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PRESENTATION

Operator

Welcome to the ICF International fourth-quarter 2015 results conference call.

(Operator Instructions)

As a reminder, this conference is being recorded on Monday, March 7, 2016, and cannot be reproduced or rebroadcast without permission from the Company. And now I would like to turn the program over to Lynn Morgen of MBS Value Partners. Please go ahead.

Lynn Morgen - *MBS Value Partners - IR*

Thank you, Operator. Good afternoon, everyone, and thank you for joining us to review ICF's fourth-quarter and full-year 2015 performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO; John Wasson, President and COO; and James Morgan, 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 7, 2016, press release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our views as of today. We anticipate that 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 ICF's CEO, Sudhakar Kesavan, to discuss fourth-quarter and full-year 2015 performance. Sudhakar?

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

Thank you, Lynn, and thank you all for joining us this afternoon to review our fourth-quarter and full-year 2015 results and discuss our outlook for 2016. First, I'm pleased to report that our fourth-quarter performance represented a solid finish to 2015 and that profitability was in line with our guidance. Second-half adjusted EBITDA margin was 10.4%, up 125 basis points from the first half of 2015, and 85 basis points ahead of last year's second half.

Revenue trends also aligned with our expectations, coming in at an estimated $284 million on a constant currency basis, with fourth quarter only slightly below our historically strongest third quarter. The revenue growth rate of our US federal government business reached close to a four-year high at 4.7% in the fourth quarter, compared to the same quarter last year, bringing the average growth rate for the second half of this year to 2.4%.

In the fourth quarter, we saw a continuation of the positive trends in federal government spending that have emerged over the last several quarters in the wake of congressional approval of a two-year budget agreement. Notably, the time between our contract wins and revenue generation on those contracts has come back to more normalized levels, which has improved our visibility and enabled us to increase utilization rates.

As you know, the administration has submitted its Fiscal 2017 federal budget request to Congress, and while it is too early in the process to draw conclusions that funding levels for specific agencies will change, we think there are several broad trends that will remain intact. One, the budget's total spending appears to be in line with the original agreement. Two, civil agency spending is expected to increase from this year's levels. Three, the major priorities look to be cyber security investments and adoption of emerging digital technologies.

That is a good segue into ICF's digital services and communications business, which companywide accounted for approximately 30% of our 2015 revenues. About 40% of our work in this arena is performed for domestic and international government clients, and the balance, 60%, for commercial and state local clients.

Let me first talk about our government clients. The US government is focused on significantly improving the way it delivers technology services to the public as both a way to improve engagement with their constituents and as a cost-reduction initiative.

ICF's current capabilities in digital services give us the ability to provide end-to-end solutions for government agency clients. These are differentiated by the creative and innovative work done by ICF Olson for well-known consumer brands.

And when you add our deep domain expertise in energy, environment, infrastructure and health markets, where the need for stakeholder engagement is especially high, ICF's competitive positioning is even stronger. We see the same dynamic in our European business, where we communicate on issues like social policy, health, climate and energy in over two dozen languages.

Now a few words about our commercial and state and local clients, approximately 60% of our digital services business is done for these clients and is managed by ICF Olson. As you know, all the major global consulting firms have been acquiring digital agencies in order to be better positioned to address chief marketing officers who are increasingly responsible for driving revenue growth and are using technology to ensure a positive customer experience.

Our thinking was quite similar when we acquired Olson and combined it with our legacy digital technology business. This has positioned ICF Olson at the intersection of creativity, technology strategy and data analytics, key elements in helping clients achieve tangible results.

The base of activity at ICF Olson continues to increase. We won 17 new accounts in the fourth quarter across a broad range of industries including energy, health, retail, education, sports and consumer. For the full year, we won close to 90 new accounts, and the dollar value of the contracts won has been increasing due in large part to the revenue synergies we are achieving.

In 2015, we won several pitches that integrate the capabilities of both legacy ICF and Olson. These involve both bringing additional services to an existing client and winning new business because of the complementarity of our combined offerings.

Three, we are working together to drive revenues across the ICF Olson platform, and the clients are responding positively. One large game console manufacturer has extended their contract to include work on a long-term strategic road map to further enhance the user experience on their devices.

A consumer health technology company who hired us for our digital PR capabilities is now working with us on projects that involve developing a brand strategy and are also utilizing ICF's commercial healthcare consulting expertise. And a large apparel retailer with whom we worked on digital transformation is now working with us on customer engagement analytics. We are also collaborating on several state lottery opportunities. We encourage you to visit icfolson.com to learn more about our comprehensive services and integrated offerings.

In the fourth quarter, ICF Olson continued its implementation work on three loyalty programs. The largest of these programs is scheduled to be fully implemented by middle of the second quarter. The other two are planned for roll out in the second half of the year.

During the build and implementation phases, loyalty programs generally run at a lower profitability due to the time involved in development. Profitability increases once they're up and running.

In addition to gaining traction in business development, ICF Olson achieved significant recognition in the fourth quarter. Forrester placed us in their highest category, leader, in customer loyalty solutions for large organizations.

