

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2021

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

For the transition period from _____ to _____
Commission File No. 001-34972

Booz Allen Hamilton Holding Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

8283 Greensboro Drive, McLean, Virginia
(Address of principal executive offices)

26-2634160

(I.R.S. Employer
Identification No.)

22102
(Zip Code)

(703) 902-5000

Registrant's telephone number, including area code

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

Title of Each Class
Class A Common Stock

Trading Symbol
BAH

Name of Each Exchange on Which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large Accelerated Filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of September 30, 2020, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was \$11,257,045,142.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Shares Outstanding as of May 17, 2021
Class A Common Stock	135,407,562

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled for July 28, 2021 are incorporated by reference into Part III.

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INTRODUCTORY NOTE

Unless the context otherwise indicates or requires, as used in this Annual Report on Form 10-K for the fiscal year ended March 31, 2021, references to: (i) “we,” “us,” “our,” or our “company” refer to Booz Allen Hamilton Holding Corporation, its consolidated subsidiaries and predecessors; (ii) “Booz Allen Holding” refers to Booz Allen Hamilton Holding Corporation, exclusive of its subsidiaries; (iii) “Booz Allen Investor” refers to Booz Allen Hamilton Investor Corporation, a wholly-owned subsidiary of Booz Allen Holding; (iv) “Booz Allen Hamilton” and “Booz Allen” refer to Booz Allen Hamilton Inc., our primary operating company and a wholly-owned subsidiary of Booz Allen Holding; and (v) “fiscal,” when used in reference to any twelve-month period ended March 31, refers to our fiscal years ended March 31. Unless otherwise indicated, information contained in this Annual Report is as of March 31, 2021. We have made rounding adjustments to reach some of the figures included in this Annual Report and, unless otherwise indicated, percentages presented in this Annual Report are approximate.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained or incorporated in this Annual Report include forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “forecasts,” “expects,” “intends,” “plans,” “anticipates,” “projects,” “outlook,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “preliminary,” or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. These forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. These risks and other factors include:

- any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular;
- changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support, or as a result of the presidential and administration transition;
- efforts by Congress and other U.S. government bodies to reduce U.S. government spending and address budgetary constraints and the U.S. deficit, as well as associated uncertainty around the timing, extent, nature, and effect of such efforts;
- delayed funding of our contracts due to uncertainty relating to funding of the U.S. government and a possible failure of Congressional efforts to approve such funding and to craft a long-term agreement on the U.S. government’s ability to incur indebtedness in excess of its current limits, or changes in the pattern or timing of government funding and spending;
- U.S. government shutdowns as a result of the failure by elected officials to fund the government;
- failure to comply with numerous laws and regulations, including, but not limited to, the Federal Acquisition Regulation (“FAR”), the False Claims Act, the Defense Federal Acquisition Regulation Supplement, and FAR Cost Accounting Standards and Cost Principles;
- the effects of COVID-19 and other pandemics or widespread health epidemics, including disruptions to our workforce and the impact on government spending and demand for our solutions;
- our ability to compete effectively in the competitive bidding process and delays or losses of contract awards caused by competitors’ protests of major contract awards received by us;
- variable purchasing patterns under U.S. government General Services Administration Multiple Award schedule contracts, or GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or IDIQ, contracts;
- the loss of GSA schedules or our position as prime contractor on government-wide acquisition contract vehicles, or GWACs;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;
- changes in estimates used in recognizing revenue;
- our ability to realize the full value of and replenish our backlog, generate revenue under certain of our contracts, and the timing of our receipt of revenue under contracts included in backlog;
- internal system or service failures and security breaches, including, but not limited to, those resulting from external or internal cyber attacks on our network and internal systems;
- risks related to the implementation and operation of new financial management systems;

- an inability to attract, train, or retain employees with the requisite skills and experience;
- an inability to timely hire, assimilate and effectively utilize our employees, ensure that employees obtain and maintain necessary security clearances and/or effectively manage our cost structure;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors, including the improper use or release of our clients' sensitive or classified information;
- increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime-contractor relationship to meet their obligations to us or our clients;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings, including litigation, audits, reviews, and investigations, which may result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes including debarment, as well as disputes over the availability of insurance or indemnification;
- the failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks associated with increased competition, new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business, or respond to market developments;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues or limits;
- risks related to completed and future acquisitions, including our ability to realize the expected benefits from such acquisitions;
- the incurrence of additional tax liabilities, including as a result of changes in tax laws or management judgments involving complex tax matters;
- risks inherent in the government contracting environment;
- continued efforts to change how the U.S. government reimburses compensation related costs and other expenses or otherwise limits such reimbursements and an increased risk of compensation being deemed unreasonable and unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the impact of changes in accounting rules and regulations, or interpretations thereof, that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue; and
- other risks and factors listed under "Item 1A. Risk Factors" and elsewhere in this Annual Report.

In light of these risks, uncertainties, and other factors, the forward-looking statements might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Overview

For more than 100 years, business, government, and military leaders have turned to Booz Allen Hamilton to solve their most complex problems. A values-driven organization with a guiding purpose to empower people to change the world, we remain focused on providing long-term solutions to our clients' emerging and ever-changing challenges. Our people are passionate about their service to our clients and their missions and the communities in which we live and work. This is our heritage, and it is as true today as when the Company was founded in 1914.

A collaborative culture is an integral part of our unique operating model, which encourages our people to bring a diversity of ideas and talent to every client engagement. Building on our legacy of passionate client service and guided by our long-term growth strategy, we blend deep expertise in management consulting with advanced technical capabilities to deliver powerful solutions. By investing in markets, capabilities, and talent and building new business models, including ventures, partnerships, and product offerings, we believe we are creating sustainable quality growth for the Company.

Through our dedication to our clients' missions, and a commitment to evolving our business to address their needs, we have longstanding relationships with our clients, some more than 80 years. We support critical missions for a diverse base of federal government clients, including nearly all of the U.S. government's cabinet-level departments, as well as increasingly for top-tier commercial and international clients. We support our federal government clients by helping them tackle their most complex and pressing challenges, such as protecting soldiers in combat and supporting their families, advancing cyber capabilities, keeping our national infrastructure secure, enabling and enhancing digital services, transforming the healthcare system, and improving governmental efficiency to achieve better outcomes. We serve commercial clients across industries including financial services, health and life sciences, energy, and technology. We have a presence in the Middle East and other international markets.

History and Corporate Structure

We were founded in 1914 by Edwin Booz, one of the pioneers of management consulting. In 1940, we began serving the U.S. government by advising the Secretary of the Navy in preparation for World War II. As the needs of our clients have grown more complex, we have expanded beyond our management consulting foundation to develop deep expertise in the fields of analytics, digital solutions, engineering, and cyber.

We are organized and operate as a corporation, but sometimes use the term "partner" to refer to our Chief Executive Officer and our Senior and Executive Vice Presidents. The use of the term "partner" reflects our collaborative culture and is not meant to imply that we operate our Company as, or have any intention to create a legal entity that is, a partnership.

Booz Allen Holding was incorporated in Delaware in May 2008 to serve as the top-level holding company for the consolidated Booz Allen Hamilton U.S. government consulting business. On July 31, 2008, Booz Allen Hamilton completed the separation of its U.S. government consulting business from its legacy commercial and international consulting business, the spin-off of the commercial and international business, and the sale of 100% of its outstanding common stock to Booz Allen Holding, or the Carlyle Acquisition, which was majority owned by The Carlyle Group and certain of its affiliated investment funds, or Carlyle. Our Company is a corporation that is the successor to the U.S. government consulting business of Booz Allen Hamilton following the separation. Between 2013 and 2016, we registered the offering and sale of common stock by Carlyle, and on December 6, 2016, Carlyle disposed of its remaining shares of the Company's Class A Common Stock in a registered secondary offering.

Our Institution and Operating Model

We operate as a single profit/loss center with a single bonus pool for leadership. Our operating model encourages collaboration allowing us to bring a mix of the best talent to every client engagement. Our partnership-style culture provides the operational flexibility necessary to quickly mobilize people and capabilities to react to market changes faster than our competitors. As a result, we can go to market as a whole company rather than as a collection of individual competing business units or profit centers. Our operating model also encourages and enables continuous investment in the right markets, capabilities, and talent to position the Company for further growth by anticipating what government and commercial clients will need next.

Across all markets, we address our clients' complex and evolving needs by deploying multifaceted teams with a combination of deep mission understanding, market-leading functional capabilities, consulting talent, and true technical and engineering expertise. These client-facing teams, which are fundamental to our differentiated value proposition, better position us to create market-relevant growth strategies and plan for and meet current, future, and prospective market needs. They also help us identify and deliver against diverse client needs in a more agile manner. Our significant win rates during fiscal 2021 on

new and re-competed contracts of 56% and 88%, respectively, as compared to 61% and 90%, respectively, in fiscal 2020 demonstrate the strength of this approach.

