

**FORM 6-K
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 under
the Securities Exchange Act of 1934**

For
the month ended October, 2020

ICON plc
(Registrant's name)

333-08704
(Commission file number)

South County Business Park, Leopardstown, Dublin 18, Ireland
(Address of principal executive offices)

Brendan Brennan, CFO
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(Name, telephone number, email and/or facsimile number and address of Company contact person)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82 **N/A**

ICON plc

Rider A

This report on Form 6-K is hereby incorporated by reference in the registration statement on Form F-3 (Registration No. 333-133371) of ICON plc and in the prospectus contained therein, and this report on Form 6-K shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

GENERAL

As used herein, "ICON", the "Company" and "we" refer to ICON plc and its consolidated subsidiaries, unless the context requires otherwise.

Business

ICON public limited company ("ICON") is a clinical research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. Our vision is to be the global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. At September 30, 2020 we had approximately 15,250 employees, in 94 locations in 40 countries. During the nine months ended September 30, 2020, we derived approximately 34.4%, 55.8% and 9.8% of our revenue in the United States, Europe and Rest of World respectively.

We began operations in 1990 and have expanded our business predominately through organic growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is +353-1-291-2000.

Recent developments

Oncology site network - Oncacare Limited

On July 24, 2020 a subsidiary of the Company, ICON Clinical Research Limited, entered into an agreement to jointly establish a new company, Oncacare Limited ("Oncacare"), with a third party. Oncacare will operate a specialized oncology site network in the US and EMEA regions. The new site network will focus on implementing a range of commercial models with specialist oncology healthcare providers in the US and EMEA, to accelerate the recruitment and retention of patients into oncology trials. The oncology site network will operate as a joint venture between the Company and a third party company which has extensive experience in developing and running a site network.

The Company has invested \$4.9 million to obtain a 49% interest in the voting share capital of Oncacare. The Company's investment in Oncacare is accounted for under the equity method due to the Company's ability to exercise significant influence over Oncacare that is considered to be greater than minor. The Company records its pro rata share of the earnings/losses of this investment in Share of equity method investments in the Condensed Consolidated Statement of Operations. See additional details in *note 2 - Significant accounting policies*.

The third party has the right to sell the 51% majority voting share capital exclusively to the Company in an eighteen month period, commencing January 1, 2023 and ICON also has the right to acquire the 51% majority voting share capital from August 1, 2025.

Redemption of MeDiNova NCI

On March 9, 2020 ICON exercised its option to call the outstanding shares in the noncontrolling interest to take 100% ownership of MeDiNova. Effective from this date, the noncontrolling interest was derecognized and a liability was recognized, representing the assessment of the redemption value of the noncontrolling interest. This liability was settled on July 17, 2020 for \$43.9 million.

Acquisition

On January 22, 2020 a subsidiary of the Company, ICON Investments Limited acquired 100% of the equity share capital of the MedPass Group ("MedPass"). MedPass is the leading European medical device CRO, regulatory and reimbursement consultancy, that specializes in medical device development and market access. The acquisition of MedPass further enhances ICON's Medical Device and Diagnostic Research Services, through the addition of new regulatory and clinical capabilities in Europe. The integration of Medpass's services brings noted expertise in complex class 3 medical devices, interventional cardiology and structural heart devices. The total consideration for the acquisition of MedPass is \$47.6 million.

Share repurchase program

On January 8, 2019, the Company commenced a share buyback program of up to 1.0 million ordinary shares which was completed during the year ended December 31, 2019 for total consideration of \$141.6 million. On October 22, 2019, the Company commenced a further share buyback program. At December 31, 2019, 35,100 ordinary shares were redeemed for a total consideration of \$5.3 million. During the nine months ended September 30, 2020, 1,235,218 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$175.0 million.

All ordinary shares that were redeemed under the buyback program were canceled in accordance with the Constitution of the Company and the nominal value of these shares transferred to other undenominated capital as required by Irish Company law.

Assessment of COVID-19 impact on the business

In the period since year-end, as a result of the global spread of COVID-19, the Company has experienced a negative impact on its operations. At this point in time, there continues to be significant uncertainty relating to the long-term effect of COVID-19 on our business. We have experienced restrictions on our ability to ensure laboratory samples are collected and analyzed on time, our ability to monitor our clinical trials, the ability of patients or other service providers to travel, and our ability to travel, as a result of the outbreak.

However, ICON has mobilized its vaccine resources to address the COVID-19 global threat, including its ability to conduct home-based trials to minimize infection. In addition, the Company is currently providing clinical monitoring and safety oversight on more than 100 COVID-19 trials for both the private and government sectors.

Revenue for the three months ended September 30, 2020 decreased by \$8.7 million, or 1.2%, to \$701.7 million, compared to \$710.4 million for the three months ended September 30, 2019. Revenue decreased by 1.9% in constant currency and decreased by 3.5% in constant dollar organic terms. The decrease in revenues in the three months ended September 30, 2020 is due to the impact the COVID-19 global pandemic has had on operations including; our ability to ensure laboratory samples are collected and analyzed on time, our ability to perform on-site monitoring of clinical trials, the ability of patients or other service providers to travel, and our ability to travel. Certain cost saving measures were introduced in response to COVID-19 including salary reductions. The primary cost saving measure was the application of temporary salary reductions scaled based on seniority of employees.

In light of on-going developments relating to the COVID-19 global pandemic, the Company is supplementing the risk factors previously disclosed in its Form 20-F filed on February 27, 2020 to include the following risk factors.

COVID-19 has, and may continue to, adversely affect our business performance. The Company has experienced a negative impact on our operations as a result of the global spread of COVID-19, including restrictions on our ability to ensure laboratory samples are collected and analyzed on time, our ability to monitor our clinical trials, the ability of patients or other service providers to travel, and our ability to travel. We have also experienced costs associated with impact prevention.

The COVID-19 outbreak continues to evolve. While our site network and office facilities have begun to re-open on a phased basis, the extent to which the outbreak may continue to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of COVID-19, additional phases of the outbreak, travel restrictions and actions to contain the outbreak or treat its impact, such as social distancing and quarantines or lock-downs, business closures or business disruptions and the effectiveness of actions taken throughout the world to contain and treat the disease.

Our information systems and those of third parties which we utilize may face increased cybersecurity risks due to the COVID-19 pandemic, including from the significant number of employees that are working remotely or otherwise impacted by stay-at-home orders. Additional remote access points provide new potential vulnerabilities to cybercriminals. Employees of ICON and third parties may be more susceptible to social engineering efforts, and to phishing attempts which can disguise malware as a legitimate effort to circulate important information relating to COVID-19.

Please also refer to the complete Form 20-F filed on February 27, 2020 for additional risks and uncertainties facing the Company that may adversely affect our business.

Debt re-financing

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. This debt will be repaid and new Senior Notes will be drawn in December 2020, the terms of which were finalized in July 2020. In June 2020, the Company entered into an interest rate hedge in respect of the planned refinancing. The interest rate hedge was effective in accordance with Financial Accounting Standards Board ("FASB") ASC 815 'Derivatives and Hedging'. The interest rate hedge matured on July 9, 2020 when the interest rates on the issue of new Senior Notes were fixed.

New accounting pronouncements

Recently adopted accounting standards

ASU 2020-04 *'Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting'* provides optional expedients and exceptions for applying Generally Accepted Accounting Principles ("GAAP") to contracts, hedging relationships, and other transactions affected by the reference rate reform. The amendments apply only to contracts and transactions that reference LIBOR or another reference rate expected to be discontinued as part of the reform. This ASU was issued on March 12, 2020 and applies only to contracts or transactions entered into or evaluated before December 31, 2022. This ASU was effective upon issuance and may be adopted on any date on or after March 12, 2020. The impact of adopting ASU 2020-04 is not expected to be material to the Group.

ASU 2016-13 *'Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments'* (ASC 326) was effective, and adopted by the group, from January 1, 2020. ASC 326 introduces an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new standard requires loss provisions to reflect an entity's current estimate of all expected credit losses. The assessment must include consideration of both past events and current conditions. The methodology requires the use of forecast information to provide more timely and accurate credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with ASC 842 on leases. The Group adopted ASC 326 using the modified retrospective method. Under this transition method, the new standard is applied from January 1, 2020 without restatement of comparative period amounts. There was no impact of adopting ASC 326 on retained earnings at January 1, 2020.

ICON adopted ASU No. 2018-15 *'Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)'* (ASU 2018-15) effective from January 1, 2020. ASU 2018-15 provides guidance on when to capitalize implementation costs incurred in hosting arrangements which are accounted for as service contracts. The adoption of ASU 2018-15 did not have an impact on the financial statements.