Olson Engage, the PR division for ICF Olson, was recently named a finalist for PRWeek's Agency of the Year award, which we won in 2014, and our Toronto office was nominated for Strategy Magazine's Digital Agency of the Year award. We also won five awards, including Best in Show, at last month's Innovation SABRE Awards in San Francisco.

To sum up on digital services, we believe this business will be a tremendous growth platform for ICF, both in the commercial and in the government arenas. We are in an excellent position to capture share by combining our consulting and implementation experience with the talent to create unique and positive customer and stakeholder experiences, whether it is for a national health organization like the Centers for Disease Control that needs to communicate quickly and effectively with large populations, or to assist the chief marketing officer of a utility in driving customer behavior using social media through creative and analytically based communications. John Wasson will provide additional insights into the strong prospects for energy markets, which represents the other major component of our commercial business.

In conclusion, 2015 was another year of record contract wins, which speaks to ICF's continued ability to gain share and recognition for our expanded capabilities. This momentum, combined with our second-half 2015 performance, sets the stage for solid organic revenue growth and substantially higher growth in profitability.

I would now like to turn the call over to John Wasson, our President and Chief Operating Officer, to provide additional insights into fourth-quarter and full-year 2015 business trends. John?

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

Thank you, Sudhakar, and good afternoon. As Sudhakar noted, our Q4 revenues were only modestly below our Q3 revenues, which represents a shift in our historical seasonality that typically resulted in Q3 revenues falling off more severely than they did this year. We believe that this shift in Q4 seasonality is due to the increasing proportion of our commercial revenues in our portfolio, and will continue in 2016 and beyond as commercial revenues continue to grow more rapidly.

The shift in business mix becomes most apparent in our full-year comparisons for 2015. Commercial revenues increased to 35% of total 2015 revenues from 30% in 2014, and US federal government represented 48% of total revenues in 2015, down from 51% in 2014. State and local remained relatively constant at around 10%, and on a reported basis, international government declined to 7% from 9%, as their approximately 4% year-over-year growth in local currencies was masked by the strength of the US dollar.

Digital services and energy markets together accounted for 75% of fourth-quarter commercial revenue. Our current system for classifying revenue per market is based on the origin of the client rather than the nature of the work we perform. Therefore, it is important to keep in mind that not all of ICF Olson's revenues are counted in commercial, even though the pricing for the work they perform for non-commercial clients is generally consistent with commercial work.

Sudhakar covered ICF Olson, so I will give you an update on domestic energy markets, which was the second largest contributor to fourth-quarter and full-year commercial revenue. We were pleased that our domestic energy market revenues increased 6.7% sequentially, but as expected, declined modestly year on year, primarily due to the unbundling of an umbrella contract by one of our utility clients, which took place at the beginning of the year and we discussed in our Q1 2015 conference call remarks.

Recent contract wins point to a much stronger year for energy markets business in 2016. In addition to the awards we discussed last quarter, we won a $10.4 million extension to a contract with a major utility in the West to support a commercial energy efficiency retrofit program.

Additionally, we won several multi-million dollar energy efficiency contracts with major utilities in the Midwest, Northeast, South and West, which we will publicly announce in the second quarter. These wins include the significant expansion of an existing program as well as three new programs. We would expect to see revenues begin to ramp up starting in the second quarter on these new awards.

There continues to be heightened interest from our utility clients on how to most effectively modernize the grid and integrate distributed resources, such as renewables, into it. In January, we were notified that we were successful on proposals with three different utilities, related to grid modernization and integrated resources, that we expect will generate about $3 million in revenues in 2016, with the potential for more in future years. We are currently in discussions with five other utilities for work of similar scope and scale.

In 2015, we did a fair amount of advisory work with utilities and NGOs on the evolving Clean Power Plan, and most utilities are now well along in executing their plans. We do anticipate, however, that the Supreme Court's recent ruling staying implementation of this rule will slow down the pace of new advisory engagements and also delay downstream state level implementation work related to the Clean Power Plan. We are confident, however, that new opportunities we are seeing in energy efficiency, grid modernization, and distributive resources will allow us to grow our energy business as planned in 2016, even in the face of this stay by the Supreme Court on the Clean Power Plan.

Overall, at the end of the fourth quarter, our energy markets pipeline was at the highest level of the year. As of today, even after these recent notifications of awards, it contains approximately $500 million of proposals, including several large potential opportunities for energy efficiency implementation projects.

Turning now to our US government business, our strong year-on-year revenue growth in the fourth quarter involved work on a broad range of contracts, several of which included digital marketing components. We discussed a number of these last quarter, awarded to us by the CDC, but there are many others that we are currently working on for several federal agencies that involve both our subject expertise and our digital communications and engagement capabilities.

Some examples include providing digital support for the VA's eBenefits portal, engaging parents to design a national website through the HHS Office of Child Care to find local child care, and for the Department of Energy, where we are converting data into compelling digital maps to explain how rising sea level and storm surge might impact key energy infrastructure.