Human Capital

Purpose and Values. As one of the first organizations in the United States to adopt a formal code of business ethics, we have always believed that doing what's right and holding ourselves and others accountable is the only way to do business. Our people exemplify our purpose to "empower people to change the world" and live our values:

- **Ferocious Integrity:** Do right; hold ourselves accountable
- **Unflinching Courage:** Speak truth to power; maintain convictions; bring bold thinking
- **Passionate Service:** Embrace the mission; build community through generosity; make meaningful connections; listen and act with empathy
- **Collective Ingenuity:** Find the biggest problem and solve it; be resourceful and creative; seek to make the biggest difference; harness the power of diversity; be devoted to the team
- **Champion's Heart:** Crave being the best; bring joy to the pursuit; learn from failure; compete with passion

Our People. Our ability to deliver lasting value and results to our clients has always been, and continues to be, a product of the strong character, expertise, and tremendous passion of our people. Our approximately 27,700 employees work to solve hard problems by making our clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber. Our talented people are supported by a culture of innovation, diversity, equity, and inclusion (DEI).

Diversity, Equity, and Inclusion. At Booz Allen, we are committed to enhancing opportunity for all of our people to achieve their full potential. Our DEI strategy centers on leading by example with transparency and inclusion, empowering potential by driving equitable access and outcomes, inspiring belonging and inclusion, and being a force for advancing equity and inclusion. In the summer of 2020, we announced our Race and Social Equity Agenda, which focuses on assessing our business practices and the impact on Black, Indigenous, and People of Color (BIPOC) individuals; increasing personal time and space for reflection and mental health; intensifying investment and accountability in BIPOC representation at all levels; accelerating our DEI learning and education programs; advancing social equity causes; and making racial and social equity a major element of our corporate philanthropy.

We foster the spirit of innovation and inclusion at Booz Allen through business opportunities, events, partnerships, programs, and tools that facilitate collaboration to tackle a common challenge or pitch new products and capabilities. It is the diversity of our employees that fuels this innovation and enhances the way we work by bringing a wealth of experiences and expertise to any challenge. We celebrate difference in all forms, building an environment of diversity, equity, and inclusion regardless of ethnicity, religion, gender, sexual orientation, age, or disability. Our Business Resource Groups, which are executive-sponsored organizations that any Booz Allen employee can join, illustrate our devotion to DEI by cultivating meaningful networks and development opportunities across locations, job roles, levels, and functional expertise; celebrating inclusive action through recognition programs; and attracting diverse talent to Booz Allen.

As of March 31, 2021, based upon voluntary self-reporting:

- 36% of our global workforce identified as female, including 34% of senior management and 67% of executive leadership
- 32% of our U.S. workforce identified as BIPOC, including 19% of senior management and 22% of executive leadership
- Nearly 27% of our employees are veterans
- Approximately 87% of our employees hold bachelor's degrees; approximately 41% hold master's degrees; and approximately 3% hold doctoral degrees
- Approximately 68% of our employees hold security clearances
- Of new employee hires, 30% globally identified as female and 37% in the U.S. identified as BIPOC
- Of employee departures, 30% globally identified as female and 35% in the U.S. identified as BIPOC

Talent Acquisition and Development. We attract and retain the best people by providing them with opportunities to grow, build skills, and be appreciated for their contributions as they work on our clients' toughest challenges. We continuously invest in elements of our employee value proposition to ensure we remain an employer of choice in a highly competitive talent marketplace.

Our Total Rewards program shows our appreciation for our employees' contributions, provides them with opportunities and choice, supports well-being, and helps them navigate work-life integration. To support a resilient, high-performing workforce, we invest in financial, emotional, and physical wellness. We offer financial and non-financial benefits and incentives built to expand our employees' life pursuits, such as continuous learning through mentoring, upskilling and reskilling programs, including Company-funded FlexEd opportunities; paid and unpaid parental leave options for birth and adoptive primary and secondary caregivers; paid time off and holidays; and civic responsibilities leave.

Our employee value proposition creates a virtuous circle in which our employees know they are making a difference while growing their careers, which furthers their commitment to Booz Allen and in turn makes them ambassadors for future talent. Booz Allen has always recognized the importance of our people and culture, and we continue to build on that strong legacy as we support our employees to meet their full potential.

Employee Engagement. We conduct an annual Employee Experience Survey (EES), which measures, among other factors, our employees' impression of the inclusiveness of our work environment. The EES results provide insights into how employees experience Booz Allen and our culture, helping our leaders better understand areas of opportunity and areas for greater attention.

In fiscal 2021, as the impact of COVID-19 rapidly spread, we focused our attention on keeping each other, our families, and our clients safe; supporting our clients' vital missions; and protecting our business. We conducted surveys of our employees to understand how we could best help them, and we launched a pandemic resilience program that committed \$100 million of support for our employees and the communities where they live and work, including major benefit programs enhancements, financial and job security, enhanced caregiver support, and telework resources.

Community Engagement. Our community engagement efforts bring our corporate purpose to life, empowering our people to change their worlds, deploying Booz Allen's capabilities to make a difference in the places where we live and work. We maintain strong connections to these communities—creating positive impact through outreach, recruitment, advocacy, philanthropy, pro bono service, and volunteerism—all with a focus on creating pathways to resilience by connecting people, organizations, and communities with transformational innovation and technological solutions that power human potential and create a secure future for all.

Our community engagement activities enhance our impact on society and create meaningful opportunities for our employees, who cite these programs as a source of pride and connection to Booz Allen. We take steps through oversight, technology solutions, and enterprise-wide policies to mitigate any business risks that could arise through these activities. To this end, we seek to affiliate only with organizations that are responsible stewards of corporate and employee contributions of time and money and that share our values, such as our commitment to diversity, equity, and inclusion.

Awards and Recognition. The importance we place on our people continues to receive external recognition. Ethisphere, a global leader in defining and advancing ethical business practices, has once again recognized Booz Allen as one of the World's Most Ethical Companies. For the eleventh consecutive year, Booz Allen has received a perfect score on the Corporate Equality Index, a national benchmarking survey on corporate policies and practices related to LGBTQ workplace equality administered by the Human Rights Campaign Foundation, as well as designation as a "Best Place to Work for LGBTQ Equality." In addition, for the sixth consecutive year, Booz Allen received a perfect score on the Disability Equality Index, and has been named a Disability Equality Index "Best Place to Work for Disability Inclusion." Our inclusive culture has been further recognized by MilitarySpouse as "Top 10 Military Spouse Friendly Employers," by Military Times as "Best for Vets," on the "Working Mother Top 100," and by Forbes as a "Best Employer for Veterans," a "Best Employer for Diversity," and a "Best Company for Women." We were also proud recipients of the Washington Business Journal's Corporate Philanthropy Award.

We have also been honored with industry awards that showcase our employer brand, including recognition by Forbes as one of "America's Best Employers" and a "Best Management Consulting Firm," achieving a tenth consecutive year as one of Fortune's "World's Most Admired Companies," receipt of the U.S. Small Business Association's Dwight D. Eisenhower "Award for Excellence," #4 ranked on Vault's Consulting 50 and in the top 10 of Vault's Most Prestigious Consulting Firms, #4 ranked "Best Places to Work in IT" by Computer World and Insider Pro, and #26 ranked "Largest Global Defense Contractor" by DefenseNews.

Functional Service Offerings

We offer five functional service offerings supported by continued investment and innovation that drive our capacity to meet market demand today and into the future. We provide a range of technical capabilities that have had an enduring impact for our clients, our people, and the communities where we live and work.

Our functional service offerings are summarized below:

- **Consulting** focuses on the talent and expertise needed to solve client problems and develop mission-oriented solutions for specific domains, business strategies, human capital, and operations through new and innovative approaches. We

help clients boost organizational performance, deploy new technologies in smart ways, and change and streamline processes to achieve better outcomes.