ICON plc
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

	(Unaudited)	(Audited)
	September 30, 2020	December 31, 2019
(in thousands)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 707,995	\$ 520,309
Available for sale investments	1,729	49,628
Accounts receivable, net of allowance for credit losses	510,636	527,708
Unbilled revenue	440,379	422,769
Other receivables	32,583	39,290
Prepayments and other current assets	42,950	41,517
Income taxes receivable	34,784	23,759
Total current assets	1,771,056	1,624,980
Other Assets:		
Property, plant and equipment, net	160,075	165,087
Goodwill	914,413	883,170
Operating right-of-use assets	85,653	104,977
Other non-current assets	17,920	17,439
Non-current income taxes receivable	14,825	17,230
Non-current deferred tax asset	14,181	16,682
Equity method investments	4,817	—
Investments in equity-long term	12,990	10,053
Intangible assets	69,368	67,894
Total Assets	\$ 3,065,298	\$ 2,907,512
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 28,702	\$ 24,050
Unearned revenue	450,906	366,988
Other liabilities	402,018	378,543
Income taxes payable	11,506	12,031
Current bank credit lines and loan facilities	349,923	349,640
Total current liabilities	1,243,055	1,131,252
Other Liabilities:		
Non-current operating lease liabilities	62,494	76,593
Non-current other liabilities	21,149	17,512
Non-current government grants	812	813
Non-current income taxes payable	13,849	14,301
Non-current deferred tax liability	12,823	9,476
Commitments and contingencies	—	—
Total Liabilities	1,354,182	1,249,947
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 52,775,243 shares issued and outstanding at September 30, 2020 and 53,622,206 shares issued and outstanding at December 31, 2019	4,579	4,635
Additional paid-in capital	610,240	577,961
Other undenominated capital	1,134	1,052
Accumulated other comprehensive income	(66,498)	(75,819)
Retained earnings	1,161,661	1,110,226
Total Shareholders' Equity	1,711,116	1,618,055
Redeemable noncontrolling interest	—	39,510
Total Shareholders' Equity and Redeemable Noncontrolling Interest	1,711,116	1,657,565
Total Liabilities and Shareholders' Equity and Redeemable Noncontrolling Interest	\$ 3,065,298	\$ 2,907,512

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(in thousands except share and per share data)				
Revenue	\$ 701,729	\$ 710,441	\$ 2,037,059	\$ 2,080,430
Costs and expenses:				
Direct costs	493,410	499,791	1,444,536	1,465,944
Selling, general and administrative expense	83,117	85,449	253,812	250,564
Depreciation and amortization	16,801	15,157	48,981	45,842
Restructuring	—	—	18,089	—
Total costs and expenses	593,328	600,397	1,765,418	1,762,350
Income from operations	108,401	110,044	271,641	318,080
Interest income	268	1,852	2,518	5,377
Interest expense	(3,239)	(3,393)	(9,640)	(9,946)
Income before provision for income taxes	105,430	108,503	264,519	313,511
Provision for income taxes	(13,706)	(13,020)	(32,706)	(37,516)
Income before share of earnings from equity method investments	91,724	95,483	231,813	275,995
Share of equity method investments	(83)	—	(83)	—
Net income	91,641	95,483	231,730	275,995
Net income attributable to noncontrolling interest	—	(658)	(633)	(1,016)
Net income attributable to the Group	\$ 91,641	\$ 94,825	\$ 231,097	\$ 274,979
Net income per Ordinary Share attributable to the Group (note 11):				
Basic	\$ 1.74	\$ 1.73	\$ 4.28	\$ 5.08
Diluted	\$ 1.72	\$ 1.72	\$ 4.25	\$ 5.03
Weighted average number of Ordinary Shares outstanding:				
Basic	52,737,299	54,004,963	52,885,252	53,935,939
Diluted	53,194,327	54,550,672	53,283,680	54,386,066

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019 (UNAUDITED)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
(in thousands)		
Cash flows from operating activities:		
Net income	\$ 231,730	\$ 275,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	123	217
Depreciation expense	34,553	34,271
Impairment of right-of-use assets	5,411	—
Reduction in carrying value of operating right-of-use assets	21,367	22,867
Amortization of intangibles	14,428	11,571
Amortization of government grants	(33)	(33)
Interest on short term investments	—	(823)
Interest on non-current operating lease liability	1,126	2,020
Realized gain on sale of short term investments	(232)	—
Gain on re-measurement of financial assets	(200)	(500)
Loss on settlement of derivative	(905)	—
Loss on equity method investments	83	—
Stock compensation expense	20,157	21,065
Amortization of interest rate hedge	(725)	(692)
Amortization of financing costs	368	393
Deferred taxes	1,416	3,179
Changes in assets and liabilities:		
Decrease in accounts receivable	24,623	16,264
Increase in unbilled revenue	(17,635)	(126,375)
Decrease in other receivables	5,373	1,616
Increase in prepayments and other current assets	(1,620)	(5,862)
Increase in other non-current assets	(474)	(1,999)
Increase in unearned revenue	82,386	42,119
(Decrease)/increase in other current liabilities	(21,640)	176
Decrease in operating lease liabilities	(22,797)	(25,440)
Increase in other non-current liabilities	887	1,647
(Decrease)/increase in income taxes payable	(9,428)	6,498
Increase/(decrease) in accounts payable	4,271	(78)
Net cash provided by operating activities	372,613	278,096
Cash flows from investing activities:		
Purchase of property, plant and equipment	(28,026)	(31,929)
Purchase of subsidiary undertakings	(47,931)	(116,431)
Purchase of equity method investments	(2,450)	—
Cash acquired with subsidiary undertaking	10,170	11,700
Purchase of available for sale investments	—	(16,075)
Sale of available for sale investments	47,902	23,814
Purchase of investments in equity - long term	(2,737)	(3,476)
Net cash used in investing activities	(23,072)	(132,397)
Cash flows from financing activities:		
Proceeds from exercise of equity compensation	12,349	21,054
Share issue costs	(10)	(9)
Repurchase of ordinary shares	(175,000)	(141,573)
Share repurchase costs	(140)	(103)
Net cash used in financing activities	(162,801)	(120,631)
Effect of exchange rate movements on cash	946	(3,315)
Net increase in cash and cash equivalents	187,686	21,753
Cash and cash equivalents at beginning of period	520,309	395,851
Cash and cash equivalents at end of period	\$ 707,995	\$ 417,604

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	Group								
	Shares	Amount	Additional Paid-in Capital	Undenominated Capital	Other Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total	Redeemable Noncontrolling Interest
(dollars in thousands, except share data)									
Balance at December 31, 2019	53,622,206	\$ 4,635	\$ 577,961	\$ 1,052	\$ (75,819)	\$ 1,110,226	\$ 1,618,055	\$	39,510
Comprehensive income:									
Net income	—	—	—	—	—	231,097	231,097	—	633
Currency translation adjustment	—	—	—	—	12,176	—	12,176	—	—
Currency impact of long term funding (net of tax)	—	—	—	—	(1,299)	—	(1,299)	—	—
Transfer to realized capital gain	—	—	—	—	(232)	—	(232)	—	—
Amortization of interest rate hedge	—	—	—	—	(725)	—	(725)	—	—
Loss on interest rate hedge	—	—	—	—	(905)	—	(905)	—	—
Fair value of cash flow hedge (net of tax)	—	—	—	—	306	—	306	—	—
Total comprehensive income	—	—	—	—	9,321	231,097	240,418	—	633
Share-based payments:									
Exercise of share options	181,144	12	12,323	—	—	—	12,335	—	—
Issue of restricted share units	207,111	14	—	—	—	—	14	—	—
Non-cash stock compensation expense	—	—	19,966	—	—	—	19,966	—	—
Share issuance costs	—	—	(10)	—	—	—	(10)	—	—
Share repurchase program	(1,235,218)	(82)	—	82	—	(175,000)	(175,000)	—	—
Share repurchase costs	—	—	—	—	—	(140)	(140)	—	—
Noncontrolling interest adjustment to redemption amount	—	—	—	—	—	(4,522)	(4,522)	—	4,522
Exercise of call option on noncontrolling interest shares	—	—	—	—	—	—	—	—	(44,665)
Balance at September 30, 2020	52,775,243	\$ 4,579	\$ 610,240	\$ 1,134	\$ (66,498)	\$ 1,161,661	\$ 1,711,116	\$	—

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

ICON plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2020

1. Basis of presentation

These condensed consolidated financial statements which have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") have not been audited. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the operating results and financial position for the periods presented. The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the condensed consolidated financial statements. Actual results could differ from those estimates.

The condensed consolidated financial statements should be read in conjunction with the accounting policies and notes to the consolidated financial statements included in ICON's Form 20-F for the year ended December 31, 2019 (see *note 2 - Significant accounting policies* for impact of adoption of any new accounting standards). Operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2020.

2. Significant accounting policies

Equity Method Investments

The Company's investments that are not consolidated are accounted for under the equity method if the Company exercises significant influence that is considered to be greater than minor. These investments are classified as equity method investments on the accompanying Condensed Consolidated Balance Sheet. The Company records its pro rata share of the earnings/losses of these investments in Share of equity method investments in the Condensed Consolidated Statement of Operations. The Company reviews these for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Redeemable noncontrolling interests and equity

On May 23, 2019, ICON acquired a majority ownership interest in MeDiNova. Included in the purchase agreement are put and call option arrangements with the noncontrolling interest holders that require (put option) or enable (call option) ICON to purchase the remaining minority ownership at a future date. The option is accounted for as temporary equity, which is presented separately as redeemable noncontrolling interest on the Condensed Consolidated Balance Sheet. This classification reflects the assessment that the instruments are contingently redeemable in accordance with ASC 480-10-S99 '*Distinguishing Liabilities from Equity*'.

Redeemable noncontrolling interests are accreted to their redemption value over the period from the date of issuance to the first date on which the option is exercisable. The change in the option's redemption value is recorded against retained earnings. In a computation of earnings per share, the accretion of redeemable noncontrolling interests to their redemption value is a reduction of net income attributable to the Group. Basic and diluted net income per ordinary share attributable to the Group includes the adjustment to reflect the accretion of the noncontrolling interest to its redemption value.

On March 9, 2020 ICON exercised its option to call the outstanding shares in the noncontrolling interest to take 100% ownership of MeDiNova. On exercise of the call option, the noncontrolling interest is extinguished and a liability was recorded for the amount payable to the former noncontrolling interest holders. This liability was settled on July 17, 2020 for \$43.9 million.

Financial assets - credit losses

On January 1, 2020, the Group adopted ASU 2016-13 '*Measurement of Credit Losses on Financial Instruments (ASC 326)*', which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. The update provides guidance on the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amendment replaces the current incurred loss impairment approach with a methodology to reflect expected credit losses and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates.

The Group adopted ASC 326 using the modified retrospective method for all in scope financial assets. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The impact of transitioning to the new standard at January 1, 2020 was immaterial and no adjustment was recorded to retained earnings for the cumulative effect of adopting ASC 326.

On transition to ASC 326, the Group has revised the methodology to calculate the allowance for credit losses. The Group's estimate of expected credit losses considers historical credit loss information that is adjusted, where necessary, for current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The Group's receivables and unbilled services are predominantly due from large and mid-tier pharmaceutical and biotechnology companies that share similar risk characteristics. The Group monitors their portfolio of receivables and unbilled services for any deterioration in current or expected credit quality (for example, expected delinquency level), and adjusts the allowance for credit losses as required.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense in the Condensed Consolidated Statement of Operations. Losses are charged against the allowance when management believes the uncollectibility of a previously provisioned amount is confirmed.

Leases

The new leasing standard (ASC 842 'Leases') was effective and adopted by ICON from January 1, 2019. ASC 842 'Leases' supersedes the requirements in ASC 840 'Leases' and requires that lessees recognize rights and obligations from virtually all leases (other than leases that meet the definition of a short-term lease) on their balance sheets as right-of-use assets with corresponding lease liabilities. The ASU also provides additional guidance on how to classify leases and how to determine the lease term for accounting purposes.

ICON adopted the new standard under the cumulative effect adjustment approach. Under this transition method, the new standard is applied from January 1, 2019 without restatement of comparative period amounts. Operating lease liabilities and right-of-use assets of \$106.5 million were recorded on the Condensed Consolidated Balance Sheet as at January 1, 2019.

There was no impact of adopting ASC 842 on opening retained earnings at January 1, 2019.

3. Revenue

Revenue disaggregated by customer profile is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Top client	\$ 87,231	\$ 80,857	\$ 233,930	\$ 270,416
Clients 2-5	182,229	176,598	568,573	512,883
Clients 6-10	89,062	91,134	249,807	247,309
Clients 11-25	118,156	134,111	344,463	399,877
Other	225,051	227,741	640,286	649,945
Total	\$ 701,729	\$ 710,441	\$ 2,037,059	\$ 2,080,430

4. Accounts receivable, unbilled revenue (contract assets) and unearned revenue or payments on account (contract liabilities)

Accounts receivables and unbilled revenue are as follows:

	September 30, 2020	December 31, 2019
(in thousands)		
Contract assets:		
Billed services (accounts receivable)	\$ 519,709	\$ 535,088
Unbilled services (unbilled revenue)	440,379	422,769
Accounts receivable and unbilled revenue	960,088	957,857
Allowance for credit losses	(9,073)	—
Allowance for doubtful debts	—	(7,380)
Accounts receivable and unbilled revenue, net	\$ 951,015	\$ 950,477

Unbilled services and unearned revenue or payments on account (contract assets and liabilities) were as follows:

(in thousands, except percentages)	September 30, 2020	December 31, 2019	\$ Change	% Change
Unbilled services (unbilled revenue)	\$ 440,379	\$ 422,769	\$ 17,610	4.2 %
Unearned revenue (payments on account)	(450,906)	(366,988)	(83,918)	22.9 %
Net balance	\$ (10,527)	\$ 55,781	\$ (66,308)	(118.9)%

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. We record assets for amounts related to performance obligations that are satisfied but not yet billed and/or collected. These assets are recorded as unbilled services and therefore contract assets rather than accounts receivables when receipt of the consideration is conditional on something other than the passage of time. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations or billed in advance of the revenue being earned.

Unbilled services/revenue balances arise where invoicing or billing is based on the timing of agreed milestones related to service contracts for clinical research. Contractual billing arrangements in respect of certain reimbursable expenses (principally investigators) require billing by the investigator to the Company prior to billing by the Company to the customer. As there is no contractual right to set-off between unbilled services (contract assets) and unearned revenue (contract liabilities), each are separately presented gross on the Condensed Consolidated Balance Sheet.

Unbilled services as at September 30, 2020 increased by \$17.6 million compared to December 31, 2019. Unearned revenue increased by \$83.9 million over the same period resulting in a decrease of \$66.3 million in the net balance of unbilled services and unearned revenue or payments on account between December 31, 2019 and September 30, 2020. These fluctuations are primarily due to timing of payments and invoicing related to the Group's clinical trial management contracts. Billings and payments are established by contractual provisions including predetermined payment schedules which may or may not correspond to the timing of the transfer of control of the Company's services under the contract. Unbilled services arise from long-term contracts when a cost-based input method of revenue recognition is applied and revenue recognized exceeds the amount billed to the customer.

The credit loss expense and allowance for credit losses recognized on the Group's receivables and unbilled services was de minimis for the nine months ended September 30, 2020 and September 30, 2019.

As of September 30, 2020 approximately \$6.1 billion of revenue is expected to be recognized in the future in respect of unsatisfied performance obligations. The Company expects to recognize revenue on approximately 43% of the unsatisfied performance obligation over the next 12 months, with the remainder recognized thereafter over the duration of the customer contracts.

5. Goodwill

	Nine Months Ended		Year Ended
	September 30, 2020		December 31, 2019
	(in thousands)		
Opening balance	\$	883,170	\$ 756,260
Current period acquisitions (Note 6)		27,191	126,932
Prior period acquisitions		123	—
Foreign exchange movement		3,929	(22)
Closing balance	\$	914,413	\$ 883,170

6. Business combinations

Acquisitions – MedPass Group (“MedPass”)

On January 22, 2020 a subsidiary of the Company, ICON Investments Limited acquired 100% of the equity share capital of the MedPass Group. MedPass is the leading European medical device CRO, regulatory and reimbursement consultancy, that specializes in medical device development and market access. The acquisition of MedPass further enhances ICON’s Medical Device and Diagnostic Research Services, through the addition of new regulatory and clinical capabilities in Europe. The integration of MedPass’s services brings noted expertise in complex class 3 medical devices, interventional cardiology and structural heart devices.

The acquisition of MedPass has been accounted for as a business combination in accordance with ASC 805 ‘Business Combinations’. The Company has made a provisional assessment of the fair value of assets acquired and liabilities assumed as at that date. The following table summarizes the Company’s fair values of the assets acquired and liabilities assumed:

	January 22, 2020
	(in thousands)
Cash & cash equivalents	\$ 10,170
Property, plant and equipment	45
Operating right of use assets	539
Goodwill *	27,191
Customer relationships **	11,725
Order backlog **	2,883
Accounts receivable	3,033
Prepayments and other current assets	158
Accounts payable	(368)
Unearned revenue	(989)
Other liabilities	(2,202)
Current lease liabilities	(219)
Non-current lease liabilities	(320)
Non-current deferred tax liability	(4,090)
Net assets acquired	\$ 47,556
Cash outflows	\$ 46,992
Working capital adjustment paid	564
Contingent consideration ***	—
Total consideration	\$ 47,556

* Goodwill represents the acquisition of an established workforce that specializes in medical device development and market access. None of the goodwill recognized is expected to be deductible for income tax purposes.

** The Company has made an estimate of separate intangible assets acquired, being customer relationships and order book assets. This assessment will be finalized within 12 months of the date of acquisition.

*** The fair value of the contingent consideration was estimated at the date of acquisition. Depending on performance of the company, the total consideration could increase by a maximum of \$6.7 million in contingent consideration. At September 30, 2020, the fair value of this contingent consideration payable to MedPass is \$Nil.

Acquisitions – CRN Holdings LLC (trading as Symphony Clinical Research (“Symphony”))

On September 24, 2019 a subsidiary of the Company, ICON Clinical Research LLC, acquired a 100% interest in Symphony. Symphony is a leading provider of at-home trial services and site support services. The acquisition of Symphony further enhances our site & patient services offering. Accounting for the acquisition of Symphony was finalized in the period ended September 30, 2020.

The acquisition of Symphony has been accounted for as a business combination in accordance with ASC 805 'Business Combinations'. The Company has made an assessment of the fair value of assets acquired and liabilities assumed as at that date. The following table summarizes the Company's fair values of the assets acquired and liabilities assumed:

	September 24, 2019
	(in thousands)
Cash & cash equivalents	\$ 3,292
Property, plant and equipment	564
Operating right of use assets	820
Goodwill *	22,865
Customer relationships **	8,159
Order backlog **	2,163
Accounts receivable	4,544
Unbilled revenue	186
Prepayments and other current assets	181
Other receivables	6
Accounts payable	(799)
Unearned revenue	(2,411)
Other liabilities	(933)
Current lease liabilities	(289)
Non-current lease liabilities	(531)
Net assets acquired	\$ 37,817
Cash outflows	\$ 34,976
Working capital adjustment paid	341
Contingent consideration ***	2,500
Total consideration	\$ 37,817

* Goodwill represents the acquisition of an established workforce and the capability to provide at-home trial services and site support solutions. The full amount of the goodwill recognized is expected to be deductible for income tax purposes.

** In finalizing the acquisition of Symphony in the twelve month period from acquisition, fair value adjustments were made which resulted in increases in accounts receivable (\$0.6 million) and unearned revenue (\$1.0 million) and decreases in unbilled revenue (\$0.1 million), accounts payable (\$0.3 million) and other liabilities (\$0.1 million). Customer relationship and order backlog assets were also finalized.

*** The fair value of the contingent consideration was estimated at the date of acquisition. In the three month period ended, June 30, 2020, the contingent consideration has been settled at fair value in the amount of \$0.5 million. The change in fair value has been recorded in the selling, general and administrative expense line of the Condensed Consolidated Statement of Operations.

Acquisitions – MeDiNova

On May 23, 2019 a subsidiary of the Company, ICON Clinical Research (U.K.) Limited acquired a majority shareholding in MeDiNova, a site network with research sites in key markets in Europe and Africa. On March 9, 2020 ICON exercised its option to call the outstanding shares in the noncontrolling interest to take 100% ownership of MeDiNova. The acquisition further enhances ICON's patient recruitment capabilities in EMEA and complements ICON's existing site network in the US, PMG Research. Accounting for the acquisition of MeDiNova was finalized in the period ended June 30, 2020.

The acquisition of MeDiNova has been accounted for as a business combination in accordance with ASC 805 '*Business Combinations*'. The Company made an assessment of the fair value of assets acquired and liabilities assumed as at that date. The following table summarizes the Company's fair values of the assets acquired and liabilities assumed:

	May 23, 2019
	(in thousands)
Cash & cash equivalents	\$ 7,719
Property, plant and equipment	670
Operating right of use assets	1,558
Goodwill *	81,760
Customer relationships	3,887
Order backlog	171
Patient database	2,542
Accounts receivable	3,488
Unbilled revenue	4,272
Other receivables	819
Prepayments and other current assets	406
Accounts payable	(5,484)
Unearned revenue	(5,796)
Other liabilities	(6,860)
Current lease liabilities	(430)
Non-current lease liabilities	(1,128)
Non-current deferred tax liability	(1,345)
Net assets acquired	\$ 86,249
Cash outflows	\$ 54,123
Working capital adjustment received	(466)
Redeemable noncontrolling interest **	32,592
Total consideration	\$ 86,249

*Goodwill represents the acquisition of an established workforce and access to a broad site network in Europe and Africa. None of the goodwill recognized is expected to be deductible for income tax purposes.

**The fair value of the redeemable noncontrolling interest on May 23, 2019 was \$32.6 million which was estimated by applying an income based approach. The valuation approach used was based on the future earnings of the Company times an appropriate earnings multiple. On March 9, 2020 ICON exercised its option to call the outstanding shares in the noncontrolling interest to take 100% ownership of MeDiNova. Effective from this date, the noncontrolling interest was derecognized and a liability was recognized, representing the assessment of the redemption value of the noncontrolling interest. This liability was settled on July 17, 2020 for \$43.9 million.

Acquisitions – MolecularMD Corp ("MMD")

On January 25, 2019 a subsidiary of the Company, ICON Laboratory Services, Inc. acquired 100% of the share capital of MMD. MMD is a molecular diagnostic specialty laboratory that enables the development and commercialization of precision medicines in oncology. Accounting for the acquisition of MMD was finalized at December 31, 2019.

The acquisition of MMD has been accounted for as a business combination in accordance with ASC 805 '*Business Combinations*'. The Company has made an assessment of the fair value of assets acquired and liabilities assumed as at that date. The following table summarizes the Company's fair values of the assets acquired and liabilities assumed:

	January 25, 2019
	(in thousands)
Cash & cash equivalent	\$ 686
Property, plant and equipment	1,697
Operating right of use assets	2,866
Goodwill *	22,430
Customer relationships	10,708
Order backlog	2,787
Accounts receivable	3,100
Unbilled revenue	2,421
Other receivables	43
Prepayments and other current assets	908
Deferred tax asset	1,568
Accounts payable	(1,280)
Unearned revenue	(540)
Other liabilities	(1,232)
Current lease liabilities	(699)
Non-current lease liabilities	(2,167)
Non-current other liabilities	(1,123)
Net assets acquired	\$ 42,173
Cash outflows	\$ 42,349
Working capital adjustment received	(176)
Total consideration	\$ 42,173

*Goodwill represents the acquisition of an established workforce with experience in molecular diagnostic specialty laboratory services and commercialization of precision medicines in oncology. None of the goodwill recognized is expected to be deductible for income tax purposes.

7. Equity method investments

The Company has invested \$4.9 million to obtain a 49% interest in the voting share capital of Oncacare. The Company's investment in Oncacare is accounted for under the equity method due to the Company's ability to exercise significant influence over Oncacare that is considered to be greater than minor. The Company records its pro rata share of the earnings/losses of this investment in 'Share of equity method investments' in the Condensed Consolidated Statement of Operations. See additional details in *note 2 - Significant accounting policies*.

The majority investor has the right to sell the 51% majority voting share capital exclusively to the Company in an eighteen month period, commencing January 1, 2023 and ICON also has the right to acquire the 51% majority voting share capital from August 1, 2025.

	Ownership Percentage	Carrying Value	Carrying Value
	September 30, 2020	September 30, 2020	At date of investment July 24, 2020
		(in thousands)	
Oncacare Limited	49 %	\$ 4,817	\$ 4,900

The Company has invested \$4.9 million in Oncacare, of which, \$2.5 million has been paid with the remainder to be paid in the next twelve months.

The Company has recorded a loss of \$0.1 million representing its pro rata share of the losses in Oncacare since the date of initial investment.

8. Restructuring

Restructuring charges

A restructuring charge of \$18.1 million was recognized during the nine months ended September 30, 2020 under a restructuring plan adopted following a review of operations. The restructuring plan reflected resource rationalization across the business to improve resource utilization, resulting in a charge of \$11.4 million and office consolidation resulting in a charge for onerous lease obligation of \$6.7 million, including the recognition of an impairment of right of use assets of \$5.4 million (see note 9 - Operating Leases) and provision for other related costs of \$1.3 million.

Details of the restructuring charge recognized in the three and nine months ended September 30, 2020 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)			
Restructuring charge	\$ —	\$ —	\$ 18,089	\$ —
Total	\$ —	\$ —	\$ 18,089	\$ —

Details of the movement in the restructuring charge recognized in the three and nine months ended September 30, 2020 are as follows:

	Workforce reductions	Onerous Lease	Total
	(in thousands)		
Initial restructuring charge recorded	\$ 11,391	\$ 6,698	\$ 18,089
Utilization	(4,278)	(642)	(4,920)
Foreign exchange movement	—	123	123
Provision at September 30, 2020	\$ 7,113	\$ 6,179	\$ 13,292

Prior Period Restructuring charges

A restructuring charge of \$12.5 million was recognized during the year ended December 31, 2018 under a restructuring plan adopted following a review of operations. The restructuring plan reflected resource rationalization across the business to improve resource utilization, resulting in a charge of \$9.7 million and office consolidation resulting in the recognition of an onerous lease obligation of \$2.8 million. No additional charge was recorded during the nine months ended September 30, 2020.

	Workforce reductions		Onerous Lease		Total
	(in thousands)				
Initial restructuring charge recorded	\$	9,684	\$	2,806	\$ 12,490
Utilization		(5,399)		(672)	(6,071)
Provision at December 31, 2018	\$	4,285	\$	2,134	\$ 6,419
Utilization		(3,554)		(1,228)	(4,782)
Provision at December 31, 2019	\$	731	\$	906	\$ 1,637
Utilization		(430)		(238)	(668)
Provision at September 30, 2020	\$	301	\$	668	\$ 969

At September 30, 2020, \$10.2 million is included within other liabilities and \$4.1 million within non-current other liabilities.

9. Operating leases

Lease costs recorded under operating leases for the three and nine months ended September 30, 2020 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Operating lease costs	\$ 7,417	\$ 8,713	\$ 23,274	\$ 26,332
Income from sub-leases	(268)	(378)	(781)	(1,445)
Net operating lease costs	\$ 7,149	\$ 8,335	\$ 22,493	\$ 24,887

Of the total cost of \$22.5 million incurred in the nine months ended September 30, 2020 (September 30, 2019: \$24.9 million), \$20.6 million (September 30, 2019: \$23.0 million) is recorded within selling, general and administration costs and \$1.9 million (September 30, 2019: \$1.9 million) is recorded within direct costs.

During the three and nine months ended September 30, 2020 and September 30, 2019, costs incurred by the Group related to variable lease payments was de minimis.

Right-of-use assets obtained during the three and nine months ended September 30, 2020 net of early termination options, now reasonably certain to be exercised, totaled \$5.3 million and \$8.2 million, respectively (September 30, 2019: \$7.5 million and \$25.4 million respectively). In the nine months ended September 30, 2020, office consolidations resulted in the recognition of an onerous lease obligation. The right-of-use assets related to these offices have been impaired to the extent they are considered onerous and a loss \$5.4 million was recorded (see *note 8 - Restructuring*). No impairment losses were recognized in the three and nine months ended September 30, 2020.

The weighted average remaining lease term and weighted-average discount rate at September 30, 2020 were 4.57 years and 2.58%, respectively.

Future minimum lease payments under non-cancelable leases as of September 30, 2020 were as follows:

	Minimum rental payments (in thousands) September 30, 2020	
Due within 1 year	\$	26,237
Due between 1 and 5 years		54,736
Thereafter		11,491
Total future minimum lease payments		92,464
Lease imputed interest		(5,665)
Total	\$	86,799

Operating lease liabilities are presented as current and non-current. Operating lease liabilities of \$24.3 million have been included in other liabilities as at September 30, 2020 (September 30, 2019: \$28.1 million).

10. Income taxes

Income taxes recognized during the three and nine months ended September 30, 2020 and September 30, 2019, comprise:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Provision for income taxes	\$ 13,706	\$ 13,020	\$ 34,967	\$ 37,516
Tax impact of restructuring and other items	—	—	(2,261)	—
Provision for income taxes	\$ 13,706	\$ 13,020	\$ 32,706	\$ 37,516

As at September 30, 2020 the Company maintains a \$20.0 million liability (December 31, 2019: \$21.3 million) for unrecognized tax benefit, which is comprised of \$19.6 million (December 31, 2019: \$20.2 million) related to items generating unrecognized tax benefits and \$0.4 million (December 31, 2019: \$1.1 million) for interest and related penalties to such items. The Company recognizes interest accrued on unrecognized tax benefits as an additional income tax expense.

The Company has analyzed the filing positions in all of the significant federal, state and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. The only periods subject to examination by the major tax jurisdictions where the Company does business are 2015 through 2019 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

11. Net income per ordinary share

Basic net income per ordinary share attributable to the Group has been computed by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted net income per ordinary share is computed by adjusting the weighted average number of ordinary shares outstanding during the period for all potentially dilutive ordinary shares outstanding during the period and adjusting net income for any changes in income or loss that would result from the conversion of such potential ordinary shares.

There is no difference in net income used for basic and diluted net income per ordinary share.

Basic and diluted net income per ordinary share attributable to the Group includes the adjustment to reflect the accretion of the noncontrolling interest in MeDiNova to its redemption value.

The reconciliation of the number of shares used in the computation of basic and diluted net income per ordinary share is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	52,737,299	54,004,963	52,885,252	53,935,939
Effect of dilutive share options outstanding	457,028	545,709	398,428	450,127
Weighted average number of ordinary shares outstanding for diluted net income per ordinary share	53,194,327	54,550,672	53,283,680	54,386,066

The reconciliation of net income attributable to the Group and net income attributable to the Group (including NCI redemption amount) as used to calculate net income per ordinary share attributable to the Group is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Net income attributable to the Group	\$ 91,641	\$ 94,825	\$ 231,097	\$ 274,979
Noncontrolling interest adjustment to redemption amount	—	(1,243)	(4,522)	(1,243)
Net income attributable to the Group (including NCI redemption adjustment)	\$ 91,641	\$ 93,582	\$ 226,575	\$ 273,736

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income per Ordinary Share attributable to the Group (including NCI redemption adjustment):				
Basic	\$ 1.74	\$ 1.73	\$ 4.28	\$ 5.08
Diluted	\$ 1.72	\$ 1.72	\$ 4.25	\$ 5.03

12. Share-based awards

Share Options

On July 21, 2008, the Company adopted the Employee Share Option Plan 2008 (the "2008 Employee Plan") pursuant to which the Compensation and Organization Committee of the Company's Board of Directors may grant options to any employee, or any Director holding a salaried office or employment with the Company or a Subsidiary for the purchase of ordinary shares. On the same date, the Company also adopted the Consultants Share Option Plan 2008 (the "2008 Consultants Plan"), pursuant to which the Compensation and Organization Committee of the Company's Board of Directors may grant options to any consultant, adviser or non-executive Director retained by the Company or any Subsidiary for the purchase of ordinary shares.

On February 14, 2017, both the 2008 Employee Plan and the 2008 Consultants Plan (together the "2008 Option Plans") were amended and restated in order to increase the number of options that can be issued under the 2008 Consultants Plan from 0.4 million to 1.0 million and to extend the date for options to be granted under the 2008 Option Plans.

An aggregate of 6.0 million ordinary shares have been reserved under the 2008 Employee Plan, as reduced by any shares issued or to be issued pursuant to options granted under the 2008 Consultants Plan, under which a limit of 1.0 million shares applies. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2008 Employee Option Plan, during any calendar year to any employee shall be 0.4 million ordinary shares. There is no individual limit under the 2008 Consultants Plan. No options may be granted under the 2008 Option Plans after February 14, 2027.

Each option granted under the 2008 Option Plans will be an employee stock option, or NSO, as described in Section 422 or 423 of the Internal Revenue Code. Each grant of an option under the 2008 Options Plans will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

On January 17, 2003, the Company adopted the Share Option Plan 2003 (the "2003 Share Option Plan") pursuant to which the Compensation and Organization Committee of the Board could grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. An aggregate of 6.0 million ordinary shares were reserved under the 2003 Share Option Plan; and, in no event could the number of ordinary shares issued pursuant to options awarded under this plan exceed 10% of the outstanding shares, as defined in the 2003 Share Option Plan, at the time of the grant, unless the Board expressly determined otherwise. Further, the maximum number of ordinary shares with respect to which options could be granted under the 2003 Share Option Plan during any calendar year to any employee was 0.4 million ordinary shares. The 2003 Share Option Plan expired on January 17, 2013. No new options may be granted under this plan.

Share option awards are granted with an exercise price equal to the market price of the Company's shares at date of grant. Prior to 2018, share options typically vest over a period of five years from date of grant and expire eight years from date of grant. Share options granted to non-executive directors during 2018 vest over 12 months and expire eight years from the date of grant. The maximum contractual term of options outstanding at September 30, 2020 is eight years.

The following table summarizes option activity for the nine months ended September 30, 2020:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2019	656,107	\$ 87.80	\$ 26.60	4.76
Granted	107,737	\$ 159.83	\$ 42.43	
Exercised	(181,144)	\$ 68.10	\$ 20.95	
Canceled/expired	(11,644)	\$ 84.27	\$ 25.56	
Outstanding at September 30, 2020	571,056	\$ 107.71	\$ 31.40	5.06
Exercisable at September 30, 2020	237,118	\$ 82.42	\$ 24.65	3.79

The Company has outstanding options with fair values ranging from \$11.58 to \$46.72 per option or a weighted average fair value of \$22.73 per option. The Company issues ordinary shares for all options exercised. The total amount of fully vested share options which remained outstanding at September 30, 2020 was 237,118. Fully vested share options at September 30, 2020 have an average remaining contractual term of 3.79 years, an average exercise price of \$82.42 and a total intrinsic value of \$25.8 million. The total intrinsic value of options exercised during the nine months ended September 30, 2020 was \$19.7 million (September 30, 2019: \$24.9 million).

The following table summarizes the movement in non-vested share options for the nine months ended September 30, 2020:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Non-vested outstanding at December 31, 2019	358,030	\$ 103.68	\$ 31.28
Granted	107,737	\$ 159.83	\$ 42.43
Vested	(124,605)	\$ 92.25	\$ 27.51
Forfeited	(7,224)	\$ 122.18	\$ 35.25
Non-vested outstanding at September 30, 2020	333,938	\$ 125.66	\$ 36.20

Fair value of Stock Options Assumptions

The weighted average fair value of options granted during the nine months ended September 30, 2020 and September 30, 2019 was calculated using the Black-Scholes option pricing model. The weighted average grant date fair values and assumptions used were as follows:

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Weighted average grant date fair value	\$ 42.43	\$ 43.43
Assumptions:		
Expected volatility	30 %	30 %
Dividend yield	— %	— %
Risk-free interest rate	0.57 %	2.55 %
Expected life	5 years	5 years

Expected volatility is based on the historical volatility of our common stock over a period equal to the expected term of the options; the expected life represents the weighted average period of time that options granted are expected to be outstanding given consideration to vesting schedules and our historical experience of past vesting and termination patterns. The risk-free rate is based on the U.S. government zero-coupon bonds yield curve in effect at time of the grant for periods corresponding with the expected life of the option.

Restricted Share Units and Performance Share Units

On April 23, 2013, the Company adopted the 2013 Employees Restricted Share Unit and Performance Share Unit Plan (the "2013 RSU Plan") pursuant to which the Compensation and Organization Committee of the Company's Board of Directors may select any employee, or any Director holding a salaried office or employment with the Company, or a Subsidiary to receive an award under the plan. On May 11, 2015, the 2013 RSU Plan was amended and restated in order to increase the number of shares that can be issued under the RSU Plan by 2.5 million shares. Accordingly, an aggregate of 4.1 million ordinary shares have been reserved for issuance under the 2013 RSU Plan. The shares are awarded at par value and vest over a service period. Awards under the 2013 RSU Plan may be settled in cash or shares at the option of the Company.

On April 30 2019, the Company approved the 2019 Consultants and Directors Restricted Share Unit Plan (the "2019 Consultants RSU Plan"), which was effective as of May 16, 2019, pursuant to which the Compensation and Organization Committee of the Company's Board of Directors may select any consultant, adviser or non-executive Director retained by the Company, or a Subsidiary to receive an award under the plan. 250,000 ordinary shares have been reserved for issuance under the 2019 Consultants RSU Plan. The awards are at par value and vest over a service period. Awards granted to non-executive directors during 2019 and 2020 vest over twelve months.

The Company has awarded RSUs and PSUs to certain key individuals of the Group. The following table summarizes RSU and PSU activity for the nine months ended September 30, 2020:

	PSU Outstanding Number of Shares	PSU Weighted Average Grant Date Fair Value	PSU Weighted Average Remaining Contractual Life	RSU Outstanding Number of Shares	RSU Weighted Average Grant Date Fair Value	RSU Weighted Average Remaining Contractual Life
Outstanding at December 31, 2019	175,989	\$ 110.79	1.04	389,900	\$ 119.07	1.43
Granted	57,184	\$ 165.30		126,998	\$ 165.43	
Shares vested	(63,516)	\$ 83.92		(144,170)	\$ 98.34	
Forfeited	(3,702)	\$ 136.16		(30,112)	\$ 131.38	
Outstanding at September 30, 2020	165,955	\$ 137.56	1.39	342,616	\$ 143.87	1.61

The fair value of PSUs vested for the nine months ended September 30, 2020 totaled \$5.3 million (full year 2019: \$16.5 million).

The fair value of RSUs vested for the nine months ended September 30, 2020 totaled \$14.2 million (full year 2019: \$8.5 million).

The PSUs vest based on service and specified EPS targets over the periods 2018 – 2020, 2019 – 2021 and 2020 – 2022. Depending on the amount of EPS from 2018 to 2022, up to an additional 77,027 PSUs may also be granted.

Non-cash stock compensation expense

Non-cash stock compensation expense for the three and nine months ended September 30, 2020 and September 30, 2019 has been allocated as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Direct costs	\$ 2,284	\$ 4,535	\$ 6,472	\$ 11,607
Selling, general and administrative	4,687	3,696	13,685	9,458
	\$ 6,971	\$ 8,231	\$ 20,157	\$ 21,065

Total non-cash stock compensation expense not yet recognized at September 30, 2020 amounted to \$52.7 million. The weighted average period over which this is expected to be recognized is 2.25 years.

13. Share capital

The Company can acquire up to 10% of its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws, and the Company's constitutional documents through open market share acquisitions.

On January 8, 2019, the Company commenced a share buyback program of up to 1.0 million ordinary shares which was completed during the year ended December 31, 2019 for total consideration of \$141.6 million. On October 22 2019, the Company commenced a further share buyback program. At December 31, 2019 35,100 ordinary shares were redeemed for a total consideration of \$5.3 million.

During the nine months ended September 30, 2020 1,235,218 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$175.0 million.

The buyback program gives a broker authority to acquire the Company's ordinary shares from time to time on the open market in accordance with agreed terms and limitations. All ordinary shares that were redeemed under the buyback program were canceled in accordance with the Constitution of the Company and the nominal value of these shares transferred to an other undenominated capital reserve as required under Irish Company Law.

14 Business segment information

The Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker, the ('CODM') in accordance with ASC 280 'Segment Reporting'. The Company determined that the CODM was comprised of the Chief Executive Officer and the Chief Financial Officer.

The Company determines and presents operating segments based on the information that is provided to the CODM. The Company operates as one single business segment, which is the provision of outsourced development services on a global basis to the pharmaceutical, biotechnology and medical devices industries. There have been no changes to the basis of segmentation or the measurement basis for the segment results in the period.

The Company is a clinical research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. It specializes in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. The Company has the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. The Company has expanded predominately through internal growth together with a number of strategic acquisitions to enhance its expertise and capabilities in certain areas of the clinical development process.

The Company is generally awarded projects based upon responses to requests for proposals received from companies in the pharmaceutical, biotechnology and medical device industries or work orders executed under our strategic partnership arrangements. Contracts with customers are generally entered into centrally, in most cases with ICON Clinical Research Limited ("ICON Ireland"), the Company's principal operating subsidiary in Ireland. Revenues, which consist primarily of fees earned under these contracts, are allocated to individual entities within the Group, based on where the work is performed in accordance with the Company's global transfer pricing model.

ICON Ireland acts as the group entrepreneur under the Company's global transfer pricing model given its role in the development and management of the Group, its ownership of key intellectual property and customer relationships, its key role in the mitigation of risks faced by the Group and its responsibility for maintaining the Company's global network. ICON Ireland enters into the majority of the Company's customer contracts.

ICON Ireland remunerates other operating entities in the ICON Group on the basis of a guaranteed cost plus mark-up for the services they perform in each of their local territories. The cost plus mark-up for each ICON entity is established to ensure that each of ICON Ireland and the ICON entities that are involved in the conduct of services for customers, earn an appropriate arms-length return having regard to the assets owned, risks borne, and functions performed by each entity from these intercompany transactions. The cost plus mark up policy is reviewed annually to ensure that it is market appropriate.

The geographic split of revenue disclosed for each region outside Ireland is the cost plus revenue attributable to these entities. The residual revenues of the Group, once each ICON entity has been paid its respective intercompany service fee, generally fall to be retained by ICON Ireland. As such, revenues and income from operations in Ireland are a function of this global transfer pricing model and comprise revenues of the Group after deducting the cost plus revenues attributable to the activities performed outside Ireland.

The Company's areas of operation outside of Ireland include the United States, United Kingdom, Belgium, Bulgaria, France, Germany, Italy, Spain, Poland, Portugal, Czech Republic, Hungary, Israel, Latvia, Romania, Russia, Serbia, Sweden, The Netherlands, Turkey, Ukraine, Canada, Argentina, Brazil, Chile, Colombia, Mexico, Peru, India, China (including Hong Kong), Japan, Singapore, South Korea, The Philippines, Taiwan, Thailand, Australia, New Zealand and South Africa.

The geographical distribution of the Company's segment measures as at September 30, 2020 and December 31, 2019 and for the three and nine months ended September 30, 2020 and September 30, 2019 is as follows:

a) The distribution of revenue by geographical area was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Ireland *	\$ 250,230	\$ 320,459	\$ 844,945	\$ 929,419
Rest of Europe	100,635	98,080	292,453	282,717
U.S.	285,550	223,900	700,483	664,752
Rest of World	65,314	68,002	199,178	203,542
Total	\$ 701,729	\$ 710,441	\$ 2,037,059	\$ 2,080,430

* All sales shown for Ireland are export sales.

b) The distribution of income from operations including restructuring by geographical area was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Ireland	\$ 81,800	\$ 82,529	\$ 194,390	\$ 231,202
Rest of Europe	4,713	10,234	22,529	21,747
U.S.	14,399	11,975	37,667	45,382
Rest of World	7,489	5,306	17,055	19,749
Total	\$ 108,401	\$ 110,044	\$ 271,641	\$ 318,080

c) The distribution of income from operations excluding restructuring by geographical area was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Ireland	\$ 81,800	\$ 82,529	\$ 212,479	\$ 231,202
Rest of Europe	4,713	10,234	22,529	21,747
U.S.	14,399	11,975	37,667	45,382
Rest of World	7,489	5,306	17,055	19,749
Total	\$ 108,401	\$ 110,044	\$ 289,730	\$ 318,080

d) The distribution of long-lived assets (including right-of-use assets), net, by geographical area was as follows:

	September 30, 2020	December 31, 2019
	(in thousands)	
Ireland	\$ 108,861	\$ 110,522
Rest of Europe	33,825	41,970
U.S.	62,502	72,578
Rest of World	40,540	44,994
Total	\$ 245,728	\$ 270,064

e) The distribution of depreciation, amortization and reduction in carrying value of the right-of-use assets by geographical area was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)		(in thousands)	
Ireland	\$ 8,556	\$ 6,990	\$ 24,748	\$ 21,906
Rest of Europe	4,016	3,560	11,503	10,612
U.S.	7,406	6,563	22,246	23,743
Rest of World	3,853	5,865	11,851	12,448
Total	\$ 23,831	\$ 22,978	\$ 70,348	\$ 68,709

f) The distribution of total assets by geographical area was as follows:

	September 30, 2020	December 31, 2019
	(in thousands)	
Ireland	\$ 1,492,836	\$ 1,323,181
Rest of Europe	645,165	660,797
U.S.	759,692	755,271
Rest of World	167,605	168,263
Total	\$ 3,065,298	\$ 2,907,512

15. Impact of change in accounting policies

ASC 326 Financial Instruments - Credit Losses

ASU 2016-13 *'Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments'* (ASU 2016-13) was effective, and adopted by the Group, from January 1, 2020. Primarily, ASU 2016-13 introduces an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology.

The objectives of previous loss methodologies for instruments within the scope of this update generally delayed recognition of the full amount of credit losses until the loss was probable of occurring. Under ASU 2016-13, losses reflect an entity's current estimate of all expected credit losses including, in addition to the consideration of past events and current conditions, as under the current guidance, incorporating the use of forecast information to provide more timely and accurate credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with ASC 842 on leases.

In addition, ASC 326 changed the accounting for available-for-sale (AFS) debt securities to require credit losses to be presented as an allowance rather than as a write-down to align the income statement recognition of credit losses on AFS debt securities with the reporting period in which the changes occur.

The Group adopted ASC 326 using the modified retrospective method. Under this transition method, the new standard is applied from January 1, 2020 without restatement of comparative period amounts. The adoption of ASC 326 does not have a material impact on the Group and there was no impact of adopting ASC 326 on opening balances at January 1, 2020.

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes included elsewhere herein and the consolidated financial statements and related notes thereto included in our Form 20-F for the year ended December 31, 2019. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Overview

We are a CRO providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. Our vision is to be the Global CRO partner of choice, delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. At September 30, 2020 we employed approximately 15,250 employees, in 94 locations in 40 countries. During the nine months ended September 30, 2020 we derived approximately 34.4%, 55.8% and 9.8% of our revenue in the United States, Europe and Rest of World respectively.

As the nature of our business involves the management of projects having a typical duration of a few weeks to several years, the commencement or completion of projects in a fiscal year can have a material impact on revenues earned with the relevant clients in such years. In addition, as we typically work with some, but not all, divisions of a client, fluctuations in the number and status of available projects within such divisions can also have a material impact on revenues earned from clients from year to year.

Termination or delay in the performance of an individual contract may occur for various reasons, including, but not limited to, unexpected or undesired results, production problems resulting in shortages of the drug, adverse patient reactions to the drug, the client's decision to de-emphasize a particular trial or inadequate patient enrollment or investigator recruitment. In the event of termination, the Company is usually entitled to all sums owed for work performed through the notice of termination and certain costs associated with the termination of the study. In addition, contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, or volume of services of the contract.

Our unsatisfied performance obligation consists of potential revenue yet to be earned from projects awarded by clients. At September 30, 2020 we had unsatisfied performance obligations of approximately \$6.1 billion (see note 4 - *Accounts receivable, unbilled revenue (contract assets) and unearned revenue or payments on account (contract liabilities)* for further details). We believe that our remaining or unrealized performance obligations as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of revenue.

Although we are domiciled in Ireland, we report our results in U.S. dollars. As a consequence the results of our non-U.S. based operations, when translated into U.S. dollars, could be materially affected by fluctuations in exchange rates between the U.S. dollar and the currencies of those operations.

In addition to translation exposures, we are also subject to transaction exposures when the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. Our operations in the United States are not materially exposed to such currency differences as the majority of our revenues and costs are in U.S. dollars. However, outside of the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often U.S. dollars or euro, while costs arise in a number of currencies, depending, among other things, on which of our offices provide staff for the contract and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging, due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on our results of operations.

As we conduct operations on a global basis, our effective tax rate depends on the geographic distribution of our revenue and earnings among locations with varying tax rates. Our results therefore may be affected by changes in the tax rates of the various jurisdictions. In particular, as the geographic mix of our results of operations among various tax jurisdictions changes, our effective tax rate may vary significantly from period to period.

Operating Results

The following table sets forth for the periods indicated certain financial data as a percentage of revenue and the percentage change in these items compared to the prior comparable period. The trends illustrated in the following table may not be indicative of future results.

	Three Months Ended		
	September 30, 2020	September 30, 2019	2019 to 2020
	Percentage of Revenue		Percentage Increase/ (Decrease)
Revenue	100.0 %	100.0 %	(1.2)%
Costs and expenses:			
Direct costs	70.3 %	70.3 %	(1.3)%
Selling, general and administrative	11.8 %	12.0 %	(2.7)%
Depreciation	1.7 %	1.6 %	4.9 %
Amortization	0.8 %	0.6 %	28.6 %
Income from operations	15.4 %	15.5 %	(1.5)%

	Nine Months Ended		
	September 30, 2020	September 30, 2019	2019 to 2020
	Percentage of Revenue		Percentage Increase/ (Decrease)
Revenue	100.0 %	100.0 %	(2.1)%
Costs and expenses:			
Direct costs	70.9 %	70.5 %	(1.5)%
Selling, general and administrative	12.5 %	12.0 %	1.3 %
Depreciation	1.7 %	1.6 %	0.8 %
Amortization	0.7 %	0.6 %	24.7 %
Restructuring	0.9 %	— %	100.0 %
Income from operations	13.3 %	15.3 %	(14.6)%

Revenue

(dollars in thousands)	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Revenue	\$ 701,729	\$ 710,441	(8,712)	(1.2)%

Revenue for the three months ended September 30, 2020 decreased by \$8.7 million, or 1.2%, to \$701.7 million, compared to \$710.4 million for the three months ended September 30, 2019. Revenue decreased by 1.9% in constant currency and decreased by 3.5% in constant dollar organic terms. The decrease in revenues in the nine months ended September 30, 2020 is due to the impact the COVID-19 global pandemic has had on operations including; our ability to ensure laboratory samples are collected and analyzed on time, our ability to perform on-site monitoring of clinical trials, the ability of patients or other service providers to travel, and our ability to travel.

During the three months ended September 30, 2020 we derived approximately 40.7%, 50.0% and 9.3% of our revenue in the United States, Europe and Rest of World respectively. During the three months ended September 30, 2020, \$269.5 million or 38.4% of our revenues were derived from our top 5 customers. Revenue from our largest customer contributed 12.4% of revenue for the quarter. New customer accounts are continually added, particularly from mid-tier pharma customers and biotech customers, which over time will result in a reduction in concentration of revenues from our top 5 customers.

Revenue in Ireland for the three months ended September 30, 2020 decreased to \$250.2 million compared to \$320.5 million for the three months ended September 30, 2019. Revenue in Ireland is principally a function of the Company's global transfer pricing model (see *note 14 - Business segment information* for further details). Revenue in our Rest of Europe region increased to \$100.6 million compared to \$98.1 million for the three months ended September 30, 2019. Revenue in the Rest of World region decreased to \$65.3 million compared to \$68.0 million for the three months ended September 30, 2019. Revenue in the U.S. region increased to \$285.6 million from \$223.9 million for the three months ended September 30, 2019.

(dollars in thousands)	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Revenue	\$ 2,037,059	\$ 2,080,430	(43,371)	(2.1)%

Revenue for the nine months ended September 30, 2020 decreased by \$43.4 million, or 2.1%, to \$2,037.1 million compared to \$2,080.4 million for the nine months ended September 30, 2019. Revenue decreased by 2.0% in constant currency and decreased by 3.4% in constant dollar organic terms. The decrease in revenues in the nine months ended September 30, 2020 is due to the impact the COVID-19 global pandemic has had on operations including; our ability to ensure laboratory samples are collected and analyzed on time, our ability to perform on-site monitoring of clinical trials, the ability of patients or other service providers to travel, and our ability to travel.

During the nine months ended September 30, 2020 we derived approximately 34.4%, 55.8% and 9.8% of our revenue in the United States, Europe and Rest of World respectively. During the nine months ended September 30, 2020, \$802.5 million or 39.4% of our revenues were derived from our top 5 customers. The largest of these customers related to a strategic partnership with a large global pharmaceutical company. Revenue from this customer contributed 11.5% of revenue for the nine months ended September 30, 2020. Revenue from our second largest customer contributed 10.7% for the for the nine months ended September 30, 2020. New customer accounts are continually added, particularly from mid-tier pharma customers and biotech customers.

Revenue in Ireland for the nine months ended September 30, 2020 decreased to \$844.9 million compared to \$929.4 million for the nine months ended September 30, 2019. Revenue in Ireland is principally a function of the Company's global transfer pricing model (see *note 14 - Business segment information* for further details). Revenue in our Rest of Europe region increased to \$292.5 million compared to \$282.7 million for the nine months ended September 30, 2019. Revenue in the Rest of World region decreased to \$199.2 million compared to \$203.5 million for the nine months ended September 30, 2019. Revenue in the U.S. region increased to \$700.5 million from \$664.8 million for the nine months ended September 30, 2019.

Direct costs

(dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Direct costs	\$ 493,410	\$ 499,791	\$ (6,381)	\$ 1,444,536	\$ 1,465,944	\$ (21,408)
% of revenue	70.3 %	70.3 %	(1.3)%	70.9 %	70.5 %	(1.5)%

Direct costs consist primarily of investigator and other reimbursable costs, compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. Direct costs for the three months ended September 30, 2020 decreased by \$6.4 million, or 1.3%, to \$493.4 million compared to \$499.8 million for the three months ended September 30, 2019. The decrease in direct costs relates to a decrease in third party investigator and other reimbursable costs which was partly off set by an increase in direct project related costs, an increase in personnel related expenditure and an increase in laboratory costs during the period. As a percentage of revenue, direct costs were 70.3% which is consistent with the three months ended September 30, 2019.

Direct costs for the nine months ended September 30, 2020 decreased by \$21.4 million, or 1.5%, to \$1,444.5 million compared to \$1,465.9 million for the nine months ended September 30, 2019. The decrease in direct costs relates to decreases in third party investigator and other reimbursable costs which was partly offset by an increase in direct project related costs, an increase in personnel related expenditure and an increase in laboratory costs during the period. As a percentage of revenue, direct costs increased to 70.9% compared to 70.5% for the nine months ended September 30, 2019.

Selling, general and administrative expenses

(dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Selling, general and administrative expenses	\$ 83,117	\$ 85,449	\$ (2,332)	\$ 253,812	\$ 250,564	\$ 3,248
% of revenue	11.8 %	12.0 %	(2.7)%	12.5 %	12.0 %	1.3 %

Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. Selling, general and administrative expenses for the three months ended September 30, 2020 decreased by \$2.3 million, or 2.7%, to \$83.1 million, compared to \$85.4 million for the three months ended September 30, 2019. As a percentage of revenue, selling, general and administrative expenses decreased to 11.8% compared to 12.0% for the three months ended September 30, 2019.

Selling, general and administrative expenses for the nine months ended September 30, 2020 increased by \$3.2 million, or 1.3%, to \$253.8 million, compared to \$250.6 million for the nine months ended September 30, 2019. As a percentage of revenue, selling, general and administrative expenses increased to 12.5% compared to 12.0% for the nine months ended September 30, 2019.

Depreciation and amortization

(dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Depreciation	\$ 11,911	\$ 11,355	\$ 556	\$ 34,553	\$ 34,271	\$ 282
% of revenue	1.7 %	1.6 %	4.9 %	1.7 %	1.6 %	0.8 %
Amortization	\$ 4,890	\$ 3,802	\$ 1,088	\$ 14,428	\$ 11,571	\$ 2,857
% of revenue	0.8 %	0.6 %	28.6 %	0.7 %	0.6 %	24.7 %

Depreciation expense arises principally from investment in facilities, information systems and equipment to support the Company's growth. Depreciation expense for the three months ended September 30, 2020 increased by \$0.6 million, or 4.9%, to \$11.9 million compared to \$11.4 million for the three months ended September 30, 2019. As a percentage of revenue the depreciation expense increased to 1.7%, compared to 1.6% for the three months ended September 30, 2019. Depreciation expense for the nine months ended September 30, 2020 increased by \$0.3 million, or 0.8%, to \$34.6 million compared to \$34.3 million for the nine months ended September 30, 2019. As a percentage of revenue the depreciation expense was 1.7% compared to 1.6% for the nine months ended September 30, 2019.

Amortization expense represents the amortization of intangible assets acquired on business combinations. Amortization on intangibles for the three months ended September 30, 2020 increased by \$1.1 million, or 28.6%, to \$4.9 million compared to \$3.8 million for the three months ended September 30, 2019. As a percentage of revenue, amortization expense increased to 0.8%, compared to 0.6% for the three months ended September 30, 2019. Amortization on intangibles for the nine months ended September 30, 2020 increased by \$2.9 million, or 24.7%, to \$14.4 million compared to \$11.6 million for the nine months ended September 30, 2019. The increase in the amortization expense for the nine months ended September 30, 2020 was driven by new acquisitions over the last year. As a percentage of revenue, amortization expense increased to 0.7% compared to 0.6% for the nine months ended September 30, 2019.

Income from operations

(dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Income from operations (incl. restructuring)	\$ 108,401	\$ 110,044	\$ (1,643)	\$ 271,641	\$ 318,080	\$ (46,439)
% of revenue	15.4 %	15.5 %	(1.5)%	13.3 %	15.3 %	(14.6)%
Income from operations (excl. restructuring)	\$ 108,401	\$ 110,044	\$ (1,643)	\$ 289,730	\$ 318,080	\$ (28,350)
% of revenue	15.4 %	15.5 %	(1.5)%	14.2 %	15.3 %	(8.9)%

Income from operations for the three months ended September 30, 2020 decreased by \$1.6 million, or 1.5%, to \$108.4 million (\$108.4 million excluding restructuring) compared to \$110.0 million for the three months ended September 30, 2019. As a percentage of revenue, income from operations decreased to 15.4% (15.4% excluding restructuring) compared to 15.5% of revenue for the three months ended September 30, 2019.

Income from operations for the nine months ended September 30, 2020 decreased by \$46.4 million, or 14.6%, to \$271.6 million (\$289.7 million excluding restructuring) compared to \$318.1 million for the nine months ended September 30, 2019. As a percentage of revenue, income from operations decreased to 13.3% (14.2% excluding restructuring), compared to 15.3% of revenue for the nine months ended September 30, 2019.

Income from operations in Ireland decreased to a profit of \$81.8 million (\$81.8 million excluding restructuring) compared to a profit of \$82.5 million (\$82.5 million excluding restructuring) for the three months ended September 30, 2019. Income from operations in Ireland decreased to a profit of \$194.4 million (\$212.5 million excluding restructuring) compared to a profit of \$231.2 million (\$231.2 million excluding restructuring) for the nine months ended September 30, 2019. Income from operations in Ireland is impacted by the Group's global transfer pricing model (see note 14 - Business segment information for further details).

Income from operations in our Rest of Europe region decreased to \$4.7 million compared to \$10.2 million for the three months ended September 30, 2019. Income from operations in our Rest of Europe region increased to \$22.5 million compared to \$21.7 million for the nine months ended September 30, 2019.

Income from operations in our Rest of World region increased to \$7.5 million compared to \$5.3 million for the three months ended September 30, 2019. Income from operations in our Rest of World region decreased to \$17.1 million compared to \$19.7 million for the nine months ended September 30, 2019.

Income from operations in the U.S. region increased to \$14.4 million compared to \$12.0 million for the three months ended September 30, 2019. Income from operations in the U.S. region decreased to \$37.7 million compared to \$45.4 million for the nine months ended September 30, 2019.

Interest income and expense

(dollars in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
Interest income	\$ 268	\$ 1,852	\$ (1,584)	(85.5)%	\$ 2,518	\$ 5,377	\$ (2,859)	(53.2)%
Interest expense	\$ (3,239)	\$ (3,393)	\$ 154	(4.5)%	\$ (9,640)	\$ (9,946)	\$ 306	(3.1)%

Interest income for the three months ended September 30, 2020 decreased to \$0.3 million, compared to \$1.9 million for the three months ended September 30, 2019. Interest income for the nine months ended September 30, 2020 decreased to \$2.5 million, compared to \$5.4 million for the nine months ended September 30, 2019.

Interest expense for the three months ended September 30, 2020 decreased to \$3.2 million, compared to \$3.4 million for the three months ended September 30, 2019. Interest expense for the nine months ended September 30, 2020 decreased to \$9.6 million, compared to \$9.9 million for the nine months ended September 30, 2019.

Income tax expense

(dollars in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
Income tax expense (including restructuring)	\$ 13,706	\$ 13,020	\$ 686	5.3 %	\$ 32,706	\$ 37,516	\$ (4,810)	(12.8)%
Effective income tax rate (including restructuring)	13.0 %	12.0 %			12.4 %	12.0 %		
Income tax expense (excluding restructuring)	\$ 13,706	\$ 13,020	\$ 686	5.3 %	\$ 34,967	\$ 37,516	\$ (2,549)	(6.8)%
Effective income tax rate (excluding restructuring)	13.0 %	12.0 %			12.4 %	12.0 %		

Provision for income taxes increased to \$13.7 million (\$13.7 million excluding restructuring), compared to \$13.0 million for the three months ended September 30, 2019. The Company's effective tax rate for the three months ended September 30, 2020 was 13.0% (13.0% excluding restructuring) compared with 12.0% for the three months ended September 30, 2019.

Provision for income taxes decreased to \$32.7 million (\$35.0 million excluding restructuring), compared to \$37.5 million for the nine months ended September 30, 2019. The Company's effective tax rate for the nine months ended September 30, 2020 was 12.4% (12.4% excluding restructuring) compared with 12% for the nine months ended September 30, 2019. The Company's effective tax rate remains principally a function of the distribution of pre-tax profits amongst the territories in which it operates.

Liquidity and capital resources

The CRO industry is generally not capital intensive. The Group's principal operating cash needs are payment of salaries, office rents, travel expenditures and payments to investigators. Investing activities primarily reflect capital expenditures for facilities and information systems enhancements, the purchase and sale of short term investments and acquisitions.

Our clinical research and development contracts are generally fixed price with some variable components and range in duration from a few weeks to several years. Revenue from contracts is generally recognized as income on the basis of the relationship between time incurred and the total estimated contract duration or on a fee-for-service basis. The cash flow from contracts typically consists of a small down payment at the time the contract is entered into, with the balance paid in installments over the contract's duration, in some cases on the achievement of certain milestones. Accordingly, cash receipts do not correspond to costs incurred or revenue recognized on contracts.

Cash and cash equivalents and net borrowings

	Balance December 31, 2019	Drawn down/ (repaid)	Net cash inflow/ (outflow)	Other non- cash adjustments	Effect of exchange rates	Balance September 30, 2020
\$(in thousands)						
Cash and cash equivalents	520,309	—	186,740	—	946	707,995
Available for sale investments	49,628	—	(47,902)	3	—	1,729
Private placement notes	(349,640)	—	—	(283)	—	(349,923)
	220,297	—	138,838	(280)	946	359,801

The Company's cash and short term investment balances at September 30, 2020 amounted to \$709.7 million compared with cash and short term investment balances of \$569.9 million at December 31, 2019. The Company's cash and short term investment balances at September 30, 2020 comprised of cash and cash equivalents of \$708.0 million and short-term investments of \$1.7 million. The Company's cash and short term investment balances at December 31, 2019 comprised of cash and cash equivalents of \$520.3 million and short-term investments of \$49.6 million.

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. Interest payable is fixed at 3.64%, and is payable semi-annually on the Senior Notes on each June 15 and December 15, commencing June 15, 2016. The Senior Notes are guaranteed by ICON plc.

On March 12, 2018, the Company entered into a five year committed multi-currency Revolving Credit Facility for \$150.0 million with Citibank, JP Morgan, Santander, HSBC Bank and Morgan Stanley International ("Revolving Credit Facility"). Each bank subject to the agreement has committed \$30.0 million to the facility, with equal terms and conditions in place with all institutions. The facility is guaranteed by ICON plc. The facility bears interest at LIBOR plus a margin. No amounts were drawn at September 30, 2020, or at December 31, 2019, in respect of the Revolving Credit Facility. Amounts available to the Group under the facility at September 30, 2020 and at December 31, 2019 were \$150.0 million.

Debt re-financing

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. This debt will be repaid and new Senior Notes will be drawn in December 2020, the terms of which were finalized in July 2020. In June 2020, the Company entered into an interest rate hedge in respect of the planned refinancing. The interest rate hedge was effective in accordance with Financial Accounting Standards Board ("FASB") ASC 815, "Derivatives and Hedging". The interest rate hedge matured on July 9, 2020 when the interest rates on the issue of new Senior Notes were fixed.

Cash flows

Net cash from operating activities

Net cash provided by operating activities was \$372.6 million for the nine months ended September 30, 2020 compared with cash provided by operating activities of \$278.1 million for the nine months ended September 30, 2019. This reflects the movements in working capital balances in the period. The dollar value of these balances and the related number of days revenue outstanding (i.e. revenue outstanding as a percentage of revenue for the period, multiplied by the number of days in the period) can vary over a study or trial duration. Contract fees are generally payable in installments based on the delivery of certain performance targets or "milestones" (e.g. target patient enrollment rates, clinical testing sites initiated or case report forms completed), such milestones being specific to the terms of each individual contract, while revenues on contracts are recognized as contractual obligations are performed. Days revenue outstanding can vary therefore due to, amongst others, the scheduling of contractual milestones over a study or trial duration, the delivery of a particular milestone during the period or the timing of cash receipts from customers. A decrease in the number of days revenue outstanding during a period will result in cash inflows to the Company while an increase in days revenue outstanding will lead to cash outflows. The number of days revenue outstanding at September 30, 2020 was 64 days compared with 72 days at December 31, 2019 and 73 days at September 30, 2019. This reflects the timing of cash collections.

Net cash used in investing activities

Net cash used in investing activities was \$23.1 million for the nine months ended September 30, 2020 compared to net cash used in investing activities of \$132.4 million for the nine months ended September 30, 2019. Net cash used in investing activities in the nine months ended September 30, 2020 was largely attributable to cash outflows on the acquisition of MedPass of \$47.6 million on January 22, 2020, cash outflows of \$0.3 million in relation to the working capital adjustment on the acquisition of Symphony which was acquired on September 24, 2019, cash outflows of \$0.5 million in relation to the contingent consideration paid for Symphony in the period and a cash inflow of \$0.5 million in relation to the working capital adjustment on the acquisition of MeDiNova which was acquired on May 23, 2019. These were offset in part by cash acquired of \$10.2 million. During the nine months ended September 30, 2020, cash used for the purchase of equity method investments was \$2.5 million. During the nine months ended September 30, 2020, capital expenditure of \$28.0 million was made mainly relating to investment in facilities and IT infrastructure. In addition, \$2.7 million was used for the purchase of investments in equity. During the nine months ended September 30, 2020 \$47.9 million was generated by the sale of short term investments.

Net cash used in investing activities during the nine months ended September 30, 2019 was largely attributable to cash outflows on the acquisitions of MMD of \$42.2 million on January 25, 2019, cash outflows on the acquisition of MeDiNova on May 23, 2019 of \$39.3 million and cash outflows on the acquisition of Symphony on September 24, 2019 of \$35.0 million. These were offset in part by cash acquired of \$11.7 million. In addition capital expenditure of \$31.9 million was made which was mainly comprised of investment in facilities and IT infrastructure. In addition \$3.5 million was used for the purchase of investments in equity. During the nine months ended September 30, 2019 \$16.1 million was used for the purchase of short term investments and \$23.8 million was generated by the sale of short term investments.

Net cash used in financing activities

Net cash used in financing activities during the nine months ended September 30, 2020 amounted to \$162.8 million compared to net cash used in financing activities of \$120.6 million for the nine months ended September 30, 2019. Cash outflows in respect of financing includes cash payments in respect of the Company's share repurchase program totaling \$175.0 million during the nine months ended September 30, 2020. In addition, \$12.3 million was received by the Company from the exercise of share options. During the nine months ended September 30, 2019, \$141.6 million was recognized in relation to the Company's share repurchase program. In addition, \$21.1 million was received by the Company from the exercise of share options.

Net cash outflow

As a result of these cash flows, cash and cash equivalents increased by \$187.7 million for the nine months ended September 30, 2020 compared to a increase of \$21.8 million for the nine months ended September 30, 2019.

Inflation

We believe the effects of inflation generally do not have a material adverse impact on our operations or financial condition.

Legal proceedings

On April 20, 2020, a putative class action, Chrystal Miller v. ICON plc et al, was filed against the Company in the Superior Court of California, County of San Mateo. The complaint alleges that the Company, two subsidiaries, and an individual employee violated the California Labor Code and the California Business & Professions Code by failing to pay overtime wages, provide meal and rest periods, provide accurate and itemized wage statements and timely pay all final wages to Clinical Research Associates employed in California since April 20, 2016. The suit seeks monetary damages, interest, injunctive relief, and attorneys' fees and costs. On June 22, 2020, the case was removed to the U.S. District Court, Northern District of California. The Company denies the allegations and will vigorously defend the lawsuit.

Forward-Looking Statements

Certain statements contained herein are 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 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. Please also refer to the Form 20-F filed on February 27, 2020 for risks and uncertainties facing the Company.

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.

ICON plc

/s/Brendan Brennan

Brendan Brennan
Chief Financial Officer

Date: October 23, 2020