We ended 2015 with a federal government book-to-bill ratio of 1.28, setting us up for growth in 2016. Again this quarter, ICF was awarded more than 100 US federal contracts and task orders.

Our largest win was $150 million blanket purchase agreement by the Center for Disease Control Center for Global Health with a five-year term. ICF has been supporting CDC and its partners for more than 15 years in more than 30 countries to help build sustainable health systems to fight disease and advance global health security. Under this award, ICF will provide technical, scientific and analytical support to the global health initiative.

We were also awarded an $8 million contract for the Office of National Drug Control Policy to continue as the national evaluator for the Drug-Free Communities Support Program. We began this program in 2009; it has now been extended for another five years.

We won a number of environmental planning projects in the fourth quarter, including a $4.4 million contract with a major metropolitan transit authority, a $2 million contract with a major US transit authority, and a $4 million contract with a major US port in the West to provide outreach and analysis support for their environmental planning efforts. One other notable federal contract win in Q4 was for $3.5 million with the US Postal

System to provide new product support. These wins come on top of our very strong record second and third quarter, where we won in excess of $550 million in federal contracts.

US state and local government revenues grew 5.9% in the fourth quarter, reflecting additional implementation work on the California State Lottery, additional assistance for disaster victims, and work related to Superstorm Sandy in New Jersey. Certain small contracts, which were originally categorized earlier in the year as commercial, were added back to state and local for the second and third quarters, which resulted in a 5% increase for the full year.

While reported international government revenues continue to be buffeted by currency fluctuations, we are pleased with the increased level of award activity we are seeing, specifically with the European Commission. ICF was awarded a framework contract, with a value of up to EUR40 million, to provide strategic communications support for the Directorate-General for Communications. We also won a EUR15 million framework contract for the Directorate-General for Home Affairs to provide evaluation services, and another EUR15 million recompete task order contract for the Directorate-General for Regional and Urban Policy to provide event organization, including the next four editions of Open Days, one of the largest institutional events organized by the EC in Brussels, which attracts 6,000 to 8,000 participants each year.

Finally, we won a EUR3.4 million contract with the Directorate-General for EuropeAid Development & Cooperation to provide support for a greenhouse gas emissions trading system.

Moving to our sales performance in 2015, we had a record year for contract awards at $1.3 billion, up 2% over the prior year, and our fourth-quarter sales at $227 million were the second highest for the Q4 in the Company's history. Both the dollar value and the strategic value of the fourth-quarter and full-year 2015 contract awards were excellent and position us well for improved results in 2016.

Our pipeline at year end remains strong at $3.6 billion, after winning almost 700 awards in the second half of the year, and included 29 opportunities greater than $25 million, and 64 opportunities between $10 million and $25 million. Finally, our domestic turnover rate was 14.7% for 2015.

Now, James Morgan, our CFO, will continue with the financial review. James?

James Morgan - *ICF International, Inc. - CFO*

Thanks, John. Good afternoon, everyone. Overall, we reported solid year-on-year comparisons in the fourth quarter, executing well across key operating metrics. Total revenue for the fourth quarter of 2015 was $280.8 million, or 1.6% of the fourth quarter of 2014.

Service revenue increased 2.1% to $207 million. It should be noted our reported revenues were impacted by the continued strengthening of the US dollar against the euro, British pound and Canadian dollar. On a constant currency basis, the total revenue in the quarter would have increased an estimated 3% year on year to approximately $284 million.

Indirect and selling expenses for the fourth quarter were $79.5 million, or 28.3% of revenue, compared to $83.4 million, or 30.2% of revenue in the prior year. On a year-over-year basis, the decrease of 4.7% was driven by improved labor utilization in the fourth quarter of 2015, as compared to 2014, and higher special charges last year. Due to revenue growth and the decrease in our indirect expenses in the fourth quarter of 2015, as compared to 2014, operating income grew 14.6% to $19 million for this year's fourth quarter, up from $16.6 million a year ago.

Adjusted EBITDA for the fourth quarter, which excludes special charges related to international office closures and severance for staff realignment, was $28.3 million, or 10.1% of revenue. This performance represents a 6.3% increase in adjusted EBITDA from the $26.6 million reported in last year's fourth quarter, a 45 basis-point improvement in margin.

Reported EBITDA was $27.5 million for the quarter, 12.4% higher than the $24.5 million reported in last year's fourth quarter. EBITDA margin was 9.8% for the fourth quarter of 2015, as compared to 8.9% in the fourth quarter of last year.

Depreciation and amortization expense was $4.2 million, up from $3.9 million in 2014's fourth quarter. Amortization of intangibles was $4.3 million in the fourth quarter of 2015, up from $4 million in 2014's fourth quarter. The increases for both are due to the acquisition of Olson.

The effective tax rate was 35.3% for the quarter as compared to 40.3% reported in the fourth quarter of 2014. The Q4 2015 effective tax rate was positively impacted by favorable return to provision adjustments, state tax credits and settlements of certain state income tax audits. The effective tax rate for the full year of 2015 was 38.1%, aligned with our guidance of no more than 38.5%.

Net income was $10.8 million, or $0.55 per diluted share for the fourth quarter of 2015, which included $0.03 of special charges related to severance for staff realignment in international office closures. Non-GAAP diluted EPS, which excludes amortization of intangibles and the special charges, was $0.73 for the fourth quarter of 2015, as compared to $0.63 in the prior year.

Now we will turn to the full-year 2015 results. For the full year of 2015, revenue was $1.1322 billion, up 7.8%. Adjusted EBITDA increased 12.3% to $110.7 million, or 9.8% of revenue. This compares with $98.6 million, or 9.4% of revenue for 2014. On a reported basis, EBITDA increased 16.6% to $108.6 million, or 9.6% of revenue, a 72 basis-point improvement over 2014 EBITDA of 8.9%.

Non-GAAP diluted EPS, which excludes amortization of intangibles and the special charges, was $2.64 per diluted share for 2015, as compared to $2.51 in the prior year. Reported diluted earnings per share was $2 for both 12-month periods.

On a year-to-date basis, cash provided by operating activities was $76.3 million, compared to cash provided in the same period of last year of $79.2 million. Cash provided by operating activities for the fourth quarter of 2015 was $33.4 million.

It was solid cash flow, but less than what we anticipated, due mainly to timing issues associated with the collection of receivables, as well as the timing of various vendor payments. As a result of these timing issues, we expect that operating cash flow will be considerably more in the first half of 2016 as compared to the first half of 2015.

Days sales outstanding for the fourth quarter of 2015 were 73 days as compared to 74 days in the fourth quarter of 2014. We anticipate our DSOs to remain in the 72- to 77-day range during 2016, including the impact of deferred revenues.

Capital expenditures in 2015 were $16 million. We utilized $20.6 million of cash during the fourth quarter of 2015, to pay down debt under our credit facility, which totalled $311.5 million at year end.

Additionally, we repurchased 232,420 shares in the fourth quarter of 2015 under our share repurchase plan and achieved our goal of offsetting the dilution caused by our employee incentive programs to maintain fully diluted weighted average shares of no more than 20 million for the year. For 2015, the fully diluted weighted average shares were slightly less than 19.7 million.

Now we will provide additional detail in certain of our expectations for the full year of 2016. As you have seen in our earnings release, we expect 2016 EBITDA margin to range from 10% to 10.3%, inclusive of anticipated investments to support growth of our commercial business. This is the average rate we anticipate for the full year of 2016 and should increase progressively during the year, reaching or surpassing the high end of the range by the end of the year.

For 2016, we are currently forecasting full-year depreciation and amortization expense to be in a range of $18 million to $19 million. We are forecasting the amortization of intangibles to be $12.3 million to $12.8 million, or a tax-affected impact of $0.39 per share. We are expecting full-year interest expense of $8.5 million to $9.5 million, capital expenditures are anticipated to be in the $19 million to $21 million range, and cash flow from operating activities is expected to range from $85 million to $95 million.

Lastly, we expect a full-year tax rate of no more than 38.5%, and we expect fully diluted weighted average shares of approximately 19.5 million for the year. With that, I'd like to turn the call back to Sudhakar.

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

Thank you, James. For 2016, we are expecting both GAAP and non-GAAP per share earnings growth that substantially outpaces revenue growth, reflecting improved utilization rates across the organization and the increasing contribution of higher-margin commercial business.

First quarter 2016 is expected to show significant year-on-year improvement, which will be affected by the implementation phases of certain large contracts and weather-related government closures in January. Taking this into consideration, full-year 2016 revenues from federal government clients are expected to increase at a low single-digit rate.

Our commercial revenue growth is expected to be in the high single digits, driven by both our energy efficiency and digital services businesses. EBITDA margin for the full year is expected to range from 10% to 10.3%, non-GAAP EPS from $2.79 to $2.94, and diluted EPS from $2.40 to $2.50. And our operating cash flow projection for 2016 is from $85 million to $95 million, or $4.60 per share at the midpoint.

In conclusion, we are pleased with ICF's positioning thanks to the portfolio diversification strategy we accelerated in early 2012. We have a comprehensive suite of services and solutions to provide to our growing commercial and government client base, and we are well situated to benefit from what appears to be a return to more normalized federal government spending environment. Operator, I would now like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Tobey Sommer, SunTrust.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thanks. I guess my question is about the variables that could move you to the higher or lower end of your 2016 guidance range. Versus consensus in recent quarters, the results have come in a little bit lower than expectations, but I understand in a budget environment, the conditions should be riper for better growth and profitability. So I just wanted to get a sense of those variables this year. Thank you.

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

I think the variables are obviously, Federal Government growth, commercial growth rates. I think that if the -- we've assumed we think reasonable rates in both sectors, our assumption for the government business is in the low single digits.

But we did see the government business grow quite rapidly in the fourth quarter, so I think that if that keeps up, then obviously there's enormous leverage with that. If our energy business grows more rapidly, we have a huge backlog in the pipeline.

We basically on the efficiency side, we're optimistic about the future. If that grows more rapidly, that is great. The digital business we think is well set, and we're coming out of our -- of the trough which we said we will hit in Q4. So far Q1 performance has been quite good.

So I think that we just are making -- we think our guidance is reasonable. Obviously, some of these things are better than what we thought, then that will make us go up to the upper end of the range.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Okay. How would we interpret some of the news around the EPA and the Clean Power Plan in litigation around that, as either slowing down or if there was some rulings in the EPA's favor speeding up the business opportunity for ICF? Thanks.

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

Yes. John dealt with -- John I'm sure will talk about the Clean Power Plan. But let me say obviously, there is no litigation that will be better for us than if there is litigation.

But at the same time, I think there is enormous transformation in the energy industry, in the utility industry. Over the last year or so, we have really been focussed on the utility of the future. We've had lots of work done on that specific issue, and we have reorganized this past year to focus in on that big opportunity.

Part of that big opportunity to lead the future is, obviously, the emissions rating and energy efficiency, et cetera. But there are a whole bunch of other things which we have been successful at which we think will more than make up for the slowdown in the Clean Power Plan implementation.

So, I think that all of the aspects of great modernization and energy resources and renewables, option renewables, is going to yield huge changes. And if you read the New York Times and the Journal yesterday, there was a whole article on how renewables and solar investment is going up dramatically, there will be huge transformation in 2016, and that is likely to be the highest increase in any energy source in terms of installation.

So I think there is enormous opportunity in that industry, and we certainly hope to take advantage of that, and we spent the last year positioning ourselves for it. So I think we are optimistic about all of those things, and some contracts we recently won on that aspect that John talked about. So I think that is the plus and the minus associated with the whole Clean Power Plan.

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

I think you picked up high points. The only thing I would add is that many of our utility clients are planning for a carbon constrained environment, and they're well into their planning and well into developing business plans to operate in that environment.

So we don't see that stopping or necessarily slowing down. So the existing work we had with our key utility clients around a carbon constraint environment and the Clean Power Plan has continued. I think it will have some impact on potential new advisory assignments.

The thing you have to realize is, most of the work we have been doing in the last year on the Clean Power Plan is up-front advisory work, which is important and good work for us to have, but it hasn't been that material to overall revenues of our energy business. And just to Sudhakar's point, we're seeing tremendous opportunities around grid modernization, renewables, energy efficiency that will more than make up for any loss in advisory work or slowdown in advisory work related to the Clean Power Plan.

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

I would tell you that certain utilities which are quite progressive I think have -- certain regional green house gas emissions trading programs which they have to adhere to, anyway. So the fact that the Clean Power Plan which is a federal program is not going to be as implemented as quickly, is not going to change certain other utilities program.

So I think that generally, the implementation of the Clean Power Plan, the work we would have gotten as John said, we got advisory work right now. The implementation work is delayed, but it wasn't that much of an impact this past year.

Tobey Sommer - *SunTrust Robinson Humphrey - Analyst*

Thank you.

Operator

Bill Loomis, Stifel.

Bill Loomis - *Stifel Nicolaus - Analyst*

Hi, thank you. Good afternoon. Just looking at the organic growth on the commercial, what was the overall organic growth rate for commercial in the fourth quarter?

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

Organic commercial growth rate was 2.2%.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay.

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

Let me make sure I gave you the right number. Domestic commercial revenues -- repeat the question again.

Bill Loomis - *Stifel Nicolaus - Analyst*

What was the overall commercial organic growth rate for the fourth quarter?

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

Commercial. Sorry. I'm just -- lots of numbers here, so we're trying to figure out what -- the organic domestic commercial growth -- overall grew by 2.2%, domestic organic reduced by 4.8%.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay. So it was 4.8% lower on the domestic organic?

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

Yes.

Bill Loomis - *Stifel Nicolaus - Analyst*

And so, just looking out to 2016 in the guidance, can you talk about on the commercial, you're looking at that going to a high single digit, because you've come year over year on Olson now; so how -- where does that confidence come from? Is it everything that -- is it mostly in hand now, or is the pipeline that materially stronger than, say, six months ago? Where is your confidence coming on such a change in growth over the next year?

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

Yes, I think that the -- let me just first give you the reasons why it went down 4.8%. The wind-down of the big -- the utility contract, remember, which we talked about at the beginning of the year, that had a tough comparable in the fourth quarter. So efficiency business accounted for $4.1 million of that reduction, so basically that was a significant impact.

The other thing that was a significant impact was the TRTP program we talked about that was reduced by $1.9 million. Both these contracts which accounted for in commercial came down by almost $6 million in the fourth quarter because of the comps of Q4, the prior year to Q4 this past year 2015. That was basically the reduction.

We think in the energy efficiency business, we have a substantial pipeline, we won a fair bit of work, there will be some announcements of the next month or so of the wins we've had in any efficiency. On the digital business, we have seen the performance in the first quarter come back quite significantly especially in the brand world. So given both those, I think the -- we have a fair bit of confidence there.

And I think the commercial pipeline at the -- in calendar year 2014 was about $500 million and calendar year 2015 was $730 million. That's a 46% increase, and I would also say that if you look at the amount of revenue which is in contract backlog at this time is 77% for the year, which includes everything. Commercial, government, state, local, everything.

So 77% is a very high number for us in terms of the backlog we have currently for all of our work going forward. So that is the basis of the confidence.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay, and just on the 2016 guidance, what are you assuming on international? If we come, I think it was a year ago, where we really had that impact on the dollar, how is that looking for in the guidance international?

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

We assume flat, Bill. No growth.

James Morgan - *ICF International, Inc. - CFO*

Bill, this is James. The impact of FX since the beginning of the year is negligible. It has been basically flat.

Bill Loomis - *Stifel Nicolaus - Analyst*

Okay. A year ago, you had some delays because of the -- elections over there, delayed programs. Why looking for flat, because I would have thought the comps would have been easier on international this year.

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

Yes, I think that the -- we are looking for flat because we have -- there's a certain contract called for DFID, Department of Foreign International Development, which is winding down. That contract basically, DFID is pulling out of one of the countries where we -- and they told us for the past two or three years pulling out of one of the countries.

So that basically reduces the revenues there, and the added aspect is we won a lot of work. But we have not been able to predict too well exactly when the stuff -- how the things move to the right, and how things will basically start -- how the projects will start. So I think in both those cases, we think the conservative good assumption is flat.

Bill Loomis - *Stifel Nicolaus - Analyst*

Thank you.

Operator

David Gold, Sidoti & Company.

David Gold - *Sidoti & Company - Analyst*

Hi, good afternoon. Couple of questions for you. First, looking at the Olson business at this point, obviously it's fully, as I understand it, integrated now with the core digital offerings that you had.

Question there A, is there anything left to do with regard to integration? And then B, just more broadly looking at commercial business being 35% pretty consistently, I know there have been some puts and takes and some shifting around there but what do you think it takes to get that moving more towards -- I think a year ago there was some talk of a goal being closer to 50%?

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

Yes, I think that I would just also again point out that the revenues which we have for even state and local work which we get through Olson and through some of the other work we do in the -- for the -- with certain other state and local agencies, the rates are commercial rates. So it is not like -- so when you say commercial is only 35%, I would say that, our federal business around 48%, and we have state and local is about 10%, I think, and commercial is about 38%.

So the non-federal portion of the business now is more than the US federal portion of the business. We certainly are hoping to continue to grow the commercial part of the business, but just from a profitability perspective, all state and local work is not exactly the same as federal US profitability work. So if you're looking at commercial as a proxy for profitability, then you should increase that 38% to a bigger number, in the low 40%s because that is how some of the state and local contracts are done on profitability.

David Gold - *Sidoti & Company - Analyst*

Got you. Got you. But I guess, part two, that we're maybe by way of follow-up, if we think about it, it sounds like we're catching the better profitability that you would have liked to see. But at the same time, we've been stagnant in the growth of the pie by way of the commercial business. Right?

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

Yes, I agree. I think that we are striving to continue to increase the commercial business. We think that we have -- there is no change in our intent.

I think that we are -- some of these puts and takes, as you put it, certainly make it a little harder. But we certainly thinking going forward now, we're better positioned. And as answer to Bill's question from a contract backlog perspective and from the stuff we have won both in our energy business and our digital business, we are a little more confident, now going forward, that we will get to those levels in 2016.

David Gold - *Sidoti & Company - Analyst*

Got you. Okay. And then just on the first question about is there anything left to do on the integration of Olson or are we essentially done at this point?

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

Oh, I think that, the integration has gone well, but we're always striving do more. It's a big company. We're always trying to get groups together in a more systematic way.

So we had a series of meetings with our utility business and Olson so they can take them into their clients; and now they're setting up a bunch of meetings with other potential clients. So I think without necessarily distracting them, we have to make sure we continue to get them to be familiar and the rest of our business familiar with their services so that we can set up a series of calls with our clients and make sure that we introduce them.

So flat is an ongoing process, David. I don't know that the integration from logistic perspective is certainly done, and I would again, guide you to go to www.ICFOlson.com. That will give you a sense of all of the offerings. From a perspective of getting the whole firm to know the business, I think that will continue for the next -- for a period of time.

David Gold - *Sidoti & Company - Analyst*

Got you. Got you. Okay. Just one last. When we look at the cash flow, I know there was a comment the variance for $14 million, $15 million versus where you thought it would be a quarter ago had to do with collecting receivables and vendor payments.

Curious if you're viewing that as something that's now a permanent timing difference given that -- I know you said first half of the year would be a little stronger year to year. But at the same time, the guidance, say call it $90 million, $85 million to $95 million basically implies you'd be at the same point, even though there should be an incremental $15 million in there?

James Morgan - *ICF International, Inc. - CFO*

It is probably two-fold. I don't think that is necessarily permanent. Certainly it was timing issues. The cash came in a few days after year end to be honest with you.

The other part is though, I want to make sure we're hitting the cash flow target, we have a cash flow range that we're confident that we're going to achieve. And I think that is part of what is playing into the range that we have.

David Gold - *Sidoti & Company - Analyst*

Got you. Perfect. Thank you.

Operator

Tim McHugh, William Blair & Company.

Tim McHugh - *William Blair & Company - Analyst*

Thanks. I missed -- sorry, the energy growth rate that you gave earlier, year over year.

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

Energy growth rate for 2016?

Tim McHugh - *William Blair & Company - Analyst*

For Q4.

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

Energy. I don't think we got into that detail, Tim. Did we give energy? I don't think we gave you energy. We gave you organic domestic commercial. Is that what you're looking for?

Tim McHugh - *William Blair & Company - Analyst*

No, I thought you gave it in the prepared remarks.

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

We gave sequential increase for domestic commercial of 6.7%.

Tim McHugh - *William Blair & Company - Analyst*

And then I thought you gave a year-over-year. I will double-check.

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

Year-over-year decline was negative low single digits range.

Tim McHugh - *William Blair & Company - Analyst*

Okay.

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

And again, I think as we talked about in the energy business, obviously energy efficiency is a big driver of our growth in our energy business. And we talked -- first quarter of last year about the unbundling of that large energy efficiency contract in the Midwest where because of that unbundling we won a portion of the work back. That essentially took our expected, high single-digit growth rate efficiency for 2015, from flat to slightly down.

The good news is that we haven't seen any other unbundling in 2015, and as I talked about, I think we've won seven new contracts as we ended the, began this year, that do give a pretty clear path for us to see growth in energy efficiency in the high single-digit range for next year. I don't think we will see a repeat on the energy side of the performance we had in 2015 given it was driven by specific contract that was unbundled and that has not occurred again.

Tim McHugh - *William Blair & Company - Analyst*

And what about the remainder, I guess, after you look at digital and energy? It seemed like that was fairly weak and there is a comment about aviation. Is there -- is that going to be a drag as we go into next year, or this year?

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

No, I think aviation -- I mean, aviation was challenged in 2015 particularly in the Air Force piece of the business. I think as we talked about, we did see the second half of the year for our commercial business including aviation improved relative to the first half.

I think we do have momentum and brought in new talent on the Air Force front. Again, we think that business will return to growth in the high single digit range for aviation.

Tim McHugh - *William Blair & Company - Analyst*

Okay. Let me just ask -- I mean, I know the second half of the year was much better profitability wise than the first half, but it came in a little below the EPS guidance, I think or at least the lower end. I think, it was of the EPS guidance for 2015.

So what -- I guess what changed there, and also versus, even I think the last press release you'd talked about 10% to 10.5% margins in 2016. So why the lower end of that range now versus what you thought a couple of months ago?

James Morgan - *ICF International, Inc. - CFO*

This is James. I'm going to answer with regard to 2015 Q4. That being on the lower end, part of that's due to the fact from a revenue perspective, we were a little bit lighter on the revenue, right?

So the pull-through of profitability associated with that impacted us to some degree, Tim. That's really what drove the difference between the mid-range of what we gave before and where we actually ended up.

Tim McHugh - *William Blair & Company - Analyst*

I guess, what was light in revenue then? What part of the business was light compared to what you had thought?

James Morgan - *ICF International, Inc. - CFO*

The biggest part was associated with some of the international work with the EU commission continued to push to the right.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And on the 2016 margin, is there any -- I mean, what pushes you towards, I guess, versus that lower end of the range versus what you said before?

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

Yes, I think that, we said 10.5% and now we're saying 10.3%. And basically we have to continue to make investments in our commercial sales organization. We think that there are some [additional] people we need, the chief marketing officer et cetera, for the overall business.

So given those investments, we think those are good investments to make. And we're taking a little bit of that profitability and investing it in this sales organization because as a number of you noted, we do need to make sure that our commercial business starts growing at a rate which is significantly higher. And we think that, that is really essential for us to do in order for us to continue to grow in that part of the business.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And last, just state and local as we look into next year, Hurricane Sandy I guess -- I think there is some work there that is going to roll off. What are you assuming for 2016 in that market?

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

I think we're assuming essentially flat. So, we are winning some new contracts, some of the lottery work is state and local, transportation work. But as you say, Sandy is rolling off, too, so I think at the end of the day, we think that market will be flat.

Tim McHugh - *William Blair & Company - Analyst*

Okay. Thanks.

Operator

(Operator Instructions)

Edward Caso, Wells Fargo.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Hi, good evening. Given all the news around Flint, Michigan and their water issues, is there an opportunity here for ICF around this whole aging infrastructure of some of our major cities? Any thoughts there?

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

Well, I would say that on the water issue I think that, that's not a deep strength of ours drinking water infrastructure issues. So, pipes and water quality issues around drinking water is not a great strength for us in the water arena.

I would say certainly with aging infrastructure, a lot of our environmental planning and up front environmental work is on around infrastructure bridges, roads, rail, energy infrastructure. And so certainly in other -- in other sectors, energy, transportation, there is opportunity that's driving our environmental work in the infrastructure area. But around water and water quality and water delivery, specifically around pipes for drinking water, that's not a great strength for ICF.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

My other question is around the election. There is generally a pause in decision-making both before and after an election as the people in the seats shift here.

But I'm picking up in the last few days and talking to both your peers and talking to clients, that there is an increased worry here given some of the more unique candidates that may be in the White House in less than a year. What are you seeing? Are you seeing your clients being increasingly nervous or not yet?

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

Ed, we haven't heard anything explicitly about that at the moment.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you.

Operator

Steven Steinke, Barrington Research.

Kevin Steinke - *Barrington Research - Analyst*

Good afternoon, Kevin Steinke, Barrington Research. So you talked about flat growth internationally in 2016. What sort of -- is that organic? And then are you baking in a currency impact into either international or the total revenue growth guidance?

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

I think that we are basically -- the European commission we noticed is a bit discombobulated at the moment because of all of the immigration issues we're still dealing with. So some of the contracts which we had there, which we thought would start at certain times, and which we think will start, have been moving to the right because the bureaucracy is focussed on this major issue. So I think, for us we will continue to do work there.

We think it is a reasonable assumption to make and a good assumption to make that, that issue will continue for the year, and therefore we have assumed that things will start, but start slowly and therefore using a flat number is a good one. We haven't baked in any currency fluctuations as we said in our press release, I think that we will assume that the currency issues is hard to predict exactly what's going to happen there.

Kevin Steinke - *Barrington Research - Analyst*

Okay. So I mean, at the outset of the year, you're not saying, well, exchange rates are down versus last year. So we will just carry that forward, and that has X percent impact on the total growth rate. It's just --

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James Morgan - *ICF International, Inc. - CFO*

Kevin, if you look at, the effect of the exchange rates since the beginning of the year, if I go from January 1 through March 1, I mean, the impact is somewhat immaterial. So we're not trying to do a prediction as to what we think the exchange rates will do between now and the rest of the year.

Kevin Steinke - *Barrington Research - Analyst*

All right. Fair enough. So the -- the gross margin in the fourth quarter was down a little bit, you have been driving some expansion there as you had the mix shift towards commercial.

Just, how should we think about gross margins trending in 2016 and where does the EBITDA margin expansion come from in 2016? Is it gross margin? You get some indirect and selling expense leverage? What's the mix there?

James Morgan - *ICF International, Inc. - CFO*

Yes, I think for our overall gross margins, we ended the year, if you look at the last few quarters of 2015, it was in the low 38% or so, and for the full year it was 38.7%. And for this coming year, we're thinking it's somewhere in the 38% to 38.5% range for the full year.

And where there will be expansion, a lot of that is going to be driven on the indirect side trying to ensure that we are continuing to manage costs and maintain our utilization rates. So that's what's really what's driving the profitability, the EBITDA up.

Kevin Steinke - *Barrington Research - Analyst*

Okay. Okay. That's helpful. And did you call out the specific implementation costs and weather impact that you would expect to impact the first quarter, or could you quantify that at all?

James Morgan - *ICF International, Inc. - CFO*

It's tough to give -- we didn't say anything about it, but it's tough to give an exact number. If you look at, as we've gone through and done a maximum calculation, the impact on revenue at a maximum level would be $2 million to $3 million in profits, probably around $1 million or so. But certainly we're working to try to make that up here in the first half of the year.

So it's just a matter of how much we can make it up by working above and beyond here for the rest of Q1 and Q2. But that would be the maximum extent that we would anticipate.

Kevin Steinke - *Barrington Research - Analyst*

All right. And now you talked about earlier in 2015 some specific challenges in the branding portion of the Olson business, but that things seemed to be picking up towards the end of the year. Can you give us an update of what's going on in the branding piece of ICF Olson and how it looks going into 2016?

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

Yes, I think that we have all the talent in place in terms of running that business, we have seen some new wins in that business, which have certainly improved the run rate in the first quarter as compared to the -- as compared to Q4. So I think that we are from a just -- from a positioning perspective and from a win perspective, we're in much better shape in Q1 than we were in Q4.

So I think that generally, having the right people in the right jobs and making sure we are making enough pitches is going well, and we are winning work and as evidenced by the run rate. So I think that's basically the situation brand. I think we are looking for it to progressively become better over the rest of the year, and at least from the numbers we see in the first quarter, it appears it is going to be better.

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Kevin Steinke - *Barrington Research - Analyst*

Okay. Thanks for taking my questions. That's all I had.

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

Sure.

Operator

We have no further questions at this time. I will now turn the call back over to management for closing comments.

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

Well, thanks very much for joining us for the call. We look forward to seeing you at the next call. Thank you. Bye-bye.

Operator

And thank you, ladies and gentlemen, this concludes today's conference. We thank you for participating and you may now disconnect.