization of purchased intangibles was $3.1 million this quarter, compared to $2.2 million in the third quarter of 2008. The increase is attributable to amortization related to the Macro and Jacob & Sundstrom acquisitions.

Appreciation amortization for the quarter was $2.8 million, compared to $1.5 million last year. For calendar 2010, based on our current portfolio, we expect amortization of purchased intangibles to be approximately $12.3 million, and depreciation amortization to run about $12.2 million.

Interest expense was $1.4 million this quarter, up from the $1.0 million reported in fourth quarter of 2008, and comparable to the $1.5 million reported in the third quarter of this year. For 2010, we anticipate interest expense of approximately $4.1 million for the year.

The effective tax rate for the fourth quarter of 2009 was 29.5%, which was substantially less than the rate for the fourth quarter of 2008 of 43.2%. The decline in the fourth quarter rate from last year's comparable quarter resulted from combination of nonrecurring discreet tax benefits. These benefits reflect the substantial efforts this year by ICF in reviewing our tax positions and recognizing the tax benefits for the impact of our transfer pricing work, state tax credits, provision adjustments for final tax returns, and other miscellaneous items this quarter. We do expect our effective tax rate for calendar year 2010 to be approximately 41%.

Net income was $6.2 million for the fourth quarter of 2009, or $0.37 per share, based on 16.522 million fully diluted weighted average shares. This compares to net income of $6.1 million, or $0.40 per share, based on 15.452 million fully diluted weighted average shares in the fourth quarter of 2008. We anticipate that fully diluted weighted average shares for the first quarter ending March 31, 2010, and the year ended December 31, 2010, to be approximately 19.6 million and 19.9 million, respectively.

Turning to the balance sheet, accounts receivable was $174.1 million, compared to the $167.1 million reported for the September 30, 2009, quarter. This represents 90 days sales outstanding at December 31, compared to 90 days at September 30, 87 days, June 30, and 84 days at December 31, 2008. If you deduct the amount of deferred revenue from these periods, the adjusted days sales outstanding would be 80 days at December 31, 81 days at September 30, 80 days at June 30, and 77 days at December 31, 2008. We continue to anticipate days sales outstanding in the long-term to be at our 75 to 85 days historical average.

Our revolving debt balance was $145 million at December 31, compared to $210 million at September 30. The $65 million debt reduction came from the $83 million of net proceeds from our December equity offering, net of the $32 million acquisition of Jacob & Sundstrom and $14 million pay down from cash flows.

Cash flow from operating activities for 2009 was $48.6 million, and we had cash capital expenditures during this period of approximately $8.1 million, which reflects our continued investments in corporate infrastructure, which was slightly less than the $10 million expended in calendar year 2008. We anticipate capital expenditures of approximately $8 million for the calendar year ending 2010.

ICF headquarters lease currently expires in October, 2012. Based on current market conditions, we have just executed a new headquarters lease for our existing space and received favorable rights on expansion space. Our new lease expires on December 31, 2022, with a slight increase in incremental rent expense, which has been reflected in our projections for calendar 2010. And with that, I'd like to turn the call back to Sudhakar.

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

Thank you, Alan. Looking ahead, we expect first quarter revenue to range from $170 million to $175 million, and earnings per diluted share to come in between $0.27 and $0.30. This includes the impact of the weather related Government shutdown in Washington.

For the full-year, we have increased our revenue guidance range to $740 million to $775 million to reflect the Jacob & Sundstrom acquisition, which equates to a 21% to 26% increase over core business revenues of $614 million in 2009. Also, we have reaffirmed our organic growth rate expectations of 11% to 16% in 2010 and our EBITDA margin range of 9% to 10%, and we have introduced

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an earnings guidance range of $1.33 to $1.43 per diluted share, based on approximately 19.9 million fully diluted shares outstanding and effective tax rate of 41%. At this point, Operator, I would like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Joseph Vafi of Jefferies. Please proceed.

Joseph Vafi - *Jefferies & Company - Analyst*

Hi, gentlemen. Good afternoon and good results here. I was wondering if you could give us a view on the guidance for this year, relative to your visibility, and how does that compare to your guidance philosophy when you provided '09 guidance to us for the first time?

