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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

FOR THE TRANSITION PERIOD FROM_____ TO

Commission File Number: 001-33045

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

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

Registrant's telephone number, including area code: (703) 934-3000
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

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

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

As of October 25, 2024, there were 18,762,710 shares outstanding of the registrant's common stock.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in thousands, except share and per share amounts)	**September 30, 2024**	**December 31, 2023**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,911	$ 6,361
Restricted cash	724	3,088
Contract receivables, net	212,412	205,484
Contract assets	237,742	201,832
Prepaid expenses and other assets	24,785	28,055
Income tax receivable	10,541	2,337
Total Current Assets	493,115	447,157
Property and Equipment, net	71,299	75,948
Other Assets:		
Goodwill	1,221,437	1,219,476
Other intangible assets, net	70,030	94,904
Operating lease - right-of-use assets	122,543	132,807
Other assets	49,754	41,480
Total Assets	$ 2,028,178	$ 2,011,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 13,750	$ 26,000
Accounts payable	121,093	134,503
Contract liabilities	17,176	21,997
Operating lease liabilities	21,204	20,409
Finance lease liabilities	2,590	2,522
Accrued salaries and benefits	91,103	88,021
Accrued subcontractors and other direct costs	55,600	45,645
Accrued expenses and other current liabilities	85,274	79,129
Total Current Liabilities	407,790	418,226
Long-term Liabilities:		
Long-term debt	405,396	404,407
Operating lease liabilities - non-current	160,926	175,460
Finance lease liabilities - non-current	11,922	13,874
Deferred income taxes	5,982	26,175
Other long-term liabilities	59,845	56,045
Total Liabilities	1,051,861	1,094,187
Commitments and Contingencies (Note 13)		
Stockholders' Equity:		
Preferred stock, par value $.001; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $.001; 70,000,000 shares authorized; 24,138,735 and 23,982,132 shares issued at September 30, 2024 and December 31, 2023, respectively; 18,762,710 and 18,845,521 shares outstanding at September 30, 2024 and December 31, 2023, respectively	24	24
Additional paid-in capital	436,671	421,502
Retained earnings	852,835	775,099
Treasury stock, 5,376,025 and 5,136,611 shares at September 30, 2024 and December 31, 2023, respectively	(300,718)	(267,155)
Accumulated other comprehensive loss	(12,495)	(11,885)
Total Stockholders' Equity	976,317	917,585
Total Liabilities and Stockholders' Equity	$ 2,028,178	$ 2,011,772

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Revenue	$ 516,998	$ 501,519	$ 1,523,463	$ 1,484,886
Direct Costs	325,047	323,504	964,911	961,473
Operating costs and expenses:				
Indirect and selling expenses	132,816	131,553	389,001	381,808
Depreciation and amortization	4,820	5,917	15,303	19,052
Amortization of intangible assets	8,291	8,644	24,873	27,154
Total operating costs and expenses	145,927	146,114	429,177	428,014
Operating income	46,024	31,901	129,375	95,399
Interest, net	(7,195)	(10,557)	(23,136)	(30,146)
Other (expense) income	(899)	2,736	767	1,501
Income before income taxes	37,930	24,080	107,006	66,754
Provision for income taxes	5,251	340	21,399	6,304
Net income	$ 32,679	$ 23,740	$ 85,607	$ 60,450
Earnings per Share:				
Basic	$ 1.74	$ 1.26	$ 4.57	$ 3.22
Diluted	$ 1.73	$ 1.25	$ 4.53	$ 3.19
Weighted-average Shares:				
Basic	18,760	18,815	18,752	18,795
Diluted	18,910	18,974	18,915	18,958
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.42	$ 0.42
Other comprehensive loss, net of tax	(951)	(4,053)	(610)	(2,236)
Comprehensive income, net of tax	$ 31,728	$ 19,687	$ 84,997	$ 58,214

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

ICF International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2024	18,846	$ 24	$ 421,502	$ 775,099	5,136	$ (267,155)	$ (11,885)	$ 917,585
Net income	—	—	—	27,317	—	—	—	27,317
Other comprehensive income	—	—	—	—	—	—	684	684
Equity compensation	—	—	3,551	—	—	—	—	3,551
Exercise of stock options	2	—	107	—	—	—	—	107
Issuance of shares pursuant to vesting of restricted stock units	125	—	—	—	—	—	—	—
Payments for share repurchases	(218)	—	—	—	218	(30,475)	—	(30,475)
Dividends declared	—	—	—	(2,620)	—	—	—	(2,620)
Balance at March 31, 2024	18,755	$ 24	$ 425,160	$ 799,796	5,354	$ (297,630)	$ (11,201)	$ 916,149
Net income	—	—	—	25,611	—	—	—	25,611
Other comprehensive loss	—	—	—	—	—	—	(343)	(343)
Equity compensation	—	—	4,674	—	—	—	—	4,674
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	21	—	2,568	—	—	—	—	2,568
Payments for share repurchases	(19)	—	—	—	19	(2,711)	—	(2,711)
Dividends declared	—	—	—	(2,623)	—	—	—	(2,623)
Balance at June 30, 2024	18,757	$ 24	$ 432,402	$ 822,784	5,373	$ (300,341)	$ (11,544)	$ 943,325
Net income	—	—	—	32,679	—	—	—	32,679
Other comprehensive loss	—	—	—	—	—	—	(951)	(951)
Equity compensation	—	—	4,269	—	—	—	—	4,269
Issuance of shares pursuant to vesting of restricted stock units	8	—	—	—	—	—	—	—
Payments for share repurchases	(3)	—	—	—	3	(377)	—	(377)
Dividends declared	—	—	—	(2,628)	—	—	—	(2,628)
Balance at September 30, 2024	18,762	$ 24	$ 436,671	$ 852,835	5,376	$ (300,718)	$ (12,495)	$ 976,317

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2023	18,883	$ 23	$ 401,957	$ 703,030	4,906	$ (243,666)	$ (8,133)	$ 853,211
Net income	—	—	—	16,398	—	—	—	16,398
Other comprehensive loss	—	—	—	—	—	—	(1,334)	(1,334)
Equity compensation	—	—	3,750	—	—	—	—	3,750
Exercise of stock options	4	—	111	—	—	—	—	111
Issuance of shares pursuant to vesting of restricted stock units	126	1	—	—	—	—	—	1
Payments for share repurchases	(225)	—	—	—	225	(22,815)	—	(22,815)
Dividends declared	—	—	—	(2,633)	—	—	—	(2,633)
Balance at March 31, 2023	18,788	$ 24	$ 405,818	$ 716,795	5,131	$ (266,481)	$ (9,467)	$ 846,689
Net income	—	—	—	20,312	—	—	—	20,312
Other comprehensive income	—	—	—	—	—	—	3,151	3,151
Equity compensation	—	—	2,938	—	—	—	—	2,938
Exercise of stock options	4	—	167	—	—	—	—	167
Issuance of shares pursuant to employee stock purchase plan and vesting of restricted stock units	23	—	2,264	—	—	—	—	2,264
Payments for share repurchases	—	—	—	—	—	(37)	—	(37)
Dividends declared	—	—	—	(2,639)	—	—	—	(2,639)
Balance at June 30, 2023	18,815	$ 24	$ 411,187	$ 734,468	5,131	$ (266,518)	$ (6,316)	$ 872,845
Net income	—	—	—	23,740	—	—	—	23,740
Other comprehensive loss	—	—	—	—	—	—	(4,053)	(4,053)
Equity compensation	—	—	3,446	—	—	—	—	3,446
Issuance of shares pursuant to vesting of restricted stock units	2	—	—	—	—	—	—	—
Payments for share repurchases	—	—	—	—	—	(12)	—	(12)
Dividends declared	—	—	—	(2,636)	—	—	—	(2,636)
Balance at September 30, 2023	18,817	$ 24	$ 414,633	$ 755,572	5,131	$ (266,530)	$ (10,369)	$ 893,330

