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Operator: Good afternoon and welcome to the SunTrust Robinson Humphrey call featuring ICF. My name is Brandon and I'll be your operator for today. At this time all participants are in a listen-only mode and I will now turn the call over to Tobey Sommer from SunTrust. Tobey, you may begin.

<<Tobey Sommer, Analyst, SunTrust Robinson Humphrey>>

Thank you. Just a short preamble here with the disclosure, this call has been arranged by SunTrust Robinson Humphrey Research Department. We have with us today John Wasson. Mr. Wasson is the CEO of ICF. John Wasson is not a member of the SunTrust Humphrey Research Department unless otherwise indicated his views are his own and may differ from the views of SunTrust Robinson Humphrey Research Department and from the views of others within SunTrust Robinson Humphrey. Please see our website at www.suntrustrh.com for our equity research library required disclosures.

So my name is Tobey Sommer and I'm the business and government services analyst at SunTrust. I'd just like to introduce John maybe for some prepared remarks and then we'll go into Q&A. John?

<<John Wasson, President and Chief Executive Officer>>

Okay, great. Thanks Tobey for hosting today's call and good afternoon everyone. Joining me on the call today is Sudhakar Kesavan, ICF's Executive Chairman, and other ICF colleagues are also listening in. We are pleased to participate in this call today to update investors on how ICF is faring during this very difficult time for our country and the world.

The coronavirus pandemic is obviously a highly fluid and rapidly changing situation and it's too early to say with any certainty what the specific impacts on ICF may be. We hope to have a clear view at the time of our first quarter earnings release in early May. In the meantime, however, I can say as a professional services firm, we are experienced with having our staff work from home and we are working closely with our government and commercial clients to effectively serve them remotely. Also, over 75% of our revenues are performed under large long-term implementation contracts in the government utility and commercial marketing loyalties sectors.

Our services provide resources that our clients require that they do not have available internally. With respect to work with our government agency clients which account for about 65% of our total revenues, we are pleased that we have effectively transitioned to serving our federal, state, local and international clients through teleworking.

Our energy clients, which account for roughly half of our commercial revenues, have shown similar flexibility in keeping our staff engaged and working on programs. Commercial marketing services makes up most of the other half of our commercial revenues. Here we have a good backlog in our loyalty business, which is a key component of commercial marketing services. Other parts of commercial marketing will likely be impacted as some discretionary spend is curtailed or put on hold but represents less than 15% of our total revenue, and we are managing it carefully.

In fact, we think that any short-term impact on our business from COVID-19 can actually be more than offset in the medium to long term by opportunities that draw on ICF’s deep domain expertise in public health, disaster recovery and resiliency.

As we noted in our recent earnings call, we are supporting the Centers for Disease Control and Prevention on two small projects to provide public health messaging related to COVID-19.

More recently, we have expanded our modest syndromic surveillance activities under CDC's BioSense program to include tracking the spread of COVID-19 that allows CDC to better coordinate responses to it, and are also continuing to support the Department of Health and Human Services with its preparedness and response activities to COVID-19 through a project for its Technical Resources, Assistance Center, and Information Exchange.

With the recent passage of the $8 billion public health emergency legislation, we believe there may be further opportunities to support CDC and other parts of HHS on these types of activities going forward. Additionally, last week's emergency declaration under the Stafford Act and the National Emergency Act made up to $50 billion in coronavirus-related funding to support state, local and territorial governments, which includes FEMA support under its Public Assistance Program. ICF is experienced in providing support to state, local and territorial governments on identifying and applying for projects that would be eligible for FEMA reimbursement.

Lastly, Congress and the White House are also currently discussing a $2 trillion plus economic stimulus package for the U.S. economy in response to the coronavirus pandemic. It is likely that this legislation once passed will include policy initiatives and programs that ICF may be able to assist on related to responding to this health and economic crisis.

In closing, we will manage the business carefully through this difficult environment. The good news is from a business perspective is that ICF has a very strong culture, great people, loyal clients, and an experienced management team. And we have been through volatile periods before, including government shutdowns and the financial crisis.

And from a financial perspective, we drive substantial free cash flow, and have a strong balance sheet, with access to low-cost financing. These factors combine to give us confidence in ICF’s ability to meet today's challenge and emerge an even stronger organization. We’d now be pleased to take questions. So I'll turn it back over to you, Tobey.