- **Analytics** focuses on transformational solutions that deliver ethical and responsible outcomes in the areas of artificial intelligence (AI), such as machine learning, deep learning; data science, such as data engineering and predictive modeling; automation and decision analytics; and emerging areas, such as quantum computing. We pioneer holistic approaches to apply these technologies to create and sustain data-driven organizations, with a focus not only on data and technology, but also the people and culture, to drive real outcomes. We act as our clients' trusted advisor, assisting them with building and operationalizing scalable analytics and AI systems based on our deep experience in a complex and evolving AI landscape.
- **Digital Solutions** combines the power of modern systems development techniques and cloud platforms with the power of machine learning to transform customer and mission experiences. We blend in-depth client mission understanding and digital technical expertise with a consultative approach. We develop, design, and implement powerful solutions built on contemporary methodologies and modern architectures. We accelerate clients to open, cloud native environments, where capability can be securely developed and deployed at scale, and effort allocated toward data management challenges is redirected to analysis and insights.
- **Engineering** delivers engineering services and solutions to define, develop, implement, sustain, and modernize complex physical systems. We leverage mature engineering methodologies to solve our clients' most complex problems. We bring a holistic understanding of client needs and technical strategy as well as policy experts to deliver purpose-fit solutions to problems. Our engineering capabilities include external industry standard certifications, such as International Organization for Standardization 90001 and AS9100.
- **Cyber** focuses on active prevention, detection, and cost effectiveness. Active prevention includes methods of securing platforms and enterprises against cyber attacks. Detection is the instrumentation of networks to provide lead indicators of penetrations. Cost effectiveness includes our integrated engineering capabilities. Our cyber capabilities are rooted in decades of service to the U.S. federal intelligence community and today afford us the opportunity to maintain technical expertise in network security. With decades of mission intelligence combined with the most advanced tools available, we help clients understand the business value of cyber risk management and prepare for future cybersecurity needs with a lens toward efficiency and effectiveness.

Innovation and Solutions

We are developing transformative solutions that build lasting value for our clients and drive focused innovation to seed next generation businesses in the areas of artificial intelligence, immersive technologies, secure mobility, advanced engineering (such as directed energy), and customer-centric modern digital platforms. We are advancing and creating the infrastructure and mechanics for new and disruptive business models by enabling a vibrant innovation culture, bringing a solutions mindset to our marketplace and sales force, and by building the Company's presence and brand in the external innovation ecosystem. As a gateway to driving innovation, our solutions combine market-prioritized needs with the Company's capabilities and products. These solutions enhance future revenue opportunities, monetize the Company's intellectual property, and create differentiated business models and sales channels to drive greater value for our clients.

In addition, we have several acceleration functions that enable our investments and position us as an essential partner in the larger innovation ecosystem. We have a robust technology scouting team that monitors emerging technologies that can further government missions and informs where Booz Allen should "build, buy, or partner" within our own investment lifecycle. Our diverse business partner network then builds and maximizes relationships and go-to-market strategies with leading technology companies. Lastly, we maintain an active network of Innovation Centers and hubs that showcase our capabilities and solutions for clients, partners, and prospective talent—serving as physical instantiations of our commitment to galvanizing innovation with our clients and local communities.

Our Long-Term Growth Strategy

Vision 2020 was a comprehensive strategy to transform Booz Allen and create sustainable quality growth for the Company. Fiscal 2021 was the eighth and final year of implementing the strategy, the design of which reaches back to before the government market began to contract in 2011 and 2012. We anticipated the market downturn and set in place a strategy that would allow us to emerge in a strong position vis-à-vis our competitors. Under Vision 2020, we:

- Moved closer to the center of our clients' core missions
- Increased the technical content of our work
- Attracted and retained superior talent in diverse areas of expertise
- Leveraged innovation to deliver complex, differentiated, end-to-end solutions

- Created a broad network of external partners and alliances
- Expanded into the commercial and international markets

The success of our strategy over the Vision 2020 implementation period can be seen in:

- Backlog growth, which achieved record levels during fiscal 2021 for the third consecutive year
- Headcount growth and a corresponding shift in our talent portfolio to more technical expertise in disciplines such as systems development, cyber, and analytics
- Industry-leading organic revenue growth
- Enhanced profitability and margin expansion

Toward the end of Vision 2020, we commenced a strategic review process that will inform the next iteration of our long-term growth strategy. We intend to share the details of this strategy during fiscal year 2022.

Our Clients

Booz Allen is committed to solving our clients' toughest challenges, and we work with a diverse base of public and private sector clients across a number of industries in the U.S. and internationally.

Our clients call us to work on their hardest problems, such as delivering effective healthcare, protecting soldiers in combat and their families, and keeping our national infrastructure secure. We are investing in markets, capabilities, and talent and are building new business models through strategic ventures, partnerships, and product offerings.

Our government clients include most of the cabinet-level departments of the U.S. government. We also serve large commercial clients across industries including financial services, health and life sciences, energy, and technology to solve their hardest and most sophisticated cyber challenges, and have a growing portfolio of international clients.

A Large Addressable Market

We believe that the U.S. government is the world's largest consumer of management and technology consulting services. According to the Congressional Budget Office and the U.S. Department of the Treasury, the U.S. government's total spending for its fiscal year ended September 30, 2020 was \$4.8 trillion. Memorandum baseline estimates for fiscal year 2020 indicate approximately \$1.4 trillion was for discretionary budget authority, including \$746 billion for the Department of Defense and intelligence community and \$672 billion for civil agencies. Based on data from the Federal Procurement Data System, approximately \$681.9 billion, including an estimated \$35.3 billion in contract spending tied directly to the COVID-19 National Interest Action code (code P20C), of the U.S. government's fiscal year 2020 discretionary outlays were non-intelligence agency funding-related products and services procured from private contractors. We estimate that \$155.6 billion of the spending directed toward private contractors in U.S. government fiscal year 2020 was for management, technology, and engineering services, with \$88.6 billion spent by the Department of Defense and \$67.0 billion spent by civil agencies. The agencies of the U.S. intelligence community that we serve represent an additional market. These numbers also exclude a large addressable market for our services and capabilities in the global commercial markets where we have a modest footprint.

Highlights of Booz Allen's fiscal 2021 are as follows:

- We derived 97% of our revenue from contracts where the end client was an agency or department of the U.S. government.
- We delivered services under 4,309 contracts and task orders.
- We derived 93% of our revenue in fiscal 2021 from engagements for which we acted as the prime contractor.
- We derived 13% of our revenue in fiscal 2021 from the Navy Marine Corps, which was the single largest client that we served in that year.

Selected Long-Term Client Relationships

Client (1)	Relationship Length (Years)
U.S. Navy	80+
U.S. Army	70+
Department of Energy	40+
U.S. Air Force	40+
National Security Agency	35+
Department of Homeland Security	35+
Federal Bureau of Investigation	25+
Internal Revenue Service	25+
Department of Health and Human Services	25+
National Reconnaissance Office	20+
A U.S. intelligence agency	20+

(1) Includes predecessor organizations.

Defense Clients

We are the premier digital integrator for the Department of Defense, blending decades of mission experience with state-of-the-art AI/ML, next-generation data solutions, networking, cyber, and advanced software development to help the department achieve information dominance. We bring our defense clients the best emerging technology to help them quickly and easily modernize, achieve interoperability, and win. We design open architectures to avoid vendor lock, lower lifecycle cost, and maintain a technological edge. Our technologists work hand-in-hand with our domain experts to build solutions that deliver the warfighter mission-critical information in today's digital battlespace.

We count among our many defense clients all four branches of the U.S. military, the Office of the Secretary of Defense, and the Joint Staff. Our key defense clients include the Army, Navy/Marine Corps, Air Force, and Joint Combatant Commands.

Revenue generated from defense clients was \$3.9 billion, or approximately 49.6% of our revenue, in fiscal 2021 as compared to \$3.6 billion, or approximately 47.3% of our revenue, in fiscal 2020. Revenue generated from defense clients also includes foreign military sales to non-U.S. government clients.

Intelligence Clients

We operate at the intersection of technology and mission understanding for our clients. We deliver innovative, high-value services, capabilities, and solutions that directly impact core national security missions across the Intelligence Community and national cyber mission providers. We leverage our knowledge of the mission and tailor our capabilities for our clients—our biggest driver is the demand for innovation, requiring us to be ahead of the pace of technology adoption. Technology is at the center of our clients' missions and ours—we are investing in emerging technologies like AI, zero trust cyber solutions, multi-cloud, and 5G to adapt ahead of adversaries. The national security workforce remains focused on what's next, blending cleared and uncleared talent across dispersed geographies, ensuring mission impact. Our combination of technology, innovation, and talent is helping to shape the future of our national security ecosystem.

Our intelligence clients are the 18 organizations of the U.S. Intelligence Community, to include independent agencies, the Department of Defense elements, such as the National Security Agency and Defense Intelligence Agency, and other departments or agencies.

Revenue generated from intelligence clients was \$1.6 billion, or approximately 20.0% of our revenue, in fiscal 2021 as compared to \$1.6 billion, or approximately 21.6% of our revenue, in fiscal 2020.

