ICON Q4 & FY 2025 Earnings Call: Prepared Remarks

28th May 2025

Kate Haven: VP Investor Relations

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Certain statements in today's call will be forward-looking statements. These statements are based on management's current expectations and information currently available, including current economic and industry conditions. Actual results may differ materially from those stated or implied by forward-looking statements due to risks and uncertainties associated with the company's business, and listeners are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements are only as of the date they are made and we do not undertake any obligation to update publicly any forward-looking statement, either as a result of new information, future events or otherwise. More information about the risks and uncertainties relating to these forward-looking statements may be found in SEC reports filed by the company, including the Form 20-F filed on May 27, 2026.

This presentation includes selected non-GAAP financial measures, which Barry and Nigel will be referencing in their prepared remarks. For a presentation of the most directly comparable GAAP financial measures, please refer to the section of the press release dated May 27, 2026, titled "Consolidated Statements of Operations". While non-GAAP financial measures are not superior to or a substitute for the comparable GAAP measures, we believe certain non-GAAP information is more useful to investors for historical comparison purposes.

Included in the press release and the earnings slides you will note a reconciliation of non-GAAP measures. Adjusted EBITDA, adjusted net income and adjusted diluted earnings per share exclude amortization, stock-based compensation, foreign currency gains and losses, restructuring, transaction, integration-related and other adjustments, transaction-related financing costs, fair value movement on investments in equity, goodwill impairment, impairment of non-financial assets and their related taxation effect.

In the interest of time, we ask participants to keep their questions to one each.

I would now like to hand over the call to our CEO, Barry Balfe.

Barry Balfe: CEO

Thank you, Kate. Last night, we released our Q4 and full-year 2025 financial results, our 2026 guidance and also reported the findings of the recent investigation into certain accounting practices and controls.

We have lots of ground to cover, but before we begin, I want to take a moment to recognize the significant efforts of the teams across ICON in recent months. In particular, the dedicated team that supported the completion of the investigation but also the 40,000 strong workforce that stayed focused on delivering best-in-class research, supporting sites & patients and delivering for customers. Throughout a challenging chapter for ICON, these teams exemplified our partnership mentality, and I am grateful for their dedication and efforts toward advancing our mission.

Now, before turning to our results, I'd like to address the investigation directly.

The process was initiated in October 2025, after the management team raised concerns to the Audit Committee of the Board.

The Audit Committee initiated an investigation, which was conducted by external legal counsel, and supported by forensic and technical accounting advisors. This was comprehensive in scope, assessing not only the revenue recognition practices in our full-service businesses, but also areas including billing and recording of cash.

The investigation determined that, from quarter three 2023 to quarter four 2024, improper adjustments were made to the clinical services revenue of the company. This impacted the timing of revenue recognition, though not the quantum. The company also identified errors in certain inputs related to revenue recognition, specifically estimated cost-to-complete, the assessment of realisable value, and certain manual adjustments in respect of clinical trial services contracts, covering the same period and into 2025. We also identified presentation issues with unbilled and unearned revenue, where contract assets and liabilities eligible for offset were not fully identified.

The issues identified resulted in an overstatement of $65 million or 0.8% of full-year 2023 revenue, and $93 million or 1.1% in full-year 2024. There was no impact on our customers, nor was there any impact on our reported cash flow.

As part of the investigation, we identified material weaknesses in ICON's internal controls over financial reporting. Entity-level controls, including the tone from management, were not sufficient to enforce the monitoring and maintenance of a proper control environment, and the Company did not design and operate effective internal controls to prevent material errors in revenue and related accounts.

Extensive measures have been taken to ensure the accuracy of our financial statements, and we are implementing a comprehensive remediation plan, which Nigel will discuss in detail. Myself and the rest of the management team take very seriously our obligation to maintain reliable, rigorous controls. We are reassured to have identified and addressed these issues swiftly and effectively, and we are committed to ensuring they do not recur.

I'd now like to turn to our results. Having previously called out improved execution on our commercial strategy as a core priority, I am very pleased with our strong commercial performance in Quarter 4. Low double-digit increase in RFP flow, win rates up across our business, gross bookings of $3.2 billion and significantly reduced cancellations, combined to yield Net bookings of $2.9 billion, an increase of 19% year over year. Importantly, our direct fee book to bill was in line with our overall reported book to bill of 1.36 times; an improvement on the mix in recent quarters.

Commercial excellence has been a key strategic focus across the organisation, and we are seeing clear evidence of progress across a range of measures.

While win rate improvement was broad-based across the business, I am particularly pleased with a 5-point sequential up-tick in biotech win rates- a personal priority that I laid out in prior calls.