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

I would just say that I think we have, Joe, good visibility going forward this year. I think our numbers last year, if you look at our backlog and the proportion of revenue in 2009 -- when we went into 2009, was about 51.7%, and if you look at 2010, we had about 69%. So I think, in terms of confidence going forward, if you take the metric of backlog as a proportion of revenue projection, then we have a little more confidence going into 2010 than we had 2009.

Joseph Vafi - *Jefferies & Company - Analyst*

Okay, that's helpful. And then, maybe, the other piece is you've got a growing business with -- from the utilities private sector business. It doesn't necessarily show up as well in kind of backlog based business. What kind of visibility do you have there, and what do you see the commercial business growing at? Do you think it can grow better than the overall average of the Company or in line in 2010?

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

I would say at the moment, Joe, I think it'll grow in line with the -- as I mentioned in my remarks, are primarily driven by energy efficiency programs. I think the utility work actually is, to some extent, reflected in the backlog, because we do have three year contracts on these energy efficiency projects. So I think, to that extent, we have that much more visibility. So I think that -- I would say that they will grow in line.

Joseph Vafi - *Jefferies & Company - Analyst*

Okay, and then I'll just ask one more, and then I can -- then I'll throw it over. Just on stimulus spend -- I know it's been a little slow here. Do you have a view as to when that may maybe pick up? Are you seeing any signs of better activity on the spend there, and how much of that is in the guidance at this point?

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

I think that we are seeing some signs of stimulus spend, especially in the state and local arenas. So we think that the spending will increase going forward. If you looked at John's remarks, he did allude to the fact that the state and local market this year will be a little more bullish than they were last year. Doesn't mean that it's going to suddenly gallop ahead, but I think we certainly are more optimistic about the state and local market going forward this year, because of some of the stimulus monies being spent through state and local agencies than we were this past year.

Joseph Vafi - *Jefferies & Company - Analyst*

All right. Thanks a lot. Good results.

Operator

Our next question comes from the line of Mike Lewis of BB&T Capital Markets. Please proceed.

Mike Smith - *BB&T Capital Markets - Analyst*

Good afternoon, gentlemen.

Alan Stewart - *ICF International, Inc. - CFO*

Hey, Mike.

Mike Smith - *BB&T Capital Markets - Analyst*

It's actually Mike Smith in for Mike Lewis, but one quick question for you. Regarding the defense business, how do you see that kind of growing in 2010? I mean, are you looking at different programs, especially now with the HRSS contract, and are you getting more away from that logistics type revenue and kind of targeting other areas there?

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

Yes, I think our focus, as was pointed out extensively by John, was certainly on -- we certainly want to do what we're strong at with the Defense Department. Certainly, the HRSS contract expands our human capital business. We certainly are looking at ways in which we can expand our energy business within the different services, expand our environmental businesses in the different services, and the health related stuff within the services. So I think that we are quite focused on doing that, and we think there is enormous potential, which is untapped. So, in addition to, as you alluded, the logistics business, we are certainly looking to expand in the human capital and in our traditional areas of expertise, where the Defense Department has very large budgets.

Alan Stewart - *ICF International, Inc. - CFO*

We've been quite focused on doing that. John?

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

Yes. I would just add that, obviously with the Jacob & Sundstrom acquisition, one of their largest clients is the Army research lab. I think we see a lot of opportunity to also leverage the cybersecurity capabilities into DoD, too.

Mike Smith - *BB&T Capital Markets - Analyst*

Excellent. Thanks a lot.

Operator

Our next question comes from the line of Ed Caso of Wells Fargo Securities. Please proceed.

Ed Caso - *Wells Fargo Securities - Analyst*

Good afternoon. Ed Caso. It sounds like the difference from your initial guidance comes in two pieces, the first being that -- the J&S acquisition and the second being the snow day adjustment. I was wondering if you could help us sort of quantify those two pieces in the guidance, relative to last time.

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

I guess you are trying -- you are going to get me to say something about how the first quarter -- what the revenue -- I think that -- let me just say it this way, that our revenue, which is affected by the Government shutdown, is perhaps lower in fraction compared to some of the other Government services companies, which you compare us with, because we have that many less people on site -- at Government sites. So, while there has been an impact, it has not been as significant as some of the other contractors have had.

And in the Jacob & Sundstrom acquisition, we basically are quite bullish about the business. We certainly think that we will be able to continue to grow it going forward, but since we just acquired it, we want to be cautious about what numbers we put in there, so as to make sure that we hit them. So I think -- why don't I leave it at that without necessarily getting into great detail, Ed, about exactly how much was last year and how much we expect to get from that, because we hope not to continue to talk about these -- talk about Jacob & Sundstrom as a separate entity, because we certainly hope to bring them into the energy business and other places. So why don't I just leave it at that?

Ed Caso - *Wells Fargo Securities - Analyst*

Okay. You paid $32 million for J&S. Is there -- are there any earn outs?

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

No earn outs.

Ed Caso - *Wells Fargo Securities - Analyst*

No earn outs. And if you could talk about your -- final -- if you could talk about your dry powder and areas of sort of future acquisition targets. Thank you.

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

Sure. I think that we, as you know, have a $275 million credit line. We believe that we will continue to pay down debt at a fairly rapid clip going through the year. So we also have a $75 million accordion on top of the $275 million credit line. So I think that we are certainly set up to do a acquisition of the size, perhaps, all the way from $30 million to $40 million to $150 million or -- so I think that we -- that's basically what we are looking at.

I think our acquisitions -- as you've seen over the last few years, we have now quite a track record of what areas we do them in. We will do them in the areas where we have strength, where we can basically mitigate the downside risk. So I think that that's something which we are looking at, so you should expect to see acquisitions which in -- either in the energy environment area or in the health area or in the cybersecurity area or, broadly, in human capital and IT, where we can relate to the clients they basically work with. That's sort of broadly what we are looking at. We have an active pipeline, and we certainly are -- again, difficult to time these things, as you know, but the efforts are ongoing.

Operator

Our next question comes from the line of Tim McHugh of William Blair & Company. Please proceed.

Tim McHugh - *William Blair & Company - Analyst*

Yes, just wanted ask about the delay in the contracts that you mentioned for the energy efficiency and the broadband contract. Was there anything unusual there, and then, how much visibility do you have that those will ramp back up in Q2?

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

I think -- there's nothing unusual. There is -- I think we have reasonable visibility now. Always things which happen, which make things uncertain, but I think that -- we think that we will start ramping back up, based on conversations we've had with the client and with our staff on the energy efficiency side. So there's nothing unusual. It's just a question of getting all the things lined up, including all the paperwork to make sure that we can make progress.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then, can I just ask about the first quarter? Other than the snow day impact, given that you'll have a four quarter contribution from your recent acquisition, and the underlying business is growing, why would revenue be basically flattish or down a little, sequentially, given those trends?

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

I think you know the first quarter is traditionally the slowest quarter we have -- first and the fourth quarters. So I think that we -- while we have the acquisitions, that is -- we're just trying to juggle a few things. It's a slow quarter, we had the snow days, so, as you say, it would be sort of flattish, and this -- it's no particular one reason. I think that it's just -- that is the way traditionally the work goes. The first is slow, second cranks up, third is the most -- usually the highest, and then the fourth one comes down.

So it's just a -- we are reasonably confident that -- as I said, there's more visibility in the annual goal this year than there has been last year is the questions you have asked here. So I think that we'll -- we are confident that we'll get there. Just the first quarter is -- has been affected, as you pointed out, and so, we are giving you that guidance. But I wouldn't read anything into the sequential numbers.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then, my last question would be you provided some slightly more positive comments, it sounded like, on the commercial businesses and the state and local businesses. Are you seeing the improving trend broadening out beyond the energy efficiency and utility business into kind of your airline type of business and then your broader environmental management business, or is it still mostly driven by the core energy efficiency work?

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

Well, yes, I would say two things. I mean, I do think we are seeing improvement in the commercial aviation business, and so I think the trends are upwards and positive there, and so I think we certainly -- we're certainly seeing that in the last quarter. And then, I think in the state and local business, particularly in the West Coast, we're seeing positive signs on the pipeline the set of opportunities in front of us.

As I mentioned, around kind of -- infrastructure around energy transmission lines, rail, highway projects, where we're -- we'll be doing environmental impact statement related work. So I think we're -- so it is certainly broadening out beyond just the commercial energy efficiency to improvement in the commercial aviation, and I think we see a path to clear improvement in the next couple quarters in the state and local business in the West.

Tim McHugh - *William Blair & Company - Analyst*

Okay, thank you.

Operator

Our next question comes from the line of Steve Ferazani with Sidoti and Company. Please proceed.

Steve Ferazani - *Sidoti & Company - Analyst*

Good evening, everyone. I guess, just to follow up that question, if you're able to see a faster ramp on the commercial side, is there the potential then, as we move into a later part of '10 or even into '11, to get beyond that 40% gross margin level that's sort of the goal?

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

Yes, absolutely. We've been saying for many quarters now since -- that we -- that as the commercial business ramps up, the gross margin numbers will go up, and we certainly hope that, as they ramp up. And I think the gross margin on the commercial business is much higher and has more of an effect on our earnings. So I think that as that ramps up, we will certainly have an expansion in the gross margin.

Steve Ferazani - *Sidoti & Company - Analyst*

Now in the international business, any significant change in headcount at this point? Do you see any potential larger projects, moving forward?

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

Not really. I think that we basically don't see any significant -- I mean, I think it is a nice business to have, but I think we are quite focused on -- at the moment, in North America, primarily because of the enormous opportunity for us here. And as I said earlier, the current goals -- the policy goals of the Government and some of our commercial clients are consistent with our strengths. So I think we have significant opportunity here, so we're quite focused here.

Steve Ferazani - *Sidoti & Company - Analyst*

Okay, the last one for me is just on the tax rate. Obviously, you did a nice job of focusing on that this quarter. Why guide to the 41%? I know this is something you had said previously that maybe you could see -- look at a lower effective rate into 2010.

Alan Stewart - *ICF International, Inc. - CFO*

Right. I mean, a lot of the items that positively benefited 2009 were discreet items on -- working on foreign tax credit, changing -- or transfer pricing studies, other finalization of tax returns and positions have benefited, but unfortunately, they were all onetime items. On a going forward basis, it'll really depend upon growth in lower tax jurisdictions. Some of the international areas could reduce it, and we will be taking a look at other actions that the Company may be able to take in the future to reduce that, but at the present time, roughly 41% is the sort of combined rate, based on our budget, our projections, and sort of based on our portfolio of business in the current areas.

Steve Ferazani - *Sidoti & Company - Analyst*

Thanks, Alan. Thanks, everyone.

Operator

Our next question comes from the line of Tobey Sommer of SunTrust Robinson Humphrey. Please proceed.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thanks. I know you're not giving forward guidance for a bunch of quarters or anything like that, but could you give us a general sense for how the sequential revenue pattern has progressed in the year? I think you made some allusion to third quarter kind of being the peak, but if you could give us a little more color, that would be great.

Alan Stewart - *ICF International, Inc. - CFO*

Yes, I mean, I guess -- again, I would reiterate what Sudhakar said. I think the first quarter generally starts off -- is generally our slowest. We ramp up in the second quarter. We reach our peak in the third quarter, and the fourth quarter falls back down, often in line or near the first quarter, given the holidays and the end of the year. And so, I'm -- the typical year for us is certainly -- the second and third quarter are the strongest, and those are where we really ramp up. The first and fourth tend to be slower.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Okay, thank you. And then, I was wondering, at the customer level, did the buying behavior change among any of your Federal agency customers, as the administrative's -- the Administration's legislative agenda seemed to founder a bit? Or did things persist, so is this -- is there maybe a separation between the headlines in politics and the momentum that the customers are feeling?

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

Yes, which is why I think I tried to go through the budget analysis, which we did, I think that there is -- we have to read the budget carefully, and I think that there is -- what -- if, politically, something is front and center, then that certainly gets added to the budget numbers. But I think that the Federal Government has a certain momentum associated with the kinds of work they are doing, and that momentum continues year on year, and it is -- and I think that the detailed analysis will give you some sense as to what the likely spending priorities are, going forward.

And we think that, while there was a lot of noise about the civilian budget freeze, it was exactly that -- noise, because when we looked at the budget carefully, I think we feel quite confident about our numbers, as I said earlier. So I think that there is a -- it doesn't quite translate into things which might appear in the headlines. And I think you have to be -- we have to be careful when we look at these issues, and I think that it's -- there's been an overreaction to those headlines. And that's what I was trying to allay -- or trying to explain when we were -- when I talked about the budget numbers going forward.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thank you. Were --?

Alan Stewart - *ICF International, Inc. - CFO*

I would just --

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Oh, go ahead.

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

I was just going to add -- I mean, I think that a related part of your question is key legislation -- passing key legislation critical to driving our business, and I think again -- for instance, on the health care front, we really are seeing quite a bit of opportunities that are unrelated to the passage of health care reform. A lot of the Obama Administration priorities around chronic health care programs, childhood obesity, and other health related programs -- HIV Aids are significant programs.

There's a real commitment in this Administration, and it's unrelated to the passage of health care reform, and I think, similarly, on the climate front, I think there we're seeing a lot of opportunities around renewables, energy efficiency, greenhouse gas inventories that -- quite strong and robust, and again, I think, are independent of the passage of a cap and trade legislation. So I would want to make the point that I don't think many of the key drivers in the programs in health and energy and environment are not tied to passage of health care reform or a cap and trade program.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thank you very much. That was very helpful. And then, a question about the commercial business. I was just wondering if you could, in broad strokes, give us a sense for where the margins are in that business currently versus how high they've been, maybe, relative to prior peaks. Thanks.

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

I think the gross margins in that business are still pretty strong. The -- it's not like we've had to -- we haven't had to cut our rates or anything to get work done. The gross margin stays strong. It's just the amount of work available has been lower in 2009, and as John pointed out, there is some -- we have a few green shoots, which we can see in the areas which he talked about, where we hope that there is expansion in the revenue base, which will help us improve our earnings. So I think that the gross margins are always pretty strong, and I think they'll continue to remain strong. It's just a question of the amount of work available is the thing which we are looking at closely, and that appears to be looking up at the moment.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Right. I guess I was referring to operating kind of margins, so is there -- do you have a sense, maybe, asking the question a different way? What kind of incremental margin -- incremental operating margin we would get from revenue growth in the commercial space?

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

I couldn't offhand give you some sense for a dollar increase in revenue. How much -- of commercial revenue, how much would the margin go up? I think that -- as we've said, as -- based on, at least, the modeling we've done, as the commercial business goes back to levels and be in 2008, et cetera, our EPS and EBITDA numbers would go up to the higher end of the range. And that is the -- I think, the -- I think our commercial business -- as you know, the Government business has, traditionally, 6% to 10% fee rates, and the commercial business has much higher fee rates. It could be anywhere from 10% to 20%, so -- or higher. So I think that the EBITDA numbers there are much high -- the fee numbers there are much higher, and so, any little increase there would increase that. But overall, as the commercial business revives and expands, our EPS number would get to the higher end of the range.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thank you very much, Sudhakar.

Operator

Our next question comes from the line of James Harlow of Stifel and Nicolaus. Please proceed.

James Harlow - *Stifel Nicolaus - Analyst*

Hi. Thanks for taking my call. So I -- you kind of talked about this a little bit on the revenue side, but as far as kind of sequential margins throughout the year in the operating margin line, what are you kind of expecting -- those to trend? And what are kind of of the levers for improvement in that area?

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

Again, I would say the levers are that we should -- if -- as the -- I think Tobey asked earlier, if the commercial business expands, the numbers -- the margins -- gross margins go up, and therefore, our earnings go up. If we can -- the levels of the -- the operating leverage -- if the state and local business grows, that expands our -- in fact, our earnings, because basically, we do have -- the utilization levels go up. We can get operating leverage as the Company expands. There is some aspect of the G&A don't go up as rapidly as the revenue, so that is the third level. So I think those are the three or four things which could potentially take us beyond the numbers we are at at the moment.

James Harlow - *Stifel Nicolaus - Analyst*

Okay. And when you talk about higher pass throughs in the OECs in the quarter, where is that originating from? Is that sort of across the board, or is there a particular area of the business?

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

I think across the board. It's very hard to get exactly those numbers. We, I think, have done a pretty good job in estimating them. It's just that this time it was a little higher than we thought -- maybe $2 million or $3 million. So I think that it's across the business -- hard to pin down exactly where.

James Harlow - *Stifel Nicolaus - Analyst*

Okay. Just lastly, in the prior quarters, you had kind of broken out the pipeline by the number of opportunities by size, like over $25 million, things like that. Do you have a -- could you provide that for us?

Alan Stewart - *ICF International, Inc. - CFO*

Yes. Let me see. I have -- let me give you a rough sense. So, for the pipeline, we have 17 opportunities that are $25 million or greater. We have 56 opportunities that are $10 million or greater. I think those numbers are more or less in line with we had discussed previously. I think we're -- so I think it's consistent with what we've seen in the last quarter or two, in terms of the size division of the pipeline. There's not a major change there.

James Harlow - *Stifel Nicolaus - Analyst*

Okay. Thank you.

Operator

(Operator Instructions)

Our next question comes from the line of Ed Caso of Wells Fargo Securities. Please proceed.

Chris Whitman - *Wells Fargo Securities - Analyst*

Hi. Good evening. This is [Chris Whitman] for Ed Caso. I had a follow-up. I know -- and address -- try it another way. It seems as though sentiment towards regulation of CO2 and maybe some other items, environmental regulation, is kind of turning more negative in Congress, and I guess -- has there been any change in sentiment (inaudible - microphone inaccessible) commercial clients on, maybe, approaching some of these initiatives that may be mandatory in the near term or even some of the more discretionary items? Has there been a change?

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

I think that there is no change in the emphasis on renewables, on the emphasis on energy efficiency programs, and in the emphasis on making sure that nuclear gets more say. There's no question that those issues are all still front and center, and I think that that is going to continue, regardless of whether there is legislation or not. I think that that's -- offshore drilling, for example. There appears to be some consensus emerging. And I think that any impending -- if there is regulation, then these will get more of the market, expand even great -- in a greater way. So I think that, at the moment, it is growing quite nicely. If there is more mandatory sorts of things happening, then it will grow even faster.

The one thing I'll mention is that this morning I was at a meeting with Senator Warner, who is the senior -- one of -- the senior Senator now, I guess, from Virginia, and he suggested that, in fact, there is a consensus emerging in Congress, and all of you can hold your breath, but I will hold mine, too. But that there will be -- there could potentially be an energy bill this year, which will not have necessarily cap and trade, but which will have emission caps around specific sectors of the economy. So, for example, the utility sector or the transportation sector, and he thinks that, in addition to financial regulatory reform, there's likely to be an energy bill. And he's a pretty bipartisan, middle of the road kind of guy and not very -- very bipartisan sort of fellow.

So I think that it's not all negative. He appeared to be pretty bullish today about the fact that things might move. Now he was not suggesting that you can bank on it, but he certainly thinks that those two things, regulatory reform and energy bill, might in fact move reasonably quickly and could happen over the next 60 days. So I think that a lot of things still have to happen here, and that will only expand what the marketplace is. But we're -- as John pointed out, that we're not necessarily driven -- our markets are not necessarily driven by that regulation. I think we are seeing a lot of opportunities in the areas which I just mentioned in the energy sector, which, I think will keep us busy for many months.

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

I just wanted to add, just to remind you, that one of the things that is driving our clients, of course, is the fact that, especially utilities there on -- their planning cycles are very long-term -- five, ten, 15, 20 years, and they're seeing fundamentally enough change in the need to understand the effects of carbon and renewables, et cetera. Those drivers, whether or not legislation goes up or down this year -- there's so much activity happening internationally, happening regionally, that if you look out for five or ten years, they're still going to act as if it happens and then make fine course adjustments, perhaps. But their fundamentals are a much longer timeframe than whether a particular legislation is up or down, and that's what is driving a lot of our business.

Chris Whitman - *Wells Fargo Securities - Analyst*

Thank you. That's very helpful. And then, lastly, Alan, can you shed some light on what is in the other non-operating income? I think it's $500,000 or $600,000 this quarter.

Alan Stewart - *ICF International, Inc. - CFO*

Right. It's a combination of a few items. It's a combination of some return of escrow accounts on prior year acquisitions, as we're cleaning and closing those out, and we have any minor adjustments or claims. It's some reduction of some liabilities related to some tax items, where we had FIN48 reserves, and some other prior year acquisition contract type items that have now been released and no longer, so they're non -- really, non-operating. And again, those are kind of discreet issues that were related to specific items.

Chris Whitman - *Wells Fargo Securities - Analyst*

Thank you.

Operator

There are no further questions at this time. I would now like to hand the call back over to management for closing comments.

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

Yes, I would just like to take a moment to note that this is Alan Stewart's last earnings call as ICF's CFO. As you know, Alan is retiring, and Ron Vargo will become our new CFO. I just want to thank Alan for his many contributions to ICF's success over the past nine years and especially over the last three years since he's been talking to all of you as a public Company. And we wish him the best in the future, and I'm sure he'll take some time off. Thank you very much, Alan. And also, thanks to all of you for joining us today, and we look forward to speaking to you again in the next call in May. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a good day.