Q&A

<Q – Tobey Sommer>: Thank you. I'm going to give my email address if anybody would like to email a question, I'm also getting some through the call system as well. My email is tobey.sommer@suntrust.com. So John, if I could start off topically as the country has moved towards social distancing, could you talk about what that's meant for the company operationally from this stage in terms of remote work and some strategies you've implemented to facilitate that telework, et cetera.

<A – John Wasson>: Right. So as I noted in my remarks, we have implemented a strategy to require employees to work from home in response to this crisis. As a professional service firm,

we’re obviously quite experienced with staff working from home and are on the road. And so we certainly have a history and we're confident we can effectively service clients while our consultants are working from home. We certainly have the necessary tools and technologies in place to support that. And I've actually planned for this eventuality under our business continuity planning. And so I have to say we're quite pleased with how effectively and seamlessly we've made this transition and also equally pleased that our government and commercial clients have been very supportive and flexible as we've made this transition to teleworking.

As I noted in my introductory remarks, the vast majority of our work continues apace and we're really highly engaged with our clients and we're carefully managing and monitoring impacts as they occur due to this crisis.

<Q – Tobey Sommer>: You have talked about, in broad buckets the areas that are operating relatively smoothly such as federal, how have the areas that may be impacted negatively by COVID-19, how have they performed in past economic disruptions and kind of how does that impact the demand on those aspects of the business?

<A – John Wasson>: Sure. So I think, maybe start at a high level. I've been asked this question a lot over the last year or two around kind of what are the potential impacts of a recession on ICF? Obviously we're dealing with a pandemic here. I would say that generally, when I think about the impacts of the coronavirus or an impacts of a recession, I think 85% of our business as I outlined in my opening remarks is pretty resilient. It's showing to be resilient, in response to the coronavirus. And we certainly viewed it as resilient in response to a recession that being the 65% that's in commercial – in federal government markets and government markets more broadly, we're continuing to work apace with our clients.

35% of our business is in commercial, about half of that is in energy, again, in the commercial energy arena. Our clients are highly engaged with us and being very flexible and the work continues largely apace. And so really that leads the commercial marketing arena and I think as we've talked about there, there are elements of our commercial marketing, the work that will be susceptible to some impacts given the end use markets they serve. And we've, as I said in my opening remarks, we think that’s about 15% of our overall revenues are more susceptible to impacts from the COVID virus.

As we look forward, of that 15%, I think some of it is in end use sectors that, will be resistant such as healthcare, but I would say about half or less will see some impacts from the COVID pandemic, given the end use clients, we're talking about retail, hospitality and customers of that nature.

<Q – Tobey Sommer>: And how did that aspect of the business perform in the 2008, 2009 recession, I guess to the extent you were even involved in it back then?

<A – John Wasson>: Yes, I mean, I think we weren't, we've acquired these businesses in the last five or six years. So obviously were not part of the firm, obviously during the 2007, 2008 financial crisis, I would say for that portion of the business, we do have longstanding standing client relationships there and we do have backlog. We continue to work.

We've seen a few clients who have indicated that they, want to either delay the work or stretch out the work over time. And so, I think there will be some impacts there. But again, I think it's in totality that piece of the business is about 15% of our revenues and of that 15%, half or less are in end use sectors that I think are more susceptible to the impacts here. I don’t know, Sudhakar if you want to add anything on that.

<A – Sudhakar Kesavan>: Yes, I think that, so far it's been a good picture. I think as John said that we are quite pleased with the whole transition overall. And I think, I think our folks are all pretty engaged. We have been keeping track quite carefully as you know, our timesheet system works quite well and we can track utilization quite carefully. So it's all turning exactly the way we think it should. But the impacts, which John talks about and I think that we are certainly pleased with it that aspect of the business, which we expect they'll have a little bit, is a very small percentage of the overall situation? So, I think that generally I agree with John, we are very pleased with the way things have transitioned.

<Q – Tobey Sommer>: And wanted to delve into the additional funding that had occurred a couple of weeks ago, the $8 billion, you're referencing in your press release are there any specific initiatives or smaller pools of money within that $8 billion that we should focus in on as areas where ICFI could join its customer in helping address the issue?

<A – John Wasson>: Well, certainly CDC is a significant client for us. And actually HHS more broadly is our largest client for the firm. I think in that $8 billion there was north of $2 billion for CDC. There was additional funding for a broader parts of ICF. And as I outlined in my introductory remarks, I mean, I think there's several smaller strategic projects we’re underway on with CDC and HHS now related to the COVID issue. We're doing, we have a couple of small task orders to support public health messaging activities. I mentioned the CDC Biosense program that we're all supporting, have been supporting for CDC, which is obviously focused on COVID-19 right now. And then more broadly, HHS is technical assistance and resource center, that’s focused on preparedness and response and also has a focus on COVID-19 right now.

I think those kinds of activities are certainly areas that could receive some of the additional funding that the flows down and through to CDC. And we have the relationships there, the client relationships, we have the contract vehicles. And so as that money begins to flow, I think there will be no upside for us there, on those types of activities. As you know, Tobey on the public health front and kind of public health messaging front, we have a long history of doing quite significant work on many of the leading public health issues the day from opioid abuse, to vaping, to smoking, to obesity, to HIV AIDS.

And certainly I think COVID-19 has the potential to be a similar type of opportunity. And so I do think there's material funding that will flow through the $8 billion, emergency public health legislation and certainly will be focused on CDC and other parts of HHS that we're currently supporting.

<Q – Tobey Sommer>: And, is this likely to be a catalyst for, specific near term business as well as medium and long-term projects, potentially how do we think about the sequencing or the duration of some of these?

<A – John Wasson>: I think it could be both. I mean, I think, obviously current working, if the money – as the money flows, I think we could see our work pickup in the short run. Although I do think, generally the opportunities for us around COVID-19 will tend to be more medium to long-term. So, I would say kind of in the second half of this year and beyond, when we think

about ICF being involved in disaster recovery or pandemics in the past, I think we've talked about that. We're not as much, the first responder immediately goes on in and deals with the immediate response, but we're more involved in the recovery efforts, six plus months thereafter and also involved in efforts to learn the lessons and improve resiliency from future pandemics or natural disasters. And so, I think the opportunities for us will lean more towards the second half of the year and into next year. But having said that, I think in the short run, I think there is some opportunities at CDC and NIH to support the immediate response around messaging and some of these other activities I have just spoken about.

<Q – Tobey Sommer>: Thank you. And while are there aspects, if you could speak a little bit more to the opportunity to potentially assist FEMA in, in what is a fluid situation? Maybe you could describe what you – as you see it right now, what FEMA is going to be asked to do and where ICF would most likely have opportunities to help?

<A – John Wasson>: Well, sure. So under the Stafford Act of National Emergency, that $50 billion includes and covers FEMA support to state and local communities under its Public Assistance Program. And, ICF does have experience in working with state and local governments under that program.

In fact, as I know, you know, our largest disaster recovery contract currently underway in Puerto Rico to help restore and repair public infrastructure there from the 2017 storm is under the FEMA Public Assistance Program. And so I said, we do have existing IDIQ prime contracts in several key states that may seek to get funding under the Public Assistance Program, including the Carolinas, Florida, Louisiana that we could, be called on to support a FEMA support in response to the COVID-19 crisis.

And so some flavor there, I mean there's, a broad scope there and it could go a lot of different directions. But for example, I mean examples of things that FEMA could potentially support would include state and local communities building, essentially the tent hospitals to provide an additional capacity to manage COVID-19 patients. It could include treating command centers, temporary command centers to respond to this crisis. I mean, right now without those temporary command centers state or local communities will often create them in local police departments or local fire departments. And the issue is you have people coming into these command centers, if any of them have COVID-19. The last thing you want to do, if you are having it in your police department, your fire department is to – have to shut down the police station or the fire department, because you'd have to – everybody has to go into quarantine.

And so, FEMA certainly could support temporary command centers. I mean those are some of the examples of the types of projects that could get funded. And what we have expertise in doing is identifying those projects coming up with budgets and estimates and the financial resources required, helping stay in local communities, go through that application process and then tracking the flow of money as they're built and operate. And so that gives you some flavor for the types of things that could potentially be done here.

<Q – Tobey Sommer>: Thank you. That's helpful. I did get an emailed question, so I'll let that flow through. In terms of Puerto Rico any COVID-19 related impacts being seen there in general, is it similar to the U.S. and what are your, the pace of your projects been in that geography?

<A – John Wasson>: Sure. so, I would say in Puerto Rico the governor there has instituted a work from home requirement in Puerto Rico. And so our current workforce for FEMA and for the housing department, that's disaster recovery related continues apace. We're working from home, we have the support of our clients in Puerto Rico and do that. They've been very flexible and so, we business is as usual in Puerto Rico while our staff worked from home. I think it's pretty premature for me to comment on, additional opportunities on COVID-19 in Puerto Rico. I think we've focused on specific geographies where we have contract vehicles that kind of would allows you to do this quickly. But overall our work in Puerto Rico continues apace and it's going well.

<Q – Tobey Sommer>: Thank you. That's helpful. And just switching geographies, kind of taking some other ones a little farther afield, could you speak to how the small European business is performing?

<A – John Wasson>: I mean, I think European business, which is primarily a government business, our largest client there is the European commission. And then the UK government, I think like the U.S. government, we've instituted work from home requirements there in both Belgium and the UK. We're working apace, our clients have been flexible, they've been supportive. And so I think generally it's been a very positive effort in terms of making teleworking work for us.

I think as we said in our release this morning, we have seen some delays in some of the event work we do. So, in the European commission we do hold events for the European commission clients, either public events or symposium or policy events or various other meetings. Those events are being postponed, obviously given this crisis, but the clients are being flexible in terms of helping us to find ways to keep our staff engaged.

And so, I think Europe is the situation is similar to the United States where we're working from home and continuing to support the clients.

<Q – Tobey Sommer>: How do we think about in the federal, and maybe district government arena broadly for the company, the duration of time that you'll be able to work remotely? We do have past government shutdowns at the federal level to look at and sort of how long can you, are those good analogies or are there differences in the current environment that you might want to point out that would help us in trying to develop our own sense for how the firm will continue to function over months if we have to keep the social distancing in place?

<A – John Wasson>: I would say generally, the ICF staff shifting to the teleworking in our frontal markets has gone quite well. I do think, the federal bias have largely gone to teleworking. I think we remain highly engaged with them. And so as you point out, we have been through, up to a month long government shutdowns. I think, my personal opinion, there's no reason we can't continue to work effectively with our federal clients over a lengthier period. We're quite skilled at teleworking and I think they're being flexible. I have to say that, the federal clients are being quite flexible and supportive. We like many government contractors have staff on site who work on side of federal clients, about 10% to 15% of our staff do that. And those clients have allowed our staff to transition to telework, which is, and it's not been a precedent at times under a government shutdown.

And obviously, we have not, we've not seen clients shutdown our work and give a stop work orders, which are certainly different than some of what we've experienced on the government shutdown. And so, I think this, so far with the corona pandemic. I think we're we remain, highly engaged with the federal clients. They've shown more flexibility, they're engaged with us. And so I think this can continue on for some period.

<A – Sudhakar Kesavan>: And yes, I would just add Tobey that I would just add that I think this is a better situation in a funny sort of way than the shutdown thing, as John said. I mean in a shutdown situation, we get all kinds of instructions from our client to stop work, this that et cetera, I think this time the clients have been far more understanding and far more flexible in letting us continue to work from home and I think that we are hiring people, we are onboarding them, we are doing all those things. So while doing all this for federal clients, and I think that it's all sort of looking quite well.

So it's a very different situation than a shutdown. And I think that we could continue like this. I don't know for quite a duration of time. I don't see any reason why we shouldn't be able to do it for many months.

<Q – Tobey Sommer>: Thank you for that contribution. Sudhakar that's helpful. As a follow-up, I wanted to ask, since you did mention sort of being able to onboard people and recruit people in this environment, if you're asked by a client, perhaps BMR or somebody else to ramp something up here or do you have the systems and protocols in place to be able to launch in support a larger piece of new business?

<A – John Wasson>: Yes, absolutely. I mean, I think we're, as you know, given our disaster recovery experience and frankly our broader implementation work. I mean, I think we're quite experienced in, standing up and implementing, complex projects and programs quickly and efficiently. And I think we can certainly do that with the teleworking focus, it will bring some new challenges, but I think that we – I'm confident we can do that and can make that work.

<Q – Tobey Sommer>: Okay. And then could you speak to what this kind of event does to backlog and contract awards and to the extent you want to reference how things unfolded in prior recessions that may be helpful?

<A – John Wasson>: Yes, I mean, I would say generally, well first time we say that, we remain busy across our portfolio of work, certainly in government, energy, marketing services. We continue to see a proposal and new sales opportunities, we've continued to receive awards. And so we're continued to be busy on the proposal and business development front. I think the good news for us as you know, I mean we do have significant backlog across the company given the markets we serve, as we started here 70% plus of our revenues are in backlog, which is quite robust and I think kind of gives us some insulation from two to three months potential issues around this coronavirus epidemic.