More broadly, we saw solid traction across customer groups, with no single award value above $150 million. A critical enabler of our success has been our ability to flexibly meet our customers' needs across full-service, functional and hybrid models of development, particularly as their preferred models change over time. In quarter four, we saw solid contribution of awards from existing, long-term partners, alongside an increasing ramp from more recent large and mid-size partnerships.

Cancellations in the quarter were $365 million, down meaningfully from the elevated levels seen in Q2 and Q3 last year and were broadly balanced across customer groups. It is important to acknowledge that, while we have made changes to how we capture cancellations, the improved QoQ performance is evident under both new and old methodologies. As I committed previously, the change to cancellation and backlog methodologies provides for increased transparency, by providing investors with enhanced visibility into intra-quarter dynamics, that are relevant to assessing our current and future financial performance. Nigel will take you through the detail of the changes to our policies and resulting impact, when he covers the financials in detail.

In terms of financial results for quarter four, we saw stronger than anticipated revenue, driven by a marked increase in pass-through revenue. This was partially offset by findings of the investigation. Specifically, the changes made to cost to complete and realisable value estimates in our full-service business impacted earnings by over $50m in the quarter. After a thorough review process, we believe these changes appropriately reflect the expectations for future performance across full-service contracts. These dynamics significantly impacted margin performance in the quarter, resulting in an Adjusted EBITDA margin of 15.5% in quarter four.

Moving to our outlook for 2026, we issued our full-year financial guidance of revenue in the range of $7.85b to $8.15b, and adjusted earnings per share in the range of $10.00 to $11.00. These ranges reflect the importance of appropriately conservative estimates, and sustained QoQ & YoY improvements, especially with regards to earnings.

The guidance range also reflects the divestiture of the Symphony Health business, which impacts full-year revenue by approximately 2%.

We expect a headwind to revenue this year due to the challenging bookings environment we experienced from 2024 through the first three quarters of 2025 and, in particular, the elevated cancellation activity in recent quarters. Pass-through revenue is projected to continue at a similar level on a full-year basis to 2025.

As we indicated on our last earnings call, our 2026 margin profile will be impacted by business mix, specifically FSO/FSP dynamics and sustained levels of pass-through revenue. There is also an impact from pricing pressures from prior quarters, as previously awarded projects convert from bookings into revenue. We will continue to work to offset these factors through efficiency gains, from automation activity and advanced technology deployment, in addition to overall cost management, with a focus on optimizing resource cost and location based on customer requirements. In parallel, we will continue to invest in expertise, prioritizing high-growth businesses like Labs and Early Phase as well as therapeutic areas with potential for accelerated growth, such as advanced hematological diseases and women's health.

Our Functional service business continues to perform strongly, as we support a number of partners that have adopted hybrid development models. We anticipate that phased evolution of sourcing models will continue, positioning us well to benefit from this key element of our differentiated offering.

While 2026 will be a year of navigating near-term headwinds, the leading indicators we are monitoring – bookings momentum, pipeline quality, and the maturation of key partnerships –give us confidence in accelerating growth as we move toward 2027.

Looking at the broader environment, we have been encouraged by indications of strengthening demand over several quarters. Biotech funding has been positive, with particularly strong capital generation in the last two quarters. There has been notable activity with larger, follow-on capital raises in support of late-stage clinical programs – a key focus area for ICON Biotech.

In large pharma, development spending has been supported by customers continuing to invest in their late-stage pipelines. Opportunity flow through quarter four last year increased in the low double digits on a trailing twelve-month basis, led by activity in large pharma and particular strength in cardio-metabolic and oncology TAs. Across the business, we have seen the quality of opportunities improve through quarter four and into this year, with an increase in the average value of opportunities advancing to decision. These Quarter 4 trends have sustained into 2026, and we expect that quarter one awards and cancels will be broadly in-line. In addition, the commercial environment in Q2 is similarly encouraging. We look forward to reporting these Q1 & Q2 numbers in June and July respectively.

Moving on to strategy, since taking up the CEO role in Quarter 4, I have been actively reviewing our portfolio to identify areas where we can generate the most value for our stakeholders. We have focused on opportunities where growth can be accelerated in priority areas of the business, through investments in our people, capabilities, and technology that will better enable our teams and further differentiate our offering.

As a result, we have re-allocated investment to our laboratory services business, increasing automation across our labs, as well as expanding our testing menu, where we've recently added over 100 new biomarker assays.

We also invested in the expansion of our early-phase clinical footprint; opening a new, purpose-built Phase one clinic in San Antonio, Texas, with over 130 beds; along with satellite outpatient centers in Houston, Texas and Lawrence, Kansas. These facilities are specifically designed to support first-in-human studies, as well as healthy participant and patient cohort trials, and expand our capability in this high-growth area.

Separately, we recently announced a partnership with Advarra, integrating ICON's technology with Advarra's systems across a broad network of research sites. By connecting workflows and data more effectively at the site level, we can support faster and more predictable trial execution, improve operational visibility for sponsors, and reduce the burden for our site partners. This partnership will better enable sites to perform clinical research, accelerate study start-up and increase patient recruitment.

Additionally, during quarter two, we completed the divestment of Symphony Health to HealthVerity, a healthcare technology business with significant access to data assets across healthcare claims, EMR and pharmacy sources. ICON will retain access to an expanded pool of healthcare data assets, without the need to own the assets outright, thus advancing our strategy in real world data while reallocating capital to priority growth areas. We will also have an established partner whose focus in this area, and scaled business model, are best placed to navigate the inherent opportunities and potential risks that AI presents to commercial data businesses.

Together, these moves reflect a sharpening of our strategic focus: deliberate prioritisation of growth opportunities and decisive management of the portfolio with disciplined allocation of capital.

In parallel with reviewing the portfolio, we have been refining and progressing the company's AI strategy. Recent advances in the capabilities of Large Language models have been particularly rapid and are facilitating global businesses to move from AI as experimentation, to AI as core infrastructure. While large-scale adoption across industries will be phased, the opportunities for drug development are relatively clear.

In the first instance, the area with the single largest potential for transformation is in discovery. While it has not yet manifested in industry, we will see the emergence of tools that help to better design and synthesise NMEs and to better predict their effect on target diseases or disease pathways. The result will be a greater number of targets, increased predictability; lower failure rates in the clinic and reduced uncertainty. In the aggregate, these trends are NET positive for society, for drug development and for CROs.

For ICON, our focus is in three primary areas:

1. **In the first instance, ICON is building the intelligence layer that connects expertise, data, and AI across the trial lifecycle.** This enables teams to turn information into knowledge and data into insights; allowing for better decisions, faster. Examples include an integrated control tower for project teams that facilitates next-best-action.

2. **Secondly, there are a range of productivity gains to be found through AI-enabled automation, as agentic capabilities accelerate and improve, high-volume, highly repeatable processes across our business.** These agents increase speed, reduce cost and allow human expertise to be redirected to higher value activities. Examples include enterprise adoption of the deployment of digital assistants that support routine site queries.

3. **Thirdly, we continue to develop domain-specific agents that are embedded within clinical trial workflows.** Our proprietary Orbis capability functions as an "agent-of-agents" that facilitates seamless navigation across disparate data sources, our proprietary contracting agent accelerates study start-up and our new CRA agent will increase time and expertise available for site management and patient recruitment support.

So, while there is obviously potential for AI to dilute certain revenue streams over time (for example, the automation of CSRs or the reduction of human effort in programming), the opportunities presented by AI are likely to offset the risks. It is also worth noting that those CROs, like ICON, with the necessary scale to develop industry leading platforms and the expertise to leverage them are positioned to profit disproportionately from this shift.

Finally, a word on capital allocation. In short, our approach to capital allocation is consistent with 2025: disciplined, guided by a defined framework and with a clear priority to return capital to shareholders through share repurchases, while continuing to invest in our capabilities.

Let me now hand over to Nigel, to take you through our results in further detail.

Nigel Clerkin: CFO

Thanks, Barry.

Let me start with an overview of the remediation actions we are taking in the light of the investigation findings.

Our plan is focused on four main areas:

1. Organisational & personnel changes in key roles and enhancements to our compliance programs;
2. Revised policies and procedures related to revenue recognition;
3. Training; and
4. enhanced internal controls over manual adjustments.

These actions are underway and are expected to be fully implemented in 2026. A full description of the material weaknesses and the remedial actions we are taking is included in our 20-F filing.

Turning to the changes we have made to our backlog and cancellation policies. As Barry set out, these changes have been made in response to specific dynamics within our business that were influencing our backlog metrics.

Our policy and approach to gross awards reporting will be consistent with prior periods, which recognizes awards upon written confirmation from our customers that have a defined value, within the quarter of notification, where those awards are expected to start generating revenue within 12 months.

Additionally, each award must have evidence of sufficient funding to support the intended development program to be included in backlog. We believe this approach provides stakeholders the best visibility to our current business development performance regardless of timing related to contracting or other factors.

With regard to cancellations, we have modified our policy such that reported quarterly cancellation amounts now reflect in-period contract cancellation notifications from customers, in addition to studies that have been identified by management as at-risk for cancellation.

This change in policy will more accurately reflect current cancellation activity in comparison to our previous approach of reporting cancellations when only termination or study close-out agreements were finalized with customers for contracted studies, which can take a significant amount of time.

Additionally, this change allows for adjustments for inactive or on hold contracted studies that are unlikely to proceed, which did not occur under the previous policy.

Our treatment of FSP awards and their recognition into backlog is unchanged from our previous policy, which includes the expected revenue under the award over the next 12 months.

The changes made to our policy resulted in an adjustment to our backlog of approximately $3.9 billion at October 1, 2025.

We are confident that these changes provide investors enhanced transparency on awards, cancellations, and our overall backlog, allowing for a more accurate assessment of our business.

The unsatisfied performance obligation, or our backlog in accordance with GAAP policy, will continue to be reported on a quarterly basis, reflecting the total value of contracted awards, adjusted for realizable value calculations in accordance with GAAP.

Now, let me turn to the financial results for the 4th Quarter and Full Year 2025.

Revenue in quarter four was $2.1 billion, representing a year on year increase of 2.5% and an increase of 1.3% on quarter three 2025. For the full year 2025, revenue was $8.25 billion, an increase of 0.8% over 2024.

Our Q4 revenue was approximately $100 million higher than the expectations underpinning the midpoint of the Q4 guidance we provided at our Q3 results call last October. This mainly reflects two things.

Firstly, passthrough revenues came in over $150 million higher than we had anticipated, as the increasing proportion of passthroughs we had seen through the year accelerated further in the fourth quarter.

Second, in connection with the investigation, we performed a comprehensive review of our cost to complete estimates across the full-service portfolio.

This resulted in the correction of some errors in previous periods but also led to updates to estimates that impacted our Q4 results, and resulted in direct fee revenues for the quarter coming in over $50 million lower than previously anticipated.

This mix shift had a consequent and significant impact on our Q4 EBITDA margin and adjusted earnings per share, with both coming in materially lower than the Q4 guidance midpoints.

Adjusted gross margin for the quarter was 23.7% and 27.1% for the year, compared to 30.9% and 29.3% in quarter four 2024 and full year 2024 respectively.

Adjusted SG&A expense was $174.5 million in quarter four, or 8.3% of revenue. For the full year, Adjusted SG&A expense was $701.9m, or 8.5% of revenue.

Adjusted EBITDA was $327.1 million for the quarter. This compares to $387.7 million in Q3 2025 and $455.9 million in Q4 2024. For the full year 2025, Adjusted EBITDA totalled $1,530.7 or 18.6% of revenue. This compares to $1,670.4 million or 20.4% of revenue in 2024.

Adjusted net interest expense was $46.5 million for quarter four, and $184.4 million for full year 2025. On a full year basis, net interest expense declined $20.7 million or 10.1%.

The effective tax rate was 19.0% for the quarter. The full year 2025 adjusted effective tax rate was 16.9% with a similar rate expected for 2026.

Adjusted net income for the quarter was $195.1 million, equating to adjusted earnings per share of $2.52. This compares with adjusted earnings per share of $3.86 in quarter four 2024 and $3.20 in quarter three 2025.

For the year, we recorded adjusted earnings per share of $12.53. This compares with $13.37 for Full Year 2024.

US GAAP income from operations amounted to $207.8 million, or 9.8% of quarter four revenue.

US GAAP net income in quarter four was $149.2 million, or $1.93 per diluted share, compared to $3.58 per diluted share for the equivalent prior year period.

For the year we recorded US GAAP net income per diluted share of $2.90. This compares with $8.90 in 2024.

From a cash perspective, quarter four had cash from operating activities of $234.2 million. Capital expenditure was $59.3 million resulting in free cash flow in the quarter of $174.8 million, bringing our total year-to-date free cash flow to $862.0 million.

At December 31, 2025, cash totalled $647.3 million, and debt totalled $3.4 billion, leaving a net debt position of $2.8 billion. This was broadly in line with net debt at September 30th, 2025 of $2.9 billion. We ended the quarter with a leverage ratio of 1.8x times net debt to adjusted Trailing Twelve Month EBITDA.

Our balance sheet position remains very strong, which affords us the flexibility to continue to strategically deploy capital. We are focused on an approach that balances further investment in our business as well as future growth, while also prioritizing a return of capital to shareholders. We made significant share repurchases in the year totalling $750 million, at an average price of $167 per share.

And with that, I believe we are ready to open it up for questions.