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

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

(in thousands)	Nine Months Ended September 30, 2024	2023
Cash Flows from Operating Activities		
Net income	$ 85,607	$ 60,450
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,176	691
Deferred income taxes and unrecognized income tax benefits	(16,957)	(3,533)
Non-cash equity compensation	12,494	10,134
Depreciation and amortization	40,177	46,207
Gain on divestiture of a business	(2,009)	(4,302)
Other operating adjustments, net	2,206	2,563
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Net contract assets and liabilities	(40,155)	(52,010)
Contract receivables	(9,634)	12,087
Prepaid expenses and other assets	(434)	11,893
Operating lease assets and liabilities, net	(3,065)	3,897
Accounts payable	(13,402)	(13,333)
Accrued salaries and benefits	2,889	(8,521)
Accrued subcontractors and other direct costs	9,660	(3,353)
Accrued expenses and other current liabilities	16,979	(18,727)
Income tax receivable and payable	(9,574)	450
Other liabilities	(1,774)	959
Net Cash Provided by Operating Activities	76,184	45,552
Cash Flows from Investing Activities		
Payments for purchase of property and equipment and capitalized software	(15,559)	(17,876)
Payments for business acquisitions, net of cash acquired	—	(32,664)
Proceeds from divestiture of a business	1,985	47,151
Net Cash Used in Investing Activities	(13,574)	(3,389)
Cash Flows from Financing Activities		
Advances from working capital facilities	917,953	972,266
Payments on working capital facilities	(930,043)	(995,244)
Proceeds from other short-term borrowings	43,735	25,394
Repayments of other short-term borrowings	(53,280)	(18,845)
Receipt of restricted contract funds	1,275	6,412
Payment of restricted contract funds	(3,586)	(7,042)
Dividends paid	(7,880)	(7,903)
Net payments for stock issuances and share repurchases	(30,995)	(20,601)
Other financing, net	(1,777)	(1,501)
Net Cash Used in Financing Activities	(64,598)	(47,064)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	174	(213)
Decrease in Cash, Cash Equivalents, and Restricted Cash	(1,814)	(5,114)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	9,449	12,968
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 7,635	$ 7,854
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 24,388	$ 29,173
Income taxes	$ 50,382	$ 12,604

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

NOTE 1 – BASIS OF PRESENTATION

Basis of Presentation

The accompanying consolidated financial statements are of ICF International, Inc. ("ICFI") and its principal subsidiary, ICF Consulting Group, Inc. ("Consulting," and together with ICFI, the "Company"), and have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP"). Consulting is a wholly owned subsidiary of ICFI. ICFI is a holding company with no operations or assets other than its investment in the common stock of Consulting. All other subsidiaries of the Company are wholly owned by Consulting. Intercompany transactions and balances have been eliminated. The terms "federal" or "federal government" refer to the U.S. federal government, and "state and local" or "state and local government" refer to U.S. state (including territories) and local governments, unless otherwise indicated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities, and the reported amounts of revenue and expenses. Key estimates include estimates related to variable consideration on contracts with customers, costs to complete fixed-price contracts, bonus and other incentive compensation, reserves for tax benefits and valuation allowances on deferred tax assets, collectability of receivables, valuation and useful lives of acquired tangible and intangible assets, impairment of goodwill and long-lived assets, and contingencies. Actual results experienced by the Company may differ from management's estimates.

Interim Results

The unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). These rules and regulations permit some of the information and footnote disclosures normally included in annual financial statements, prepared in accordance with U.S. GAAP, to be condensed or omitted. In management's opinion, the unaudited consolidated financial statements contain all adjustments that are of a normal recurring nature, necessary for a fair presentation of the results of operations and financial position of the Company for the interim periods presented. The Company reports operating results and financial data in one operating segment and reporting unit. Operating results for the three-month and the nine-month periods ended September 30, 2024 and 2023 are not necessarily indicative of the results that may be expected for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2023 and the notes thereto included in the Company's Annual Report on Form 10-K.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

Segment Reporting

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07: Improvements to Reportable Segment Disclosures to update reportable segment disclosure requirements for public entities under the Accounting Standards Codification ("ASC"). ASU 2023-07 enhances the current segment reporting disclosures of Topic 280 by requiring disclosure of significant segment expenses that are regularly reviewed by the Chief Operating Decision Maker (the "CODM"), the amount and description of other segment items, and interim disclosures of each reportable segment's profit or loss and assets. ASU 2023-07 also requires public entities that have a single reportable segment to provide all of the disclosures required in Topic 280, as amended. ASU 2023-07 is effective for the Company for the fiscal year ending December 31, 2024 and interim periods within the 2025 fiscal year on a retrospective basis, with early adoption permitted. The Company expects to adopt the amendments of ASU 2023-07 for the fiscal year ending December 31, 2024, but does not expect the adoption to have a material impact, if any, on the consolidated financial statements.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, Income Taxes: Improvements to Income Tax Disclosures, which requires greater disaggregation of income tax rates and amounts paid by entities. ASU 2023-09 specifically requires all entities to disclose, on an annual basis, disaggregated domestic and foreign pre-tax income or loss from continuing operations and the disaggregated income tax expense or benefit by federal, state, and foreign components, and a tabular rate reconciliation, using both percentages and reporting currency amounts, of eight specific categories as well as any individual reconciling items that are equal to or greater than 5% of a threshold computed by multiplying pretax income or loss from continuing operations by the applicable federal rate. Additionally, the amendments also require disclosure of income taxes paid disaggregated by federal, state, and foreign jurisdictions as well as any individual jurisdictions over 5% of the total income taxes paid. ASU 2023-09 is effective for the Company for the fiscal year ending December 31, 2025, with early adoption permitted. The amendments may be adopted on a prospective or retrospective basis. The Company is currently evaluating the impact of the adoption of ASU 2023-09 but does not expect the adoption to have a material impact, if any, on the consolidated financial statements.

NOTE 2 – RESTRICTED CASH

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets for the periods presented to the total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023:

	September 30, 2024		September 30, 2023	
	Beginning	Ending	Beginning	Ending
Cash and cash equivalents	$ 6,361	$ 6,911	$ 11,257	$ 5,084
Restricted cash	3,088	724	1,711	2,770
Total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 9,449	$ 7,635	$ 12,968	$ 7,854

NOTE 3 – CONTRACT RECEIVABLES, NET

Contract receivables, net consisted of the following:

	September 30, 2024	December 31, 2023
Billed and billable	$ 220,690	$ 210,919
Allowance for expected credit losses	(8,278)	(5,435)
Contract receivables, net	$ 212,412	$ 205,484

The Company sells certain billed contract receivables in accordance with its Master Receivables Purchase Agreement (the "MRPA") with MUFG Bank, Ltd. ("MUFG"). The contract receivables that are sold without recourse and where the Company does not retain any ongoing financial interest in the transferred receivables, other than providing servicing activities, are accounted for as sales under ASC 860, Transfers and Servicing ("ASC 860"). Consequently, these contract receivables are derecognized from the Company's consolidated balance sheets at the date of the sale, and the cash received from MUFG is presented as part of cash flows from operating activities.

The following is a reconciliation of billed contract receivables sold to MUFG that were eligible and accounted for as sales under ASC 860, including billed contract receivables sold to MUFG and collected from customers on behalf of MUFG during the nine months ended September 30, 2024 and 2023, and the balance of billed contract receivables not yet collected from customers as of September 30, 2024 and 2023, respectively:

	As of and for the Nine Months Ended	
	September 30, 2024	September 30, 2023
Beginning balance, billed contract receivables sold and not yet collected [1]	$ 21,302	$ 3,819
Billed contract receivables sold during the period [2]	482,469	159,480
Collections from customers during the period [2]	(473,037)	(131,580)
Ending balance, billed contract receivables sold and not yet collected [3]	$ 30,735	$ 31,719

(1)The beginning balances represent billed contract receivables that were previously sold and derecognized by the Company but have not yet been collected from customers as of January 1, 2024 and 2023, respectively.

(2)For the nine months ended September 30, 2024 and 2023, the Company recorded net inflows of $9.4 million and $27.9 million, respectively, in its cash flows from operating activities from the sale of billed contract receivables.

(3)The ending balances represent billed contract receivables that were sold and derecognized by the Company but have not yet been collected from customers as of September 30, 2024 and 2023, respectively.

The following is a reconciliation of cash collections from customers of billed contract receivables previously sold to MUFG that were eligible and accounted for as sales under ASC 860, including collections from customers on behalf of MUFG of previously sold billed contract receivables and remittances of cash collections to MUFG during the nine months ended September 30, 2024 and 2023, and the balance of cash collected but not yet remitted to MUFG as of September 30, 2024 and 2023, respectively:

	As of and for the Nine Months Ended	
	September 30, 2024	September 30, 2023
Beginning balance, cash collected but not yet remitted to MUFG [1]	$ 21,796	$ 6,164
Collections from customers during the period [2]	473,037	131,580
Remittances to MUFG during the period [2]	(463,558)	(127,303)
Ending balance, cash collected but not yet remitted to MUFG [3]	$ 31,275	$ 10,441

(1)The beginning balances represent cash collected from customers on behalf of MUFG for billed contract receivables that were previously sold and derecognized by the Company but have not yet been remitted to MUFG as of January 1, 2024 and 2023, respectively.

(2)For the nine months ended September 30, 2024 and 2023, the Company recorded net inflows of $9.5 million and $4.3 million, respectively, in its cash flows from operating activities from the collection of billed contract receivables that were sold but not yet remitted to MUFG.

(3)The ending balances are included as part of "Accrued expenses and other current liabilities" on the Company's consolidated balance sheets.

The Company services the receivables sold by collecting cash and remitting it to MUFG. The related servicing fee received from MUFG was immaterial.

The aggregate impact of the sale of billed contract receivables on the Company's operating cash flows was $18.9 million and $32.2 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company also sold certain billed contract receivables to MUFG that did not qualify as sales under ASC 860. Consequently, the cash received from and remitted back to MUFG is presented as cash from financing activities within "Proceeds from other short-term borrowings" and "Repayments of other short-term borrowings" on the Company's consolidated statements of cash flows.

At September 30, 2024 and December 31, 2023, the amounts due to MUFG for cash collected and not yet remitted for billed contract receivables sold that did not qualify as sales under ASC 860 totaled $2.7 million and $6.9 million, respectively. These amounts are included as part of "Accrued expenses and other current liabilities" on the Company's consolidated balance sheets.

NOTE 4 – LEASES

At September 30, 2024, the Company had operating and finance leases for facilities and equipment with remaining terms ranging from 1 to 14 years. Future minimum lease payments under non-cancellable operating and finance leases as of September 30, 2024 were as follows:

	Operating	Finance
September 30, 2025	$ 27,037	$ 3,041
September 30, 2026	23,268	3,041
September 30, 2027	20,171	3,041
September 29, 2028	16,515	3,004
September 30, 2029	14,065	2,967
Thereafter	121,325	741
Total future minimum lease payments	222,381	15,835
Less: Interest	(40,251)	(1,323)
Total lease liabilities	$ 182,130	$ 14,512
Lease liabilities - current	$ 21,204	$ 2,590
Lease liabilities - non-current	160,926	11,922
Total lease liabilities	$ 182,130	$ 14,512

NOTE 5 – DEBT

At September 30, 2024 and December 31, 2023, debt consisted of:

	September 30, 2024		December 31, 2023	
	Average Interest Rate	Outstanding Balance	Average Interest Rate	Outstanding Balance
Term Loan		$ 200,250		$ 207,750
Delayed-Draw Term Loan		211,750		220,000
Revolving Credit		10,000		6,340
Total before debt issuance costs	6.8%	422,000	6.7%	434,090
Unamortized debt issuance costs		(2,854)		(3,683)
Total		$ 419,146		$ 430,407

	September 30, 2024	December 31, 2023
Current portion of long-term debt	$ 13,750	$ 26,000
Long-term debt - non-current	405,396	404,407
Total	$ 419,146	$ 430,407

As of September 30, 2024, the Company had $588.2 million of unused borrowing capacity under the $600.0 million revolving line of credit under a credit agreement with a group of lenders (the "Credit Facility"). The unused borrowing capacity is inclusive of outstanding letters of credit totaling $1.8 million. The average interest rate on borrowings under the Credit Facility was 6.8% for the nine months ended September 30, 2024 and 6.7% for the twelve months ended December 31, 2023, respectively. Inclusive of the impact of floating-to-fixed interest rate swaps (see "Note 7 – Derivative Instruments and Hedging Activities"), the average interest rate was 5.4% for the nine months ended September 30, 2024 and 5.6% for the twelve months ended December 31, 2023, respectively.

Future contractual repayments of debt principal are as follows:

Payments due by	Term Loan	Delayed-Draw Term Loan	Revolving Credit	Total
September 30, 2025	$ —	$ 13,750	$ —	$ 13,750
September 30, 2026	—	16,500	—	16,500
May 6, 2027 (Maturity)	200,250	181,500	10,000	391,750
Total	$ 200,250	$ 211,750	$ 10,000	$ 422,000

NOTE 6 – REVENUE RECOGNITION

Disaggregation of Revenue

The Company disaggregates revenue from clients into categories that depict how the nature, amount, and uncertainty of revenue and cash flows are affected by economic and business factors. Those categories are client market, client type, and contract mix.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Markets:								
Energy, environment, infrastructure, and disaster recovery	$ 236,039	46%	$ 204,740	41%	$ 693,229	46%	$ 595,769	40%
Health and social programs	196,586	38%	209,760	42%	582,191	38%	617,997	42%
Security and other civilian & commercial	84,373	16%	87,019	17%	248,043	16%	271,120	18%
Total	$ 516,998	100%	$ 501,519	100%	$ 1,523,463	100%	$ 1,484,886	100%

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Type:								
U.S. federal government	$ 282,022	55%	$ 279,314	56%	$ 829,688	55%	$ 820,116	55%
U.S. state and local government	78,883	15%	76,594	15%	240,685	16%	233,264	16%
International government	26,871	5%	27,547	5%	80,831	5%	74,378	5%
Total Government	387,776	75%	383,455	76%	1,151,204	76%	1,127,758	76%
Commercial	129,222	25%	118,064	24%	372,259	24%	357,128	24%
Total	$ 516,998	100%	$ 501,519	100%	$ 1,523,463	100%	$ 1,484,886	100%

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Contract Mix:								
Time-and-materials	$ 220,564	43%	$ 206,622	41%	$ 644,822	42%	$ 615,902	41%
Fixed-price	236,538	46%	223,338	45%	696,211	46%	667,982	45%
Cost-based	59,896	11%	71,559	14%	182,430	12%	201,002	14%
Total	$ 516,998	100%	$ 501,519	100%	$ 1,523,463	100%	$ 1,484,886	100%

Contract Assets and Liabilities

Contract assets consist of unbilled receivables on contracts where revenue recognized exceeds the amount billed. Contract liabilities result from advance payments received on a contract or from billings in excess of revenue recognized.

The following table summarizes the contract assets and liabilities as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Contract assets	$ 237,742	$ 201,832
Contract liabilities	(17,176)	(21,997)
Net contract assets (liabilities)	$ 220,566	$ 179,835

The increase in net contract assets (liabilities) is primarily due to the timing difference between the performance of services and billings to customers. During the nine months ended September 30, 2024 and 2023, the Company recognized $17.1 million and $17.3 million in revenue related to the contract liabilities balance at December 31, 2023 and 2022, respectively.

Unfulfilled Performance Obligations

The Company had $1.4 billion in unfulfilled performance obligations ("UPO") as of September 30, 2024. The Company expects to recognize the remaining UPO as revenue of approximately 8% by December 31, 2024, 65% by December 31, 2025, and the remainder thereafter.

NOTE 7 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

At September 30, 2024, the Company had floating-to-fixed interest rate swap agreements for an aggregate notional amount of $275.0 million, of which $100.0 million will mature on February 28, 2025, $75.0 million will mature on February 28, 2028, and $100.0 million will mature on June 27, 2028. The Company has designated the swap agreements as cash flow hedges. See "Note 5 – Debt" for details on the impact of the swap agreements on the Company's interest rates. See "Note 12 – Fair Value" for the fair value of these swaps.

NOTE 8 – INCOME TAXES

A reconciliation of the Company's statutory rate to the effective tax rate for the three and nine months ended September 30, 2024 and 2023 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Statutory tax rate	21.0%	21.0%	21.0%	21.0%
State taxes, net of federal benefit	6.0%	5.8%	6.0%	5.8%
Executive compensation	1.6%	1.4%	1.6%	1.4%
Corporate-owned life insurance	(0.5%)	(0.2%)	(0.5%)	(0.2%)
Other permanent differences	0.4%	0.4%	0.4%	0.3%
Prior year tax adjustments	(11.0%)	(27.1%)	(3.7%)	(10.8%)
Worthless stock	—	(20.2%)	—	(7.3%)
Capital loss	—	—	—	(6.7%)
Valuation allowance	0.9%	3.1%	1.0%	1.9%
Equity-based compensation	(0.3%)	(0.6%)	(1.7%)	(1.6%)
Uncertain tax position	4.2%	19.1%	4.4%	6.9%
Tax credits	(8.5%)	(1.3%)	(8.5%)	(1.3%)
Effective tax rate	13.8%	1.4%	20.0%	9.4%

The prior year tax adjustments, uncertain tax position and tax credits recognized during the three and nine months ended September 30, 2024 and 2023 are both primarily related to the Research & Experimentation ("R&E") credits.

The Company's effective income tax rate was higher for the three months and nine months ended September 30, 2024 as compared to the three months and nine months ended September 30, 2023 primarily due to restructuring of the ownership of the Company's Canadian entities and the deduction for worthless stock related to the wind-down of the Company's commercial marketing business in the United Kingdom (the "U.K.") during the second and the third quarters of 2023, respectively, which reduced the Company's 2023 effective tax rate.

NOTE 9 – STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as of September 30, 2024 and 2023 included the following:

	Three Months Ended September 30, 2024		
	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Hedge Agreements	Total
Accumulated other comprehensive (loss) income at June 30, 2024	$ (14,463)	$ 2,919	$ (11,544)
Current period other comprehensive (loss) income:			
Other comprehensive (loss) income before reclassifications	4,745	(5,099)	(354)
Amounts reclassified from accumulated other comprehensive (loss) income [1]	—	(1,670)	(1,670)
Effect of taxes	(758)	1,831	1,073
Total current period other comprehensive (loss) income	3,987	(4,938)	(951)
Accumulated other comprehensive (loss) income at September 30, 2024	$ (10,476)	$ (2,019)	$ (12,495)

	Three Months Ended September 30, 2023		
	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Hedge Agreement and Other Adjustments	Total
Accumulated other comprehensive (loss) income at June 30, 2023	$ (10,833)	$ 4,517	$ (6,316)
Current period other comprehensive (loss) income:			
Other comprehensive (loss) income before reclassifications	(3,487)	4,379	892
Amounts reclassified from accumulated other comprehensive (loss) income	—	(2,101)	(2,101)
Effect of taxes	(2,227)	(617)	(2,844)
Total current period other comprehensive (loss) income	(5,714)	1,661	(4,053)
Accumulated other comprehensive (loss) income at September 30, 2023	$ (16,547)	$ 6,178	$ (10,369)

	Nine Months Ended September 30, 2024		
	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Hedge Agreements	Total
Accumulated other comprehensive (loss) income at December 31, 2023	$ (12,695)	$ 810	$ (11,885)
Current period other comprehensive (loss) income:			
Other comprehensive (loss) income before reclassifications	2,877	1,161	4,038
Amounts reclassified from accumulated other comprehensive (loss) income [1]	—	(5,002)	(5,002)
Effect of taxes	(658)	1,012	354
Total current period other comprehensive (loss) income	2,219	(2,829)	(610)
Accumulated other comprehensive (loss) income at September 30, 2024	$ (10,476)	$ (2,019)	$ (12,495)

	Nine Months Ended September 30, 2023		
	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Hedge Agreement and Other Adjustments	Total
Accumulated other comprehensive (loss) income at December 31, 2022	$ (14,056)	$ 5,923	$ (8,133)
Current period other comprehensive (loss) income:			
Other comprehensive (loss) income before reclassifications	(82)	5,658	5,576
Amounts reclassified from accumulated other comprehensive (loss) income	—	(5,299)	(5,299)
Effect of taxes	(2,409)	(104)	(2,513)
Total current period other comprehensive (loss) income	(2,491)	255	(2,236)
Accumulated other comprehensive (loss) income at September 30, 2023	$ (16,547)	$ 6,178	$ (10,369)

(1) The Company expects to reclassify $1.1 million of gains related to the Change in Fair Value of Interest Rate Hedge Agreements from accumulated other comprehensive (loss) income into earnings during the next 12 months.

Share Repurchases

The Company repurchased shares under the $200.0 million share repurchase program authorized by the Company's board of directors. In addition, the Company repurchased shares in connection with the vesting of restricted stock units ("RSUs") and performance share awards ("PSAs") granted to employees. Repurchases for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three Months Ended September 30,			
	2024		2023	
	Shares	Amount Paid	Shares	Amount Paid
Share Repurchase Program	—	$ —	—	$ —
Vesting of RSUs	2,383	377	91	12
Total	2,383	$ 377	91	$ 12

	Nine Months Ended September 30,			
	2024		2023	
	Shares	Amount Paid	Shares	Amount Paid
Share Repurchase Program	191,000	$ 26,519	180,000	$ 18,126
Vesting of RSUs and PSAs	48,414	7,047	45,467	4,743
Total	239,414	$ 33,566	225,467	$ 22,869

NOTE 10 – STOCK-BASED COMPENSATION

The Company's 2018 Amended and Restated Omnibus Incentive Plan (the "2018 A&R Omnibus Plan") allows the Company to grant up to 2,050,000 total shares of common stock to officers, key employees, and non-employee directors. As of September 30, 2024, the Company had approximately 1,018,803 shares available for grant under the 2018 A&R Omnibus Plan.

The following awards were granted during the three and nine months ended September 30, 2024 and 2023:

	Awards Granted Three Months Ended September 30,		Average Grant Date Fair Value Three Months Ended September 30,		Awards Granted Nine Months Ended September 30,		Average Grant Date Fair Value Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Employee Stock Awards	672	—	$ 153.50	$ —	83,467	113,569	$ 152.59	$ 107.29
Cash-Settled RSUs	3,012	2,281	$ 153.50	$ 130.47	37,570	68,745	$ 152.64	$ 110.04
Non-Employee Director Stock Awards	6,618	8,211	$ 135.91	$ 127.81	6,618	8,211	$ 135.91	$ 127.81
Total	10,302	10,492			127,655	190,525		

The total stock-based compensation expense was $6.6 million and $19.3 million for the three and nine months ended September 30, 2024, respectively, and $5.2 million and $15.9 million for the three and nine months ended September 30, 2023, respectively. The unrecognized compensation expense at September 30, 2024 was $34.0 million, which is expected to vest over the next 1.5 years.

NOTE 11 – EARNINGS PER SHARE

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

As of September 30, 2024, the PSAs granted during the year ended December 31, 2022 met the related performance conditions for the initial performance period and were included in the calculation of U.S. GAAP Diluted EPS. However, the PSAs granted during the year ended December 31, 2023 and during the nine months ended September 30, 2024 have not yet completed their initial two-year performance period and therefore were excluded from the calculation of U.S. GAAP Diluted EPS.

EPS, including the dilutive effect of stock awards for each period reported is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2024	2023	2024	2023
Net Income	$ 32,679	$ 23,740	$ 85,607	$ 60,450
Weighted-average number of basic shares outstanding during the period	18,760	18,815	18,752	18,795
Dilutive effect of stock awards	150	159	163	163
Weighted-average number of diluted shares outstanding during the period	18,910	18,974	18,915	18,958
Basic EPS	$ 1.74	$ 1.26	$ 4.57	$ 3.22
Diluted EPS	$ 1.73	$ 1.25	$ 4.53	$ 3.19

A total of 324 and 190 shares of restricted stock awards were excluded from the calculation of EPS for the three and nine months ended September 30, 2024 because they were anti-dilutive. There were no shares excluded for the three and nine months ended September 30, 2023.

NOTE 12 – FAIR VALUE

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

	September 30, 2024				
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Location on Balance Sheet**
Assets:					
Interest rate swaps - current portion	$ —	$ 1,674	$ —	$ 1,674	Prepaid expenses and other assets
Company-owned life insurance policies	—	23,160	—	23,160	Other assets
Liabilities:					
Interest rate swaps - current portion	$ —	$ 564	$ —	$ 564	Accrued expenses and other current liabilities
Interest rate swaps - long-term portion	—	3,917	—	3,917	Other long-term liabilities

	December 31, 2023				
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Location on Balance Sheet**
Assets:					
Interest rate swaps - current portion	$ —	$ 4,820	$ —	$ 4,820	Prepaid expenses and other assets
Interest rate swaps - long-term portion	—	398	—	398	Other assets
Company-owned life insurance policies	—	20,438	—	20,438	Other assets
Liabilities:					
Interest rate swaps - long-term portion	$ —	$ 4,184	$ —	$ 4,184	Other long-term liabilities

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had open standby letters of credit totaling $1.8 million at both September 30, 2024 and December 31, 2023, respectively. Open standby letters of credit reduce the Company's borrowing capacity under the Credit Facility.

Guarantees

At September 30, 2024 and December 31, 2023, the Company had $6.5 million and $7.9 million, respectively, of bank guarantees for facility leases and contract performance obligations.

Litigation and Claims

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

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

FORWARD-LOOKING STATEMENTS

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

- Our dependence on contracts with United States ("U.S.") federal, state and local, and international governments, agencies, and departments for the majority of our revenue;
- Changes in federal government budgeting and spending priorities;
- Failure by Congress or other governmental bodies to approve budgets and debt ceiling increases in a timely fashion and related reductions in government spending;
- Uncertainties relating to the outcomes of the U.S. presidential election in November 2024;
- Failure of the presidential administration and Congress to agree on spending priorities, which may result in temporary shutdowns of non-essential federal functions, including our work to support such functions;
- Results of routine and non-routine government audits and investigations;
- Dependence of our commercial work on certain sectors of the global economy that are highly cyclical;
- Failure to realize the full amount of our backlog;
- Risks inherent in being engaged in significant and complex disaster relief efforts and grant management programs involving multiple tiers of government in very stressful environments;
- Risks resulting from expanding our service offerings and client base;
- Difficulties in identifying attractive acquisitions available at acceptable prices;
- Acquisitions we undertake presenting integration challenges, failing to perform as expected, increasing our liabilities, and/or reducing our earnings; and
- Additional risks as a result of having international operations.

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

The terms "we," "our," "us," and "the Company," as used throughout this Quarterly Report, refer to ICF International, Inc. and its subsidiaries, unless otherwise indicated. The terms "federal" or "federal government" refer to the U.S. federal government, and "state and local" or "state and local government" refer to U.S. state and local governments and the governments of U.S. territories. The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with our consolidated financial statements and the related notes contained elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 28, 2024 (our "Annual Report").

OVERVIEW AND OUTLOOK

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

•Energy, Environment, Infrastructure, and Disaster Recovery;

•Health and Social Programs; and

•Security and Other Civilian & Commercial.

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

•Advisory Services;

•Program Implementation Services;

•Analytics Services;

•Digital Services; and

•Engagement Services.

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

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

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

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

RESULTS OF OPERATIONS

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

The table below sets forth select line items of our unaudited consolidated statements of comprehensive income, the percentage of revenue for these select items, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Three Months Ended September 30,					
	Dollars		Percentages of Revenue		Year-to-Year Change	
(dollars in thousands)	2024	2023	2024	2023	Dollars	Percent
Revenue	$ 516,998	$ 501,519	100.0%	100.0%	$ 15,479	3.1%
Direct Costs:						
Direct labor and related fringe benefit costs	197,473	187,421	38.2%	37.4%	10,052	5.4%
Subcontractor and other direct costs	127,574	136,083	24.7%	27.1%	(8,509)	(6.3%)
Total Direct Costs	325,047	323,504	62.9%	64.5%	1,543	0.5%
Operating Costs and Expenses:						
Indirect and selling expenses	132,816	131,553	25.7%	26.2%	1,263	1.0%
Depreciation and amortization	4,820	5,917	0.9%	1.2%	(1,097)	(18.5%)
Amortization of intangible assets	8,291	8,644	1.6%	1.7%	(353)	(4.1%)
Total Operating Costs and Expenses	145,927	146,114	28.2%	29.1%	(187)	(0.1%)
Operating Income	46,024	31,901	8.9%	6.4%	14,123	44.3%
Interest, net	(7,195)	(10,557)	(1.4%)	(2.1%)	3,362	(31.8%)
Other (expense) income	(899)	2,736	(0.2%)	0.5%	(3,635)	(132.9%)
Income before Income Taxes	37,930	24,080	7.3%	4.8%	13,850	57.5%
Provision for Income Taxes	5,251	340	1.0%	0.1%	4,911	1444.4%
Net Income	$ 32,679	$ 23,740	6.3%	4.7%	$ 8,939	37.7%

Revenue. The increase in revenue was driven by $11.2 million, $2.7 million, and $2.3 million from our commercial, U.S. federal government, and U.S. state and local government clients, respectively, offset by a decrease of $0.7 million from our international government clients. Our revenue from client markets was impacted in varying amounts by our exit from the commercial marketing business during 2023. The following were changes in revenue from our various client markets:

- Energy, Environment, Infrastructure, and Disaster Recovery client market revenues increased $31.3 million, or 15.3%, driven primarily by increases of $22.3 million, $8.3 million, and $0.8 million from commercial, U.S. federal government, and U.S. state and local government clients, respectively.

- Health and Social Programs client market revenues decreased $13.2 million, or 6.3%, driven by a decrease in subcontractor pass-through on several of our U.S. federal contracts and our exit from the commercial marketing business during 2023, resulting in decreases of $10.6 million, $2.5 million, and $1.8 million from U.S. federal government, commercial, and international government clients, respectively, offset by an increase of $1.7 million from U.S. state and local government clients.

- Security and Other Civilian & Commercial client market revenues decreased $2.6 million, or 3.0%, primarily driven by our exit from the commercial marketing business during 2023 resulting in decreases of $8.7 million and $0.2 million from commercial and U.S. state and local government clients, respectively, offset by increases of $5.0 million and $1.3 million from U.S. federal government and international government clients, respectively.

Revenue for the three months ended September 30, 2024 includes subcontractor and other direct costs, which decreased $8.5 million, or 6.3%, from the third quarter of 2023 and totaled $127.6 million and $136.1 million for the three months ended September 30, 2024 and 2023, respectively, and the margin on such costs.

Direct Costs. The increase of $1.5 million in direct costs was driven by an increase in direct labor and related fringe benefit costs which reflected the growth in the business, offset by a decrease in subcontractor and other direct costs as well as our exit from the commercial marketing and events business during 2023. For the three months ended September 30, 2024 and 2023, direct labor and related fringe benefit costs as a percentage of direct costs were 60.8% and 57.9%, respectively, and subcontractor and other direct costs as a percentage of direct costs were 39.2% and 42.1%, respectively. As a percentage of revenue, direct labor and related fringe benefit costs were 38.2% and 37.4%, respectively, and subcontractor and other direct costs were 24.7% and 27.1%, respectively, for the three months ended September 30, 2024 and 2023. Total direct costs as a percentage of revenue were 62.9% for the three months ended September 30, 2024, compared to 64.5% for the three months ended September 30, 2023.

Indirect and selling expenses. For the three months ended September 30, 2024, our indirect and selling expenses increased by $1.3 million, or 1.0%, compared to the prior year, primarily from general and administrative costs. As a result, our indirect and selling expenses as a percentage of revenue decreased to 25.7% for the three months ended September 30, 2024 from 26.2% for the three months ended September 30, 2023.

Depreciation and amortization. The decrease in depreciation and amortization was primarily due to having fewer capital assets as a result of the divestiture of our U.S. commercial marketing business in the third quarter of 2023.

Amortization of intangible assets. The decrease in amortization of intangible assets was primarily due to having fewer intangible assets in the third quarter of 2024 compared to 2023 as a result of the divestiture of our U.S. commercial marketing business in the third quarter of 2023.

Interest, net. The decrease of $3.4 million in interest, net, was primarily from a decrease of our average debt balance to $462.9 million for the three months ended September 30, 2024, compared to $621.1 million for the same period in 2023. The decrease in our average debt balance was due, in part, to collection of receivables, decrease in our interest rates, as well as an increase in utilization of our Master Receivables Purchase Agreement (the "MRPA") with MUFG Bank, Ltd. ("MUFG"). Use of floating-to-fixed interest rate swap agreements to hedge the variable interest portion of our debt reduced our interest expense by $1.7 million compared to $2.1 million for the same period in 2023. Inclusive of the impact of the swap agreements, our interest expense for the three months ended September 30, 2024 was $6.2 million compared to $8.8 million for the same period in 2023 and our interest rate inclusive of the swap agreements was 5.3% for the three months ended September 30, 2024 compared to 5.5% for 2023.

Other (expense) income. The change in other (expense) income of $3.6 million was primarily due to a pre-tax gain of $2.4 million recognized in the third quarter of 2023 and an impact of $1.5 million as a result of changes in foreign currency exchange rates.

Provision for Income Taxes. Our effective income tax rate for the three months ended September 30, 2024 and 2023 was 13.8% and 1.4%, respectively. The difference was primarily due to the deduction for worthless stock related to the wind-down of our commercial marketing business in the U.K. during the third quarter of 2023 which reduced effective income tax rate for the three months ended September 30, 2023. See "Note 8 – Income Taxes" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

The table below sets forth select line items of our unaudited consolidated statements of comprehensive income, the percentage of revenue for these select items, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Nine Months Ended September 30,					
	Dollars		Percentages of Revenue		Year-to-Year Change	
(dollars in thousands)	2024	2023	2024	2023	Dollars	Percent
Revenue	$ 1,523,463	$ 1,484,886	100.0%	100.0%	$ 38,577	2.6%
Direct Costs:						
Direct labor and related fringe befit costs	584,017	555,745	38.3%	37.4%	28,272	5.1%
Subcontractor and other direct costs	380,894	405,728	25.0%	27.3%	(24,834)	(6.1%)
Total Direct Costs	964,911	961,473	63.3%	64.8%	3,438	0.4%
Operating Costs and Expenses:						
Indirect and selling expenses	389,001	381,808	25.5%	25.7%	7,193	1.9%
Depreciation and amortization	15,303	19,052	1.0%	1.3%	(3,749)	(19.7%)
Amortization of intangible assets	24,873	27,154	1.6%	1.8%	(2,281)	(8.4%)
Total Operating Costs and Expenses	429,177	428,014	28.1%	28.8%	1,163	0.3%
Operating Income	129,375	95,399	8.6%	6.4%	33,976	35.6%
Interest, net	(23,136)	(30,146)	(1.5%)	(2.0%)	7,010	(23.3%)
Other (expense) income	767	1,501	0.1%	0.1%	(734)	(48.9%)
Income before Income Taxes	107,006	66,754	7.2%	4.5%	40,252	60.3%
Provision for Income Taxes	21,399	6,304	1.4%	0.4%	15,095	239.5%
Net Income	$ 85,607	$ 60,450	5.8%	4.1%	$ 25,157	41.6%

Revenue. The increase in revenue was driven by $15.1 million, $9.6 million, $7.4 million, and $6.5 million from commercial, U.S. federal government, U.S. state and local governments, and international government clients, respectively. Our revenue from client markets was impacted in varying amounts by our exit from the commercial marketing and events businesses during 2023. The following were changes in revenue from our various client markets:

- Energy, Environment, Infrastructure, and Disaster Recovery client market revenues increased $97.5 million, or 16.4%, in 2024 compared to 2023, driven primarily by $66.7 million and $26.3 million from commercial and U.S. federal government clients, respectively.
- Health and Social Programs client market revenues decreased $35.8 million, or 5.8%, in 2024 compared to 2023. This was driven by a decrease in subcontractor pass-throughs on several of our U.S. federal contracts and our exit from the commercial marketing business during 2023, resulting in decreases of $32.7 million and $13.9 million from U.S. federal government and commercial clients, respectively, offset by increases of $5.8 million and $5.1 million from U.S. state and local government and international government clients, respectively.
- Security and Other Civilian & Commercial client market revenues decreased $23.1 million, or 8.5%, in 2024 compared to 2023. The decrease was primarily driven by our exit from the commercial marketing and events business during 2023 resulting in decreases of $37.6 million and $1.3 million from commercial and international clients, respectively, offset by an increase of $16.0 million from U.S. federal government clients.

Revenue for the nine months ended September 30, 2024 includes subcontractor and other direct costs, which decreased $24.8 million, or 6.1%, and totaled $380.9 million and $405.7 million for the nine months ended September 30, 2024 and 2023, respectively, and the margin on such costs.

Direct Costs. The increase in direct costs was driven by an increase in direct labor and related fringe benefit costs which reflected the growth in the business, and offset by a decrease in subcontractor and other direct costs, primarily as a result of our exit from the commercial marketing and events business during 2023. For the nine months ended September 30, 2024 and 2023, direct labor and related fringe benefit costs as a percentage of direct costs were 60.5% and 57.8%, respectively, and subcontractor and other direct costs as a percentage of total direct costs were 39.5% and 42.2%, respectively. As a percentage of revenue, direct labor and related fringe benefit costs were 38.3% and 37.4%, respectively, and subcontractor and other direct costs were 25.0% and 27.3% respectively, for the nine months ended September 30, 2024 and 2023. Total direct costs as a percentage of revenue were 63.3% for the nine months ended September 30, 2024, compared to 64.8% for the nine months ended September 30, 2023.

Indirect and selling expenses. Indirect and selling expenses as a percentage of revenue were consistent at 25.5% for the nine months ended September 30, 2024 compared to 25.7% for 2023.

Depreciation and amortization. The decrease in our depreciation and amortization was primarily due to having fewer capital assets primarily as a result of the divestiture of our U.S. commercial marketing business in the third quarter of 2023.

Amortization of intangible assets. The decrease in amortization of intangible assets was primarily due to having fewer intangible assets primarily as a result of the divestiture of our U.S. commercial marketing business in the third quarter of 2023.

Interest, net. The decrease in interest, net, was primarily from a decrease of our average debt balance to $488.4 million for the nine months ended September 30, 2024 compared to $641.4 million for the same period in 2023. The decrease in our average debt balance was due, in part, to collection of receivables, decrease in our interest rates, as well as an increase in the utilization of the MRPA. Use of floating-to-fixed interest rate swap agreements to hedge the variable interest portion of our debt reduced our interest expense by $5.0 million for the nine months ended September 30, 2024 compared to $5.2 million for the same period in 2023. Inclusive of the impact of the swap agreements, our interest expense for the nine months ended September 30, 2024 was $20.1 million compared to $26.9 million for 2023 and our interest rate inclusive of the swap agreements was 5.4% and 5.5% for the nine months ended September 30, 2024 and 2023, respectively.

Other income. The change in other income was primarily due to the impact of changes in foreign currency exchange rates.

Provision for Income Taxes. Our effective income tax rate for the nine months ended September 30, 2024 and 2023 was 20.0% and 9.4%, respectively. The difference was primarily due to the impact of a tax planning strategy regarding the ownership structure of our Canadian subsidiaries implemented during 2023 as well as the deduction for worthless stock related to the wind-down of our commercial marketing business in the U.K. during the third quarter of 2023 which reduced the effective income tax rate for the nine months ended September 30, 2023. See "Note 8 – Income Taxes" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

NON-GAAP MEASURES

The following tables provide reconciliations of financial measures that are not calculated in accordance with generally accepted accounting principles in the U.S. to their most comparable U.S. GAAP measures ("non-GAAP"). While we believe that these non-GAAP financial measures provide additional information to investors and may be useful in evaluating our financial information and assessing ongoing trends to better understand our operations, they should be considered supplemental in nature and not as a substitute for financial information prepared in accordance with U.S. GAAP. Other companies may define similarly titled non-GAAP measures differently, thus limiting their use for comparability.

EBITDA and Adjusted EBITDA

Earnings before interest, tax, and depreciation and amortization ("EBITDA") is a measure we use to evaluate operating performance. Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations ("Adjusted EBITDA"). We evaluate these adjustments on an individual basis based on both the quantitative and qualitative aspects of the item, including their size and nature, as well as whether we expect them to recur as part of our normal business on a regular basis.

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

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

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income	$ 32,679	$ 23,740	$ 85,607	$ 60,450
Interest, net	7,195	10,557	23,136	30,146
Provision for income taxes	5,251	340	21,399	6,304
Depreciation and amortization	13,111	14,561	40,176	46,206
EBITDA	58,236	49,198	170,318	143,106
Impairment of long-lived assets [1]	—	2,912	—	3,806
Acquisition and divestiture-related expenses [2]	139	1,779	205	4,685
Severance and other costs related to staff realignment [3]	449	595	1,184	4,455
Charges for facility consolidations and office closures [4]	—	2,220	—	2,579
Pre-tax gain from divestiture of a business [5]	(298)	(2,425)	(2,013)	(2,425)
Total Adjustments	290	5,081	(624)	13,100
Adjusted EBITDA	$ 58,526	$ 54,279	$ 169,694	$ 156,206

(1)Represents impairment charges recorded in the first and third quarters of 2023 of $0.9 million and $2.9 million, respectively, of an intangible asset associated with the exit of our commercial marketing business in the U.K. and operating lease right-of-use assets.

(2)These are primarily third-party costs related to acquisitions and potential acquisitions, integration of acquisitions, and separation of discontinued businesses or divestitures.

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

(4)These are exit costs associated with terminated leases or full office closures that we either (i) will continue to pay until the contractual obligations are satisfied but with no economic benefit to us, or (ii) paid upon termination and ceasing to use the leased facilities.

(5)Pre-tax gain related to the 2023 divestiture of our U.S. commercial marketing business which include contingent gains realized in the first and the third quarter of 2024.

Non-GAAP Diluted Earnings per Share

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

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
U.S. GAAP Diluted EPS	$ 1.73	$ 1.25	$ 4.53	$ 3.19
Impairment of long-lived assets	—	0.15	—	0.20
Acquisition and divestiture-related expenses	0.01	0.09	0.01	0.25
Severance and other costs related to staff realignment	0.02	0.03	0.06	0.23
Expenses related to facility consolidations and office closures [1]	—	0.12	0.04	0.14
Pre-tax gain from divestiture of a business	(0.02)	(0.13)	(0.11)	(0.13)
Amortization of intangibles	0.44	0.46	1.31	1.43
Income tax effects of the adjustments [2]	(0.05)	(0.16)	(0.26)	(0.50)
Non-GAAP Diluted EPS	$ 2.13	$ 1.81	$ 5.58	$ 4.81

(1)These are exit costs related to actual office closures (previously included in Adjusted EBITDA) and accelerated depreciation related to fixed assets for planned office closures.

(2)Income tax effects were calculated using the effective tax rate, adjusted for certain discrete items, if any, of 13.8% and 21.7% for the three months ended September 30, 2024 and 2023, respectively, and 20.0% and 23.5% for the nine months ended September 30, 2024 and 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Borrowing Capacity. In addition to cash and cash equivalents on hand and cash generated from operations, our primary source of liquidity is from our Credit Facility with a syndicate of multiple commercial banks, as described in "Note 5 – Debt" in the "Notes to Consolidated Financial Statements" in this Quarterly Report. The Credit Facility requires that we remain in compliance with certain financial and non-financial covenants (as defined by the Credit Agreement, see our Annual Report for additional details). As of September 30, 2024, we were in compliance with the covenants and we had $588.2 million available under the Credit Facility to fund our ongoing operations, future acquisitions, dividend payments, and share repurchase program.

We have entered into floating-to-fixed interest rate swap agreements for a total notional value of $275.0 million to hedge a portion of our floating-rate Credit Facility. The swap agreements will expire in 2025 and 2028, respectively, and we may consider entering into additional swap agreements as these existing hedges expire. As of September 30, 2024, the percentage of our fixed-rate debt to floating-rate debt was 65%.

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

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

Dividends. We have historically paid quarterly cash dividends to our shareholders of record at $0.14 per share. Total dividend payments during the nine months ended September 30, 2024 were $7.9 million.

Cash dividends declared thus far in 2024 are as follows:

Dividend Declaration Date	Dividend Per Share	Record Date	Payment Date
February 27, 2024	$ 0.14	March 22, 2024	April 12, 2024
May 2, 2024	$ 0.14	June 7, 2024	July 12, 2024
August 1 , 2024	$ 0.14	September 6, 2024	October 11, 2024
October 31, 2024	$ 0.14	December 6, 2024	January 10, 2025

Cash Flow. The following table sets forth our sources and uses of cash for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**
Net Cash Provided by Operating Activities	$ 76,184	$ 45,552
Net Cash Used in Investing Activities	(13,574)	(3,389)
Net Cash Used in Financing Activities	(64,598)	(47,064)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	174	(213)
Decrease in Cash, Cash Equivalents, and Restricted Cash	$ (1,814)	$ (5,114)

Cash provided by operating activities increased by $30.6 million to $76.2 million as a result of higher net income, the net favorable impact of working capital changes, including the timing of servicing the receivables sold to MUFG under the MRPA. See "Note 3 – Contract Receivables, Net" in the "Notes to Consolidated Financial Statements" in this Quarterly Report for additional details on the sale of receivables under the MRPA.

Cash used in investing activities increased by $10.2 million due to the timing of acquisitions and cash received in connection with the 2023 divestiture of our U.S. commercial marketing business.

Cash used in financing activities increased by $17.5 million due to increases in share repurchases and net repayments of our borrowings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934) and have concluded that as of September 30, 2024, our disclosure controls and procedures were effective. There have been no significant changes in our internal controls over financial reporting during the quarterly period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Share Repurchase Program. One of the objectives of our share repurchase program has been to offset dilution resulting from our employee incentive plan. The timing and extent to which we repurchase our shares will depend upon market conditions and other corporate considerations, as may be considered in our sole discretion. Repurchases are funded from our existing cash balances and/or borrowings, and repurchased shares are held as treasury stock.

During the three months ended September 30, 2024, we did not make any share repurchases under our share repurchase program. As of September 30, 2024, $67.2 million of repurchase authority remained available for share repurchases.

Repurchases of Equity Securities. The following table summarizes the share repurchase activity for the three months ended September 30, 2024 for our share repurchase program and shares purchased in satisfaction of employee tax withholding obligations related to the settlement of restricted stock units.

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[2]
July 1 - July 31	—	$ —	—	$ 67,217,536
August 1 - August 31	2,383	$ 157.67	—	$ 67,217,536
September 1 - September 30	—	$ —	—	$ 67,217,536
Total	2,383	$ 157.67	—	

(1)The total number of shares purchased includes shares purchased from employees to pay required withholding taxes related to the settlement of restricted stock units in accordance with our applicable long-term incentive plan. During the three months ended September 30, 2024, we repurchased 2,383 shares of common stock from employees in satisfaction of tax withholding obligations at an average price of $157.67 per share.

(2)The current share repurchase program authorizes share repurchases in the aggregate up to $200.0 million. Our Credit Facility permits annual share repurchases of at least $25.0 million provided that the Company is not in default of its covenants, and higher amounts provided that our Consolidated Leverage Ratio prior to and after giving effect to such repurchases is 0.50 to 1.00 less than the then-applicable maximum Consolidated Leverage Ratio and subject to a net liquidity of $100.00 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
31.2	Certificate of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following materials from the ICF International, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Submitted electronically herewith.
+ Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit.

SIGNATURES

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

ICF INTERNATIONAL, INC.

November 1, 2024 By: /s/ John Wasson

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

November 1, 2024 By: /s/ Barry Broadus

Barry Broadus
Chief Financial Officer
(Principal Financial Officer)