And so I think given this strong backlog, frankly the business development continues apace at least for the time being. And so I think we feel like we're in a good position given the size of our backlog and we remain busy on the business development front.

<Q – Tobey Sommer>: And with respect to the opportunities you've been tracking for some time, have any of the opportunities that you would kind of expect to hit an RFP stage or an award about now, have you noticed any shifts to the right or has the timeline for over the last month largely lived up to expectations?

<A – John Wasson>: Yes, I would certainly say, across the business it's continued to live up to expectations and we're quite busy. So, on the federal front we continue to see RFPs released. We're very busy on the proposal front in the federal space. On the energy front, again, we continue to see opportunities released in our energy efficiency business. We're quite busy in California on the RFP front. And so we really haven't seen any material slowdown in the release of RFPs in the federal or energy efficiency markets.

We continue to receive awards in those markets, even in commercial marketing services I think remains robust. As I said in my introductory remarks, so there's obviously a small portion of that business where I think clients have begun to have discussions about stretching out existing projects or delaying potential RFPs, but across a significant majority of the business it is business as usual and we remain quite busy.

<Q – Tobey Sommer>: And would that hold true also for the mitigation opportunities that you've been tracking? I guess, we at our firm have an expectation or had an expectation for those to unfold throughout 2020. Should we revise our timeline and our thinking on that?

<A – John Wasson>: No, I don't think you should revise your timeline at all on that. I think as we've talked about, Texas received $4 billion of CDBG, Community Development Block Grant mitigation funding. That's being – the client there is the Texas General Land Office that's an existing client for ICF. We're working with them on some of the Texas housing recovery efforts. We've begun to see RFPs issued from the Texas GLO and have begun responding to them? And so, Texas – that $4 billion RFPs are now forthcoming. I think we've generally guided the investors to the second half of the year. We'll start seeing awards and I think we remain confident that that timeline will hold true.

Puerto Rico has $8 billion of funding for the Community Development Block Grant mitigation funding. There we're still waiting on approval from HUD for them to begin with those programs. And I think that the view to spend that will come in a second half of the year. I don't think we have any reason to think that – we have no information to believe that has changed.

<Q – Tobey Sommer>: I got another question emailed to me. How do you think about cost management and in rightsizing businesses where demand is weaker and by all means, reference your prior approaches. And to the extent, you can just remind us a fixed versus variable cost the kind of basic business structure that you've got. That would be I think helpful.

<A – John Wasson>: I mean, obviously it's a professional services consulting firm. I mean our greatest assets are our people and that's obviously the salary and fringe benefits are the most significant portion of the cost. I think we're very careful on how we manage the business. I think as in a recession or a challenging period, I mean, obviously we're much more careful about our recruiting and who we're recruiting. If specific portions of the business are impacted, like for example government marketing services, we're always looking for ways to redeploy those assets or capabilities if we're, if needed across the broader firm portfolio. We do as you know, have a robust government marketing services business and international marketing services business. And so given that broad portfolio we'll look for ways to leverage the talent across all of ICF. And then in any ambitious environment, we're pruning and planting and so we'll manage that workforce carefully. But at the end of the day it's about it's about managing that workforce and using it as efficiently as you can across the firm.

I think we're pretty skilled in managing through challenging periods, whether it's recessions or government shutdowns, we've done that many times and I'm going to have a good playbook to do that effectively.

<Q – Tobey Sommer>: Right. And from a – I wanted to ask another question on the stimulus package. Are there any – is there any portion, a sizeable portion in the stimulus package that is being considered that would sort of be analogous to the stimulus package in the prior recession? And if so, could you remind us how ICF may be able to win some work from that and if I recall correctly in the years subsequent to the prior stimulus package, albeit, with a different intent, the federal business grew at a healthy clip for a prolonged period of time?

<A – John Wasson>: Right. No, that's exactly right. I think in 2008 when the Obama administration put in the stimulus package in response to the financial crisis the TARP Program, I think it was a $900 billion program. We – our federal government business grew I think north of 10% organically for the following two years. And that was really supporting, a broadly defined infrastructure projects for the federal government in areas like public health and education and transportation and telecommunications. And so you're right to point out that precedent. I think in the current stimulus package, they're talking about obviously a lot more money, two to potentially three times more, north of $2 trillion, $2 trillion to $3 trillion. And, I think it's, I mean, we haven't done a detailed review and validation. It's obviously still being discussed, but I mean, based on some of what I've heard, I think there's certainly will be a funding potentially committed to areas around public health potentially around infrastructure and resiliency type activities related to infrastructure.

And so those are areas where if there was material stimulus funding committed, I think, it could provide a significant growth opportunities as we look out the next year or two. There's certainly, there's a precedent for that historically.

<Q – Tobey Sommer>: And if we could touch on the balance sheet and liquidity, you did the close-in acquisition recently, where are we and what sort of liquidity does the firm have available to it? Should it need additional resources?

<A – John Wasson>: Yes, sure. So, we obviously ended the year with strong free cash flow and we have not seen any disruption in our cash flow. With the recent acquisition of ITG we expect our net leverage ratio will be about 3.25 at the end of Q1, which is about a 100 bps less than our covenant. And we did recently negotiate a larger credit facility. It's $200 million larger and so, we certainly believe we have adequate liquidity to support our working capital needs looking forward.

<Q – Tobey Sommer>: In a prior government shutdowns, have DSO have that increased. And to what extent are – in your experience are your federal customers and commercial for that matter able to process payments to you in a timely fashion. And I understand your experience with the telework may be limited, but any kind of examples you could give would help our understanding.

<A – John Wasson>: Yes, I think the prior government shutdowns didn't have a material impact on our DSO. I mean, they were the most significant 28 day shutdown was a partial government shutdown. It didn't impact the entire business. And so I don't care to say historical precedence has had significantly impacting our DSO. I mean, I would note, historically, obviously the federal government has been a very steady and consistent payer and I think our expectation is

that will continue. I did note, I believe I saw a note yesterday or the day before, I can't recall it was in the professional services council where, senior DoD officials were encouraging DoD contractors to pay their – their government services provider more quickly in this crisis than typical to as to show support to them.

So that would be great if it, if it actually turned out to be true across both government and civilian agencies here. Our energy clients, again are consistent payers, they pay their bills on time. The funding for the vast majority of our energy work is funded by public goods charge, which is small tax on electricity delivery that funds our significant energy efficiency implementation programs. I think given that funding source and the history of the utilities, we're pretty confident we'll see continued, expected payments from our energy clients, and so that covers north of 80%, perhaps 85% of the business.

Then on the marketing services front of me again, I think we have a long track record with those companies. Those clients also pay their bills a few of them may stretch them out. But I think when you kind of look into mix of our business, the fact that the federal government seems in fact committed to, if anything, potentially paying, certainly meeting the requirements or improving their payment cycles. I think we feel confident we'll be okay on the DSO front.

<Q – Tobey Sommer>: Okay. And then I did get another question emailed to me on the working from home. You're going to need to spend more on CapEx to ensure that this can be done smoothly if it extends for a longer period of time. Anything about the duration that would influence your investment needs.

<A – John Wasson>: My expectation right now is I don't think we'll see a material increase in our CapEx. I mean, I think, our, I mean, as I start out by saying, I mean we've had business continuity and plans in place to specifically assume that something like this could occur. So we've, we have historically made investments to make sure we have, robust infrastructure to, to handle something like this. All of our people have laptops, we have the networks. I think we have the technology for folks. And so I wouldn't expect any material increase in CapEx, given I think – given the current situation.

<Q – Tobey Sommer>: If we, pull back our aperture here and think about the longer term. And I'm just kind of brainstorming, so I'm curious about your thoughts. What might be some longer term implications? For example, if you're discovering that greater telework is not hampering efficiency and utilization of your people, are you going to be able to lower real estate costs or do something else over time and have you heard from any customers at this early stage about any sort of lessons or learnings that are sort of aha moments from their perspective?

<A – John Wasson>: I would say that there's certainly been a trend towards telework before this, this crisis. And so I would expect that this will accelerate that and we'll continue to see a higher proportion of consultants and professional services firm moving to telework. And that's certainly been a trend for us. I think your point is right that over time that will result in lower facility costs, more shared workspace where people on the road are working from home, they don't need a dedicated office and it can be a different configuration there.

Frankly, it's also something we're thinking through and planning to implement associated with our new headquarters building in 2022. We're going to a facility that will certainly include more shared workspace, open workspace and assume greater teleworking, which is going to materially lower our facility costs by seven figures a year, as we move into that new facility.

In terms of, I mean, I would say it's a good, it's a good sign here on the federal government side. I think the federal government has shown much more flexibility in terms of allowing their workforce to telework here in this incident. They've also shown more flexibility about onsite workers teleworking, which I think, could result in longer term changes, on that front. I think those are probably the two things I point out. I mean, certainly ICF is not alone in terms of, professional services and government contractors shifting to telework and looking at their facilities and how to optimize those going forward.

<Q – Tobey Sommer>: And we have been getting questions from investors about intelligence work that historically has a physical location, has been important, kind of working in a skiff. And I know that's, this isn't a majority of the company's business by any means, but to the extent you could comment on what those physical requirements had been to perform work and the extent to which customers have been creative to try to overcome those physical barriers. I'd be very curious.

<A – John Wasson>: Yes. I think Tobey, a very small percentage of our work is intelligence oriented. And so I really I don't think I could comment on kind of what, what the industry trend there is or how that – the defense and intelligence industry is responding kind of – for their most classified staff in response to this. And to this crisis, I don't think I, I don't have insight into that. I didn't know Sudhakar if you'd want to add anything on that or have any views.

<A – Sudhakar Kesavan>: Yes, I think they'll all be considered essential. So if their essential stuff then they are not teleworking. I'm sure they, then the client wants them to be there, they are essentially a part of the essential services. So I would say, but as John says, our experience on that front is quite limited and we don't, I don't think we are in a position to comment.

<Q – Tobey Sommer>: Okay. Maybe turning the page and thinking about a new business, could you give us some comments about what your early experience has been with the ITG acquisition and having that in your portfolio. And any examples you have of leveraging your customer relationships and making the combination equal more than one plus one?

<A – John Wasson>: Sure. So, I mean, I think as we've talked about them, I think we remain quite excited about the ITG acquisition. We closed that at the end of January. I think as we've talked about, I mean, I think the IT modernization market in the federal is a very large market, $21 billion of spend. It's a market with significant density of large contract opportunities, north of $25 million contracts. And so it's a great market. And I think, when we acquired ITG, they we're about a $90 million revenue company.

They've been growing north of 15%. And so they brought significant staff qualifications, client relationships, partnerships to ICF. And I think we – as we've began working together, our hypothesis was if we, when we brought ITG and ICF together, they could leverage our deep domain expertise, our client relationships across civilian markets and our contracts.

And I think we are finding that those synergies exist and that we're going to be able to take advantage of those synergies as we talked about when we acquired them. Both ITG had a significant pipeline of IT modernization opportunities and ICF had a pipeline of IT modernization opportunities. There was some overlap, but not significant overlap. I think bringing the firm together as we've talked about, will improve our win possibilities on those respective pipelines and we're certainly finding new, new opportunities that we've put in capture for us to go after together in the civilian space.

And I have to say I'm quite bullish on our – the pipeline and what we're likely to win here on the sales front in the first half of the year. I just think that we're going to be able to demonstrate some very strong sales. We continue to have a very robust pipeline and they can continue to perform very well. So, we're pleased as much with the ITG acquisition and more to come for sure. And I think more broadly IT modernization will certainly be an important growth market for us going forward.

<Q – Tobey Sommer>: I'd like to ask you a question about more medium and long-term budget expectations with – since we're in the middle of this experience I think it I'd like to get your perspective on what sort of budget trajectory you might think that your largest customer, DHS and it's and the agencies within it may have given how much focus there is on it now how does this kind of change your medium to long-term expectation for that customer spending?

<A – John Wasson>: I would say a couple of things on that. First of all, I think we've been quite pleased, during President Trump's first term to civilian spending, has been up 4%. I think largely associated with the Budget Control Act, but certainly the Trump’s first term has been a positive for us from a budgetary perspective. And as you note, HHS, our largest client has done particularly well. In this first term, I think they've had double digit increase in budgets. And so that's certainly driven our organic growth here recently in federal markets and that's been very positive for us.

And as I look forward, given the spending we're talking about here related to the COVID crisis, I do think there is going to be significant stimulus spending to address this, to address this public health crisis and also address the needs of economy.

And we've talked about some of those opportunities, $8.3 billion of emergency health funding, several billion dollars going to CDC and IHS another large client of ours they're getting a significant portion of that funding too. So that's very positive. And then more broadly than we talked about the National Emergency Act and what that portends for potentially for FEMA and disaster recovery in general related to this pandemic and then the broader stimulus spending. I mean, again, that $2 trillion , $2.5 trillion of potential stimulus spending, again, it seems cleared up to me that public health, potentially infrastructure or resiliency, we'll all see a lift there. And so I think given that, I think it's fair to say we're bullish on, kind of what the federal budgetary outlook will look like here over the coming years.

To your point, HHS in particular has generally been a bipartisan supported agency. It's generally done well across administrations. And so I think, I think that all portends, well for us.

<A – Sudhakar Kesavan>: I would just add, Tobey, I would just add that as we learned post 9/11, there's a lot spending on the Homeland Security front to make sure that things like that will just not, do not happen again. And I think that going forward, I'm sure Congress will look at making sure that if there's a pandemic and there's always an expectation, there will not be an expectation there will be another pandemic, but the infrastructure, while we have infrastructures improved significantly. And I think that given our skills and obviously in public health, in resilience, in disaster management, et cetera, I think we are pretty well positioned as if you look for the next five years as to what Congress is going to do to make sure that we're

much better prepared to manage this sort of crisis. So, I think that overall I, think that it really is a positive alto for us in the public health arena.

<Q – Tobey Sommer>: And how do we juxtapose that sort of perhaps multi-year outlook, but sort of more medium term with what's going to be a spike in the federal budget deficit and the for the sort of juxtaposed eventual long-term pressure on spending? There always seems to be a tension there and love to get your comments on that.

<A – John Wasson>: I mean, it's hard to be a federal budget prognosticator, I would say that well first of all, I think when there's divided government, I think it, I think generally, budgets have moved in the same direction or between defense and civilian spending. So, I think divided government has an impact on that. I mean, there hasn't been a significant focus on deficit production recently, but as to where that goes in the future Tobey, I hesitate to offer a prediction on that.

<Q – Tobey Sommer>: Alright. And then with respect to the various aspects of your commercial business particularly I wanted to ask about the hospitality and loyalty programs. Are those relationships driven by sort of throughput and activity or are they more retainer based in and therefore sort of more consistent? How do we think about those?

<A – John Wasson>: The loyalty business is driven by our loyalty platform, our Tally platform. Generally the economics of those projects are, we get an annual retainer, an annual license fee associated with the intellectual property. We then typically have an annual retainer to provide support for the implementation and maintenance of the loyalty program on the platform, which are really covers a dedicated workforce that supports, the operation and maintenance of the loyalty program on that platform. And then we'll also get project based work which has specific fixed price budget associated with it for specific projects that are either adding on or providing more capability on the platform. So it's, more than a traditional consulting model where it's time-based with the annual license fee. It's not a throughput or a performance arrangement.

<Q – Tobey Sommer>: That's great. And then a couple of other budget related questions and then we'll probably wrap it up to keep things on schedule. With the appropriations bills for this year, in your experience to the shocks such as this that we're currently experiencing, increase the odds of getting them done in time and avoiding a CR or the opposite?

<A – John Wasson>: I mean, I would generally think it would raise the probability of getting them resolved and certainly avoiding any surprises or hiccups in the government funding process. I mean, I think given what the country is dealing with and I would expect it know that will be a relatively smooth process. But again I've learned political – political predictions are what needs to be careful. I don't know, Sudhakar if you want to add anything on that.

<A – Sudhakar Kesavan>: No, I think that my sense is that I heard, and this is again just hearsay, I heard that some of these budgetary issues are being resolved in this whole stimulus thing, so as part, as not necessarily part of the package, but with the package there is some budgetary decision too. But again, I don't know that for a fact. I would think that they get resolved pretty quickly given the magnitude of the crisis.

<Q – Tobey Sommer>: And with respect to the Budget Control Act that has seemingly been helpful in getting not just single budgets but two year budgets in place. Do you think that's

likely to be renewed and therefore kind of keep that mechanism that seems to be – have proven useful?

<A – John Wasson>: Yes, I don't think I have any insight or a prediction on that Tobey, again, I would be hesitant to offer a prediction on that one.

<<Tobey Sommer, Analyst, SunTrust Robinson Humphrey>>

Okay. Well we're about at the top of the hour. I'd like to thank ICF for participating in the call. I do think in my interactions with investors that those management teams that are putting themselves out in uncertain times and making comments where they can are being rewarded in and thought of as management teams with gravitas. So I appreciate your participation in today's call. Operator?

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.