Civil Clients

Our civil work centers on the federal missions that are the highest priority to the domestic agenda, and we excel at helping our clients innovate their most-critical missions. From healthcare, homeland security and financial services to justice, law enforcement, energy, transportation, and benefits delivery, we work at the core of the mission to address our clients' most pressing needs.

Our major civil government clients include the Departments of Veterans Affairs, Health and Human Services, Treasury, Labor, Homeland Security, Justice, Energy, Commerce, and Transportation. Modernization, transformation, and reform are key needs of our clients, and we offer the technical expertise and mission understanding that is required to deliver innovative solutions to all our clients' needs across the civil portfolio.

Revenue generated from civil government was \$2.2 billion, or approximately 27.8% of our revenue, in fiscal 2021, as compared to \$2.0 billion, or approximately 27.1% of our revenue, in fiscal 2020.

Global Commercial Clients

Global commercial clients are comprised of U.S. commercial and international clients.

For our commercial clients, we combine our consulting heritage with cybersecurity practitioner experience gained from cyber incidents and challenges in the public and private sectors to deliver market-leading cyber defense solutions that include consulting and managed service. We serve commercial clients in a variety of industries including financial services, health and life sciences, energy, and technology.

For our international clients, we work alongside public and private sector leaders to help shape and execute their critical agendas.

Following the 2011 expiration of our non-competition agreement with our spun-off commercial business, we re-entered the Middle East and North Africa (MENA) and other international markets. Since re-entering these markets, our strategy and technology consultants have empowered our clients in these regions with the knowledge and experience they need to build their own local resources and capabilities.

Revenue generated from global commercial clients was \$203.7 million, or approximately 2.6% of our revenue in fiscal 2021 as compared to \$261.6 million, or approximately 4.0% of our revenue in fiscal 2020.

Contracts

Booz Allen's approach has long been to ensure that we have prime or subcontractor positions on a wide range of contracts that allow clients maximum opportunity to access our services. Our diverse contract base provides stability to our business. This diversity shows that more than 80% of our revenue for fiscal 2021 was derived from 3,885 active task orders under indefinite delivery/indefinite quantity (IDIQ) contract vehicles. Our top IDIQ contract vehicle represented approximately 12.3% of our revenue in fiscal 2021. Our largest task order under an IDIQ contract vehicle accounted for approximately 3.1% of our revenue in fiscal 2021. Our largest definite contract represented approximately 3.0% of our revenue in fiscal 2021.

The U.S. government procures services through two predominant contracting methods: indefinite contract vehicles and definite contracts. Each of these is described below:

- Indefinite contract vehicles provide for the issuance by the client of orders for services or products under the terms of the contract. Indefinite contracts are often referred to as contract vehicles or ordering contracts. IDIQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Under a multiple award IDIQ contract, there is no guarantee of work as contract holders must compete for individual work orders. IDIQ contracts will often include pre-established labor categories and rates, and the ordering process is streamlined (usually taking less than a month from recognition of a need to an established order with a contractor). IDIQ contracts often have multiyear terms and unfunded ceiling amounts, thereby enabling but not committing the U.S. government to purchase substantial amounts of products and services from one or more contractors in a streamlined procurement process.
- Definite contracts call for the performance of specified services or the delivery of specified products. The U.S. government procures services and solutions through single award, definite contracts that specify the scope of services that will be delivered and identify the contractor that will provide the specified services. When an agency recognizes a need for services or products, it develops an acquisition plan, which details how it will procure those services or products. During the acquisition process, the agency may release a request for information to determine if qualified bidders exist, a draft request for a proposal to allow the industry to comment on the scope of work and acquisition strategy, and finally a formal request for a proposal. Following the evaluation of submitted proposals, the agency will award the contract to the winning bidder.

Listed below are our top IDIQ contracts for fiscal 2021 and the number of active task orders under these contracts as of March 31, 2021.

	Fiscal 2021 Revenue (in millions)	% of Total Revenue	Number of Task Orders as of March 31, 2021	Expiration Date ⁽¹⁾
One Acquisition Solution for Integrated Services	\$ 967.3	12.3 %	65	9/2/2024
Booz Allen Engineering Services - Alliant	857.7	10.9 %	23	4/30/2019
Transformation Twenty-One Total Technology Next Generation	402.0	5.1 %	9	3/6/2026
System Engineering and Analysis/Advanced Technology Support	360.7	4.6 %	30	12/31/2019
Information Technology Schedule 70 (Successor)	346.9	4.4 %	82	6/28/2036
Professional Services Schedule	341.6	4.3 %	223	9/30/2035
Booz Allen Engineering Services - Alliant 2	302.1	3.8 %	42	6/30/2028
Defense Systems Technical Area Tasks	247.3	3.1 %	31	6/22/2019
Chief Information Officer - Solutions & Partners 3	222.3	2.8 %	19	5/31/2022
DTIC Information Analysis Center Multiple Award Contract	137.4	1.7 %	29	9/29/2027

(1) Expiration date applies to the IDIQ vehicle. Task orders awarded under the IDIQ can run past the expiration of the IDIQ itself.

Listed below for each specified revenue band is the number of task orders, revenue derived from the task orders, and average duration of the task orders as of March 31, 2021. The table includes revenue earned during fiscal 2021 under all task orders that were active during fiscal 2021 under these IDIQ contracts and the number of active task orders on which this revenue was earned. Average duration reflected in the table below is calculated based on the inception date of the task order, which may be prior to the beginning of fiscal 2021, and the completion date which may have been prior or subsequent to March 31, 2021. As a result, the actual average remaining duration for task orders included in this table may be less than the average duration shown in the table, and task orders included in the table may have been complete on March 31, 2021.

Segmentation of Task Order by Revenue Fiscal 2021	Number of Task Orders Active During Fiscal 2021	Fiscal 2021 Revenue (in millions)	% of Total Revenue	Average Duration (Years)
Less than \$1 million	3,071	\$ 426.1	5 %	1.5
Between \$1 million and \$3 million	419	743.3	9 %	2.1
Between \$3 million and \$5 million	152	590.0	8 %	2.2
Between \$5 million and \$10 million	112	775.2	10 %	2.4
Greater than \$10 million	131	3,775.0	48 %	3.0
Total	3,885	6,309.6	80 %	1.6

Listed below are our top definite contracts for fiscal 2021 and revenue recognized under these contracts. Classified contracts that cannot be named are noted generically in the table:

	Fiscal 2021 Revenue (in millions)	% of Total Revenue	Expiration Date
Classified Contract	\$ 238.0	3.0 %	9/30/2021
Classified Contract	61.7	0.8 %	6/30/2025
Classified Contract	54.9	0.7 %	3/7/2023
Transition Assistance Program Support Services	43.5	0.6 %	5/16/2022
Classified Contract	42.3	0.5 %	5/26/2021
Classified Contract	39.7	0.5 %	3/31/2025
Recreation One Stop Support Services	36.3	0.5 %	9/30/2027
Classified Contract	33.2	0.4 %	9/16/2024
Systems Engineering and Technical Assistance	28.3	0.4 %	5/31/2021
Classified Contract	24.2	0.3 %	8/31/2021

Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders (including optional orders) for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under IDIQ contracts except to the extent that task orders have been awarded to us under those contracts.

The following table summarizes the value of our contract backlog as of the respective dates presented:

	As of March 31,	
	2021	2020
	(In millions)	
Funded	\$ 3,510	\$ 3,415
Unfunded	6,086	4,518
Priced options	14,436	12,796
Total backlog	<u>\$ 24,032</u>	<u>\$ 20,729</u>

We may never realize all of the revenue that is included in our total backlog, and there is a higher degree of risk in this regard with respect to unfunded backlog and priced options. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors and Trends Affecting Our Results of Operations—Sources of Revenue—Contract Backlog" for additional disclosure regarding our backlog. See also "Item 1A. Risk Factors—Industry and Economic Risks—We may not realize the full value of our backlog, which may result in lower than expected revenue."

Competition

The government services market is highly fragmented and competition within the government professional services industry has intensified as a result of market pressure and consolidation activity. In addition to professional service companies like ours that focus principally on the provision of services to the U.S. government, other companies active in our markets include large defense contractors; diversified consulting, technology, and outsourcing service providers; and small businesses.

Changing government policies and market dynamics are impacting the competitive landscape. In the past, the government's focus on organizational conflicts of interest has driven divestitures, which have changed the competitive landscape. More recently, there has been increasing pressure from government clients to utilize small businesses, in large part because of a push by both past and present administrations to bolster the economy by helping small business owners. Finally, as a result of the foregoing factors and the drive in our markets to quickly build competencies in growth areas and achieve economies of scale, we believe that consolidation activity among market participants will continue.

In the course of doing business, we compete and collaborate with companies of all types and sizes. We strive to maintain positive and productive relationships with these organizations. Some of them hire us as a subcontractor, and we hire some of them to work with us as our subcontractors. Our major competitors include: (1) contractors focused principally on the provision of services to the U.S. government, (2) large defense contractors that provide both products and services to the U.S. government, and (3) diversified service providers. We compete based on our technical expertise and client knowledge, our ability to successfully recruit and retain appropriately skilled and experienced talent, our ability to deliver cost-effective multifaceted services in a timely manner, our reputation and relationship with our clients, our past performance, security clearances, and the size and scale of our Company. In addition, to maintain our competitive position, we routinely review our operating structure, capabilities, and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets, and successfully building a platform intended to provide the foundation for the future growth of our business.

Patents and Proprietary Information

Our management and technology consulting services business utilizes a variety of proprietary rights in delivering products and services to our clients. We claim a proprietary interest in certain service offerings, products, software tools, methodologies, and know-how, and also have certain licenses to third-party intellectual property that may be significant to our business. While we have several patents issued and pending in the United States and in certain foreign countries, we do not consider our overall business to be materially dependent on the protection of such patents. In addition, we have a number of trade secrets that contribute to our success and competitive position, and we endeavor to protect this proprietary information. While protecting trade secrets and proprietary information is important, we are not materially dependent on any specific trade secret or group of trade secrets.

We rely on a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent, and trade secret laws, to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. We have a variety of proprietary marks registered in the United States and certain foreign countries, including "Booz Allen Hamilton." Generally, registered trademarks have perpetual life, provided that they are renewed on a timely basis and continue to be used properly as trademarks. We have registered trademarks related to our name and logo in the United States, with the earliest renewal in November 2022, while the earliest renewal for our trademarks outside of the United States is September 2021.

For our work under U.S. government funded contracts and subcontracts, the U.S. government obtains certain rights to data, software, and related information developed under such contracts or subcontracts. These rights generally allow the U.S. government to disclose such data, software, and related information to third parties, which may include our competitors in some instances. In the case of our work as a subcontractor, our prime contractor may also have certain rights to data, information, and products we develop under the subcontract.

Booz Allen Hamilton and other trademarks or service marks of Booz Allen Hamilton Inc. appearing in this Annual Report are the trademarks or registered trademarks of Booz Allen Hamilton Inc. Trade names, trademarks, and service marks of other companies appearing in this Annual Report are the property of their respective owners.

Regulation

As a contractor to the U.S. government, as well as state and local governments, we are heavily regulated in most fields in which we operate. We deal with numerous U.S. government agencies and entities, and, when working with these and other entities, we must comply with and are affected by unique laws and regulations relating to the formation, administration, and performance of public government contracts. Some significant laws and regulations that affect us include the following:

- the FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;
- the False Claims Act, which imposes civil and criminal liability for violations, including substantial monetary penalties, for, among other things, presenting false or fraudulent claims for payments or approval;
- the False Statements Act, which imposes civil and criminal liability for making false statements to the U.S. government;

- the Truthful Cost or Pricing Data Statute (formerly known as the Truth in Negotiations Act), which requires certification and disclosure of cost and pricing data in connection with the negotiation of certain contracts, modifications, or task orders;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;
- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the U.S. government;
- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the U.S. government and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the handling, use, and dissemination of information classified for national security purposes or determined to be “controlled unclassified information” or “for official use only,” and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work;
- laws, regulations, and executive orders, regulating the handling, use, and dissemination of personally identifiable information in the course of performing a U.S. government contract;
- international trade compliance laws, regulations, and executive orders that prohibit business with certain sanctioned entities and require authorization for certain exports or imports in order to protect national security and global stability;
- laws, regulations, and executive orders governing organizational conflicts of interest that may restrict our ability to compete for certain U.S. government contracts because of the work that we currently perform for the U.S. government or may require that we take measures such as firewalling off certain employees or restricting their future work activities due to the current work that they perform under a U.S. government contract;
- laws, regulations, and executive orders that impose requirements on us to ensure compliance with requirements and protect the government from risks related to our supply chain;
- laws, regulations, and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a government contract;
- the Contractor Business Systems rule, which authorizes Department of Defense agencies to withhold a portion of our payments if we are determined to have a significant deficiency in our accounting, cost estimating, purchasing, earned value management, material management and accounting, and/or property management system; and
- the Cost Accounting Standards and Cost Principles, which impose accounting and allowability requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

Given the magnitude of our revenue derived from contracts with the Department of Defense, the Defense Contract Audit Agency (DCAA) is our cognizant government audit agency. The DCAA audits the adequacy of our internal control systems and policies including, among other areas, compensation. The Defense Contract Management Agency (DCMA) as our cognizant government contract management agency, may determine that a portion of our employee compensation is unallowable based on the findings and recommendations in the DCAA's audits. In addition, the DCMA directly reviews the adequacy of certain other business systems, such as our purchasing system. See “Item 1A. Risk Factors—Legal and Regulatory Risks—Our work with government clients exposes us to additional risks inherent in the government contracting environment, which could reduce our revenue, disrupt our business, or otherwise materially adversely affect our results of operations.” We are also subject to audit by Inspectors General of other U.S. government agencies.

The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. To help ensure compliance with these laws and regulations, all of our employees are required to attend ethics training at least annually, and to participate in other compliance training relevant to their position. Internationally, we are subject to special U.S. government laws and regulations (such as the Foreign Corrupt Practices Act), local government regulations and procurement policies and practices, including regulations relating to import-export control, investments, exchange controls, and repatriation of earnings, as well as varying currency, political, and economic risks.

U.S. government contracts are, by their terms, subject to termination by the U.S. government either for its convenience or default by the contractor. In addition, U.S. government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance could take many years. As is common in the industry, our Company is subject to business

risks, including changes in governmental appropriations, national defense policies, service modernization plans, and availability of funds. Any of these factors could materially adversely affect our Company's business with the U.S. government in the future.

The U.S. government has a broad range of actions that it can instigate to enforce its procurement law and policies. These include proposing a contractor, certain of its operations or individual employees for debarment or suspending or debarring a contractor, certain of its operations or individual employees from future government business. In addition to criminal, civil, and administrative actions by the U.S. government, under the False Claims Act, an individual alleging fraud related to payments under a U.S. government contract or program may file a qui tam lawsuit on behalf of the government against us; if successful in obtaining a judgment or settlement, the individual filing the suit may receive up to 30% of the amount recovered by the government.

See "Item 1A. Risk Factors—Legal and Regulatory Risks—We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations."

Available Information

We file annual, quarterly, and current reports and other information with the Securities and Exchange Commission (the SEC). The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including us. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to those forms) through the "Investors" portion of our website (www.boozallen.com). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this Annual Report as an inactive textual reference only. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, and results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

This risk factor summary contains a high-level summary of risks associated with our business. It does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary. A summary of our risks includes, but is not limited, to the following:

Industry and Economic Risks

- risks relating to our relationships with the U.S. government;
- changes in U.S. government spending and mission priorities, including due to uncertainty relating to funding of the U.S. government and a possible failure of Congressional efforts to approve such funding and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits;
- the effects of COVID-19 and other pandemics or widespread health epidemics, including disruptions to our workforce and the impact on government spending and demand for our solutions;
- our ability to compete effectively in the competitive bidding process and delays or losses of contract awards caused by competitors' protests of major contract awards received by us;
- the loss of GSA schedules, or our position as prime contractor on GWACs;
- variable purchasing patterns under GSA schedules, blanket purchase agreements, and IDIQ contracts;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;
- changes in estimates used in recognizing revenue;
- our ability to realize the full value of and replenish our backlog, generate revenue under certain of our contracts, and the timing of our receipt of revenue under contracts included in backlog;

- internal system or service failures and security breaches, including, but not limited to, those resulting from external or internal cyber attacks on our network and internal systems;
- risks related to the implementation and operation of new financial management systems;
- our ability to attract, train, or retain employees with the requisite skills and experience and ensure that employees obtain and maintain necessary security clearances and effectively manage our cost structure;
- misconduct or other improper activities from our employees or subcontractors, including the improper use or release of sensitive or classified information;
- the impact of increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime-contractor relationship to meet their obligations to us or our clients;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business, or respond to market developments; and
- risks related to completed and future acquisitions, including our ability to realize the expected benefits from such acquisitions.

Legal and Regulatory Risks

- failure to comply with numerous laws and regulations, including FAR, the False Claims Act, the Defense Federal Acquisition Regulation Supplement, and FAR Cost Accounting Standards and Cost Principles;
- risks related to our international operations;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues or limits;
- the incurrence of additional tax liabilities, including as a result of changes in tax laws or management judgments involving complex tax matters;
- continued efforts to change how the U.S. government reimburses compensation related costs and other expenses or otherwise limit such reimbursements and an increased risk of compensation being deemed unreasonable and unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings; and
- the impact of changes in accounting rules and regulations, or interpretations thereof, that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue.

Risks Related to Our Indebtedness

- the impact of our substantial indebtedness and our ability to service and refinance such indebtedness;
- the restrictions and limitations in the agreements and instruments governing our indebtedness; and
- the impact of a substantial portion of our indebtedness being secured by substantially all of our assets.

Risks Related to Our Common Stock

- the volatility of the market price of our Class A common stock;
- the timing and amount of our dividends, if any; and
- the impact of fulfilling our obligations incident to being a public company.

Industry and Economic Risks

We depend on contracts with U.S. government agencies for substantially all of our revenue. If our relationships with such agencies are harmed, our future revenue and operating profits would decline.

The U.S. government is our primary client, with revenue from contracts and task orders, either as a prime or a subcontractor, with U.S. government agencies accounting for 97% of our revenue for fiscal 2021. Our belief is that the successful future growth of our business will continue to depend primarily on our ability to be awarded work under U.S. government contracts, as we expect this will be the primary source of substantially all of our revenue in the foreseeable future. For this reason, any issue that compromises our relationship with the U.S. government generally or any U.S. government agency that we serve would cause our revenue to decline. Among the key factors in maintaining our relationship with U.S. government agencies is our performance on contracts and task orders, the strength of our professional reputation, compliance

with applicable laws and regulations, and the strength of our relationships with client personnel. In addition, the mishandling or the perception of mishandling of sensitive information, such as our failure to maintain the confidentiality of the existence of our business relationships with certain of our clients, including as a result of misconduct or other improper activities by our employees or subcontractors, or a failure to maintain adequate protection against security breaches, including those resulting from cyber attacks, could harm our relationship with U.S. government agencies. See "—Our employees or subcontractors may engage in misconduct or other improper activities, which could harm our ability to conduct business with the U.S. government." Our relationship with the U.S. government could also be damaged as a result of an agency's dissatisfaction with work performed by us, a subcontractor, or other third parties who provide services or products for a specific project for any reason, including due to perceived or actual deficiencies in the performance or quality of our work, and we may incur additional costs to address any such situation and the profitability of that work might be impaired. Further, negative publicity concerning government contractors in general or us in particular, regardless of accuracy, may harm our reputation among federal government contractors. Due to the sensitive nature of our work and our confidentiality obligations to our customers, we may be unable or limited in our ability to respond to such negative publicity, which could also harm our reputation and business. To the extent our reputation or relationships with U.S. government agencies is impaired, our revenue and operating profits could materially decline.

U.S. government spending levels and mission priorities could change in a manner that adversely affects our future revenue and limits our growth prospects.

Our business depends upon continued U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. These expenditures have not remained constant over time, have been reduced in certain periods, and have been affected by the U.S. government's efforts to improve efficiency and reduce costs affecting U.S. government programs generally. Our business, prospects, financial condition, or operating results could be materially harmed, among other causes, by the following:

- budgetary constraints, including Congressionally mandated automatic spending cuts, affecting U.S. government spending generally, or specific agencies in particular, and changes in available funding;
- a shift in the permissible federal debt limit;
- a shift in expenditures away from agencies or programs that we support;
- reduced U.S. government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- changes or delays in U.S. government programs that we support or related requirements;
- U.S. government shutdowns due to, among other reasons, a failure by elected officials to fund the government and other potential delays in the appropriations process;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;
- delays in the payment of our invoices by government payment offices;
- an inability by the U.S. government to fund its operations as a result of a failure to increase the U.S. government's debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to COVID-19 or other conditions, such as emergency spending, that reduce funds available for other government priorities.

In addition, any disruption in the functioning of U.S. government agencies, including as a result of U.S. government closures and shutdowns, terrorism, war, international conflicts, natural disasters, public health crises (such as COVID-19), destruction of U.S. government facilities, and other potential calamities could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to client locations or facilities as a result of such disruptions.

The U.S. government budget deficits, the national debt, and prevailing economic conditions, and actions taken to address them, could negatively affect U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. The Department of Defense is one of our significant clients and cost cutting, including through consolidation and elimination of duplicative organizations and insourcing, has become a major initiative for the Department of Defense. A reduction in the amount of, or delays or cancellations of funding for, services that we are contracted to provide as a result of any of these related initiatives, legislation, or otherwise could have a material adverse effect on our business and results of

operations. In addition, government agencies have reduced management support services spending in recent years. If federal awards for management support services continue to decline, our revenue and operating profits may materially decline and could have a material and adverse effect on our business and results of operations.

If government funding relating to our contracts with the U.S. government or Department of Defense becomes unavailable, or is reduced or delayed, or planned orders are reduced, our contract or subcontract under such programs may be terminated or adjusted by the U.S. government or the prime contractor, if applicable. Our operating results could also be adversely affected by spending caps or changes in the budgetary priorities of the U.S. government or Department of Defense, as well as delays in program starts or the award of contracts or task orders under contracts.

These or other factors could cause our defense, intelligence, or civil clients to decrease the number of new contracts awarded generally and fail to award us new contracts, reduce their purchases under our existing contracts, exercise their right to terminate our contracts, or not exercise options to renew our contracts, any of which could cause a material decline in our revenue.

The effects of a pandemic or widespread health epidemic such as COVID-19 could have a material adverse effect on our business and results of operations.

COVID-19, which in fiscal 2020 was recognized as a pandemic by the World Health Organization and declared a national emergency by the U.S. government, and ongoing attempts to contain and reduce its spread, such as mandatory closures, "shelter-in-place" orders and travel and quarantine restrictions, have caused significant volatility, uncertainty, disruption, and other adverse effects on the U.S. and global economies, including impacts to supply chains, customer demand, international trade, and capital markets. These effects have adversely affected certain of our business operations, may further adversely affect our business operations, and may materially and adversely affect our financial condition, results of operations, cash flows, and equity. COVID-19 has continued to spread across the globe and is continuing to impact worldwide economic activity and financial markets.

In light of the uncertain and evolving situation relating to COVID-19, we have taken precautionary measures intended to minimize the risk of the virus to our employees, our clients and the communities in which we operate, which could negatively impact our business. We have implemented a mandatory telework policy for those employees whose assignments and clients permit working remotely and suspended non-essential travel worldwide for our employees. While we have a distributed workforce and our employees are accustomed to working remotely or working with other remote employees, our workforce is not fully remote and we may be unable to address technological or other challenges inherent in a remote working environment. Many of our employees are unable to work remotely because of unique client requirements, and many of those employees either have continued to work on site or have now returned to on site based upon client reconstitution plans. Our employees' ability to support on site work remains subject to ongoing uncertainty regarding agency reconstitution planning, and we have seen reversal of reconstitutions in the event of COVID-19 surges. In addition, some of our employees, clients, and subcontractors are located in foreign countries, which may be impacted differently from the United States, including through more severe or prolonged restrictions on working or traveling. Although we continue to monitor the situation in each of the jurisdictions in which we operate and may adjust our current policies as more information and public health guidance become available, temporarily suspending travel and doing business in person could challenge our ability to enter into or perform under contracts in a timely manner, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business and results of operations. Although the Company has business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective or that such measures will not adversely affect our operations or long-term plans. In addition, as local conditions and regulations begin to permit the return of employees to business generally, our workforce may not be able to return to work in person immediately, if at all, or may instead choose to pursue competing employment opportunities, including as a result of transportation, childcare, and ongoing health issues, which could negatively affect our business.

More generally, COVID-19 could continue to adversely affect economies and financial markets globally, potentially leading to an economic downturn, which could decrease government spending and adversely affect demand for our solutions and harm our business and results of operations. While the U.S. and local government agencies have enacted several emergency relief programs designed to combat the economic impact of COVID-19, the long-term effect of such spending is inherently uncertain and could result in future budgetary restrictions.

In addition, COVID-19 may disrupt the operations of our suppliers, vendors, service providers, and subcontractors for an indefinite period of time, including as a result of travel restrictions, business shutdowns or lack of access to financial markets, all of which could negatively impact our business and results of operations. Any inability to develop alternative sources of supply on a cost-effective and timely basis could materially impair our ability to manufacture and deliver products, systems, and services to our clients. We are also subject to federal and state laws and regulations enacted in response to the outbreak, such as the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which contains a provision that allows U.S. government contractors to seek specified reimbursement for certain employees who are unable to perform their contract

requirements at their designated work locations due to facility closures or restrictions as a result of COVID-19 and cannot perform such work remotely. The legislation enables but does not mandate reimbursement for such costs, and agency guidance has imposed certain restrictions. Further, the relief contemplated under the provision does not extend past September 30, 2021. Through March 31, 2021, we have withheld recognition of revenue associated with these amounts at risk of not being reimbursed. We do not expect non-reimbursed fees to have a material impact on earnings in future periods as the majority of our affected workforce has returned to on site offices or may do so prior to September 30, 2021. Although we cannot currently predict the overall impact of COVID-19 and vaccine rollout, the longer the duration of the event, the more likely it is that it could have an adverse effect on our business, financial position, results of operations, billable expenses, and/or cash flows.

We expect COVID-19 to continue to negatively impact our business and results of operations and are unable to predict how long or with what degree of severity that impact will continue. The duration and extent of COVID-19 will depend on future developments outside of our control, including the availability of effective treatments, the effectiveness and adoption of available vaccines, and the evolutionary development of COVID-19 or related viruses, which are highly uncertain and cannot be predicted.

We derive a majority of our revenue from contracts awarded through a competitive bidding process, and our revenue and profitability may be adversely affected if we are unable to compete effectively in the process or if there are delays caused by our competitors protesting major contract awards received by us.

We derive a majority of our revenue from U.S. government contracts awarded through competitive bidding processes. We do not expect this to change for the foreseeable future. Our failure to compete effectively in this procurement environment would have a material adverse effect on our revenue and profitability.

The competitive bidding process involves risk and significant costs to businesses operating in this environment, including:

- the necessity to expend resources, make financial commitments (such as procuring leased premises), and bid on engagements in advance of the completion of their design, which may result in unforeseen difficulties in execution, cost overruns and, in the case of an unsuccessful competition, the loss of committed costs;
- the substantial cost and managerial time and effort spent to prepare bids and proposals for contracts that may not be awarded to us;
- the ability to accurately estimate the resources and costs that will be required to service any contract we are awarded;
- the expense and delay that may arise if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract; and
- any opportunity cost of not bidding and winning other contracts we might have otherwise pursued.

In circumstances where contracts are held by other companies and are scheduled to expire, we still may not be provided the opportunity to bid on those contracts if the U.S. government determines to extend the existing contract. If we are unable to win particular contracts that are awarded through the competitive bidding process, we may not be able to operate in the market for services that are provided under those contracts for the duration of those contracts to the extent that there is no additional demand for such services. An inability to consistently win new contract awards over any extended period would have a material adverse effect on our business and results of operations.

The current competitive environment has resulted in an increase in the number of bid protests from unsuccessful bidders on new program awards. It can take many months for the relevant U.S. government agency to resolve protests by one or more of our competitors of contract awards we receive. Bid protests may result in significant expense to us, contract modification, or loss of an awarded contract as a result of the award being overturned. Even where we do not lose the awarded contract, the resulting delay in the startup and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated.

A significant majority of our revenue is derived from task orders under indefinite delivery/indefinite quantity, or IDIQ, contract vehicles where we perform in either a prime or subcontractor position.

We believe that one of the key elements of our success is our position as the holder of 3,885 active task orders under IDIQ contract vehicles as of March 31, 2021.

IDIQ contracts provide for the issuance by the client of orders for services or products under the contract, and often contain multi-year terms and unfunded ceiling amounts, which allow but do not commit the U.S. government to purchase products and services from contractors. Our ability to generate revenue under each of these types of contracts depends upon our ability to be awarded task orders for specific services by the client. IDIQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Multiple contractors must compete under multiple award IDIQ contracts for task orders to provide particular services, and contractors earn revenue only to the extent that they successfully compete for these task orders. A failure to be awarded task orders under such contracts would have a material adverse effect on our results of operations and financial condition.

In addition, our ability to maintain our existing business and win new business depends on our ability to maintain our prime and subcontractor positions on these contracts. The loss, without replacement, of certain of these contract vehicles could have a material adverse effect on our ability to win new business and our operating results. If the U.S. government elects to use a contract vehicle that we do not hold, we will not be able to compete for work under that contract vehicle as a prime contractor.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate or otherwise recover the expenses, time, and resources for our contracts.

We enter into three general types of U.S. government contracts for our services: cost-reimbursable, time-and-materials, and fixed-price. Each of these types of contracts, to varying degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract and adversely affect our operating results.

Under cost-reimbursable contracts, we are reimbursed for allowable costs up to a ceiling and paid a fee, which may be fixed or performance-based. If our actual costs exceed the contract ceiling or are not allowable under the terms of the contract or applicable regulations, we may not be able to recover those costs. In particular, there is ongoing focus by the U.S. government on the extent to which government contractors, including us, are able to receive reimbursement for employee compensation, including the adoption of interim rules by federal agencies implementing a section of the Bipartisan Budget Act of 2013, as amended, that substantially decreased the level of allowable compensation cost for executive-level employees and further applied the newly reduced limitation to all employees. In addition, there is an increased risk of compensation being deemed unallowable or payments being withheld as a result of U.S. government audit, review, or investigation.

Under time-and-materials contracts, we are reimbursed for labor at negotiated hourly billing rates and for certain allowable expenses. We assume financial risk on time-and-materials contracts because our costs of performance may exceed these negotiated hourly rates.

Under fixed-price contracts, we perform specific tasks for a predetermined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher margin opportunities because we receive the benefits of any cost savings, but involve greater financial risk because we bear the impact of any cost overruns. The U.S. government has generally indicated that it intends to increase its use of fixed price contract procurements. Because we assume the risk for cost overruns and contingent losses on fixed-price contracts, an increase in the percentage of fixed-price contracts in our contract mix would increase our risk of suffering losses.

Additionally, our profits could be adversely affected if our costs under any of these contracts exceed the assumptions we used in bidding for the contract. For example, we may miscalculate the costs, resources, or time needed to complete projects or meet contractual milestones as a result of delays on a particular project, including delays in designs, engineering information, or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, and other factors, some of which are beyond our control. We have recorded provisions in our consolidated financial statements for losses on our contracts, as required under accounting principles generally accepted in the United States, or GAAP, but our contract loss provisions may not be adequate to cover all actual losses that we may incur in the future.

Our professional reputation and relationships with U.S. government agencies are critical to our business, and any harm to our reputation or relationships could decrease the amount of business the U.S. government does with us, which could have a material adverse effect on our future revenue and growth prospects.

We depend on our contracts with U.S. government agencies for substantially all of our revenue and if our reputation or relationships with these agencies were harmed, our future revenue and growth prospects would be materially and adversely affected. Our reputation and relationship with the U.S. government is a key factor in maintaining and growing revenue under contracts with the U.S. government. In addition, a significant portion of our business relates to designing, developing, and implementing advanced defense and technology systems and products, including cybersecurity products and services. Negative press reports regarding poor contract performance, employee misconduct, information security breaches, engagements in or perceived connections to politically or socially sensitive activities, or other aspects of our business, or regarding government contractors generally, could harm our reputation. In addition, to the extent our performance under a contract does not meet a U.S. government agency's expectations, the client might seek to terminate the contract prior to its scheduled expiration date,

provide a negative assessment of our performance to government-maintained contractor past-performance data repositories, fail to award us additional business under existing contracts or otherwise, and direct future business to our competitors. If our reputation or relationships with these agencies are negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, such actions would decrease the amount of business that the U.S. government does with us, which would have a material adverse effect on our future revenue and growth prospects.

We use estimates in recognizing revenue and if we make changes to estimates used in recognizing revenue, our profitability may be adversely affected.

Revenue from our fixed-price contracts is primarily recognized using the percentage-of-completion method with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. Revenue from our cost-reimbursable-plus-award-fee contracts are based on our estimation of award fees over the life of the contract. Estimating costs at completion and award fees on our long-term contracts is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known.

In the event updated estimates indicate that we will experience a loss on the contract, we recognize the estimated loss at the time it is determined. Additional information may subsequently indicate that the loss is more or less than initially recognized, which requires further adjustments in our consolidated financial statements. Changes in the underlying assumptions, circumstances, or estimates could result in adjustments that could have a material adverse effect on our future results of operations.

We may not realize the full value of our backlog, which may result in lower than expected revenue.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under IDIQ contracts, except to the extent that task orders have been awarded to us under those contracts. For additional disclosure regarding our backlog, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors and Trends Affecting Our Results of Operations—Sources of Revenue—Contract Backlog."

We historically have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a higher degree of risk in this regard with respect to unfunded backlog and priced options. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing, and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are beyond our control. The actual receipt of revenue from contracts included in backlog may never occur or may be delayed because: a program schedule could change or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed, de-obligated, or terminated early, including as a result of a lack of appropriated funds or cost cutting initiatives and other efforts to reduce U.S. government spending and/or the automatic federal defense spending cuts required by sequestration; in the case of funded backlog, the period of performance for the contract has expired or the U.S. government has exercised its unilateral right to cancel multi-year contracts and related orders or terminate existing contracts for convenience or default; in the case of unfunded backlog, funding may not be available; or, in the case of priced options, our clients may not exercise their options. In addition, consulting staff headcount growth is the primary means by which we are able to recognize revenue growth. Any inability to hire additional appropriately qualified personnel or failure to timely and effectively deploy such additional personnel against funded backlog could negatively affect our ability to grow our revenue. We may also not recognize revenue on funded backlog due to, among other reasons, the tardy submissions of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the U.S. government's fiscal year. The amount of our funded backlog is also subject to change, due to, among other factors: changes in congressional appropriations that reflect changes in U.S. government policies or priorities resulting from various military, political, economic, or international developments; changes in the use of U.S. government contracting vehicles, and the provisions therein used to procure our services; and adjustments to the scope of services under, or cancellation of contracts, by the U.S. government at any time. Furthermore, even if our backlog results in revenue, the contracts may not be profitable.

Systems that we develop, integrate, maintain, or otherwise support could experience security breaches which may damage our reputation with our clients and hinder future contract win rates.

We develop, integrate, maintain, or otherwise support systems and provide services that include managing and protecting information involved in intelligence, national security, and other sensitive or classified government functions. Our systems also store and process sensitive information for commercial clients, including personally identifiable, health and financial information. The cyber and security threats that our clients face have grown more frequent and sophisticated. A security breach in one of these systems could cause serious harm to our business, damage our reputation, and prevent us from being eligible for further work on sensitive systems for U.S. government or commercial clients or hinder future contract win rates. Work for non-

U.S. government and commercial clients involving the protection of information systems or that store clients' information could also be harmed due to associated security breaches. Damage to our reputation or limitations on our eligibility for additional work or any liability resulting from a security breach in one of the systems we develop, install, maintain, or otherwise support could have a material adverse effect on our results of operations.

Certain services we provide and technologies we develop are designed to detect and monitor threats to our clients and may expose our staff to financial loss or physical or reputational harm.

We help our clients detect, monitor and mitigate threats to their people, information, and facilities. These threats may originate from nation states, terrorist or criminal actors, activist hackers or others who seek to harm our clients. Successful attacks on our clients may cause reputational harm to us and our clients, as well as liability to our clients or third parties. In addition, if we are associated with our clients in this regard, our staff, information, and facilities may be targeted by a similar group of threat actors and may be at risk for financial loss, or physical or reputational harm.

Internal system or service failures, or those of our vendors, including as a result of cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our clients, which could damage our reputation and have a material adverse effect on our business and results of operations.

We create, implement, and maintain information technology and engineering systems and also use vendors to provide services that are often critical to our clients' operations, some of which involve sensitive information and may be conducted in war zones or other hazardous environments, or include information whose confidentiality is protected by law. As a result, we are subject to systems or service failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages, or terrorist attacks, but also from continuous exposure to constantly evolving cyber and other security threats, including computer viruses and malware, attacks by computer hackers, or physical break-ins. There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as a cybersecurity services contractor, we hold classified, controlled unclassified, and other sensitive information. As a result, we and our vendors face a heightened risk of a security breach or disruption resulting from an attack by computer hackers, foreign governments, and cyber terrorists. While we put in place policies, controls, and technologies to help detect and protect against such attacks, we cannot guarantee that future incidents will not occur, and if an incident does occur, we may not be able to successfully mitigate the impact. We have been the target of these types of attacks in the past and future attacks are likely to occur. If successful, these types of attacks on our network or other systems or service failures could have a material adverse effect on our business and results of operations, due to, among other things, the loss of client or proprietary data, interruptions or delays in our clients' businesses, and damage to our reputation. In addition, the failure or disruption of our systems, communications, vendors, or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business and results of operations. In addition, if our employees inadvertently do not adhere to appropriate information security protocols, our protocols are inadequate, or our employees intentionally avoid these protocols, our or our clients' sensitive information may be released thereby causing significant negative impacts to our reputation and exposing us or our clients to liability.

If our or our vendors' systems, services, or other applications have significant defects or errors, are successfully attacked by cyber and other security threats, suffer delivery delays, or otherwise fail to meet our clients' expectations, we may:

- lose revenue due to adverse client reaction;
- be required to provide additional services to a client at no charge;
- incur additional costs related to remediation, monitoring, and increasing our cybersecurity;
- lose revenue due to the deployment of internal staff for remediation efforts instead of client assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients;
- be unable to successfully market services that are reliant on the creation and maintaining of secure information technology systems to U.S. government, international, and commercial clients;
- suffer claims by clients or impacted third parties for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of client and/or third party information; or
- incur significant costs, including fines from government regulators related to complying with applicable federal or state law, including laws pertaining to the security and protection of personal information.

In addition to any costs resulting from contract performance or required corrective action, these failures may result in increased costs or loss of revenue if they result in clients postponing subsequently scheduled work or canceling or failing to renew contracts.

The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Additionally, some cyber technologies and techniques that we utilize or develop may raise potential liabilities related to legal compliance, intellectual property, and civil liberties, including privacy concerns, which may not be fully insured or indemnified. We may not be able to obtain and maintain insurance coverage on reasonable terms or in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to some types of future claims. The successful assertion of any large claim against us could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs, may be a distraction to our management, and may harm our client relationships. In certain new business areas, we may not be able to obtain sufficient insurance and may decide not to accept or solicit business in these areas.

Implementation of various data privacy and cybersecurity laws, regulations and standards could require significant investment into ongoing compliance activities, trigger potential liability, and limit our ability to use personal data.

Any failure by us, our vendors or other business partners to comply with international, federal, or state laws regarding data privacy or cybersecurity could result in regulatory actions or lawsuits against us, legal liability, fines, damages and other costs. We may also incur substantial expenses in implementing and maintaining compliance with such laws. For example, the General Data Protection Regulation, or GDPR, has created new compliance obligations for companies that process data in the European Union, which require investment into ongoing data protection activities and documentation requirements, and create the potential for significantly increased fines for noncompliance. In addition, Virginia and California have enacted comprehensive state privacy laws that provide rights to residents of those respective states. The California Consumer Privacy Act, or CCPA, the California Privacy Rights and Enforcement Act, or CPRA, and the Virginia Consumer Data Protection Act, or VCDPA, provide for consumer rights for residents of those respective states. The impact from these laws to Booz Allen is currently low because most of our personal information is client or employee related and therefore not defined as consumer. It is possible that other states will follow this trend, and laws of this nature will be deemed applicable to some aspects of our business, which would impose new compliance obligations and require additional investment into data protection activities. Any obligations that may be imposed on us under CCPA, CPRA, VCDPA, or similar laws may be different from or in addition to those required by GDPR, which may cause additional expense for compliance across various jurisdictions. GDPR and the laws of other U.S. states also impose obligations to maintain a cybersecurity program at a certain level of quality, as well as obligations to give notice to affected individuals and to certain regulators in the event of a data breach.

In addition, as a contractor supporting defense and national security clients, we are also subject to certain additional regulatory compliance requirements relating to data privacy and cybersecurity. Under the Defense Federal Acquisition Regulation Supplement and other federal regulations, our networks and IT systems are required to comply with the security and privacy controls in National Institute of Standards and Technology Special Publications. To the extent that we do not comply with the applicable security and control requirements, unauthorized access or disclosure of sensitive information could potentially result in a contract termination, which could have a material adverse effect on our business and financial results and lead to reputational harm. We are also subject to the Department of Defense Cybersecurity Maturity Model Certification, or CMMC, requirements, which will require all contractors to receive specific third-party certifications relating to specified cybersecurity standards in order to be eligible for contract awards. The Department of Defense expects that all new contracts will be required to comply with the CMMC by 2026. The initial programs to include a CMMC requirement are expected to be awarded in 2021. We are in the process of preparing for certification against the CMMC program, but to the extent we are unable to achieve certification in advance of applicable contract awards that specify the requirement, we will be unable to bid on such contract awards or on follow-on awards for existing work with the Department of Defense, depending on the level of standard as required for each solicitation, which could adversely impact our revenue and profitability. In addition, our subcontractors, and in some cases our vendors, may also be required to adhere to the CMMC program requirements and potentially to achieve certification. Should our supply chain fail to meet compliance requirements or achieve certification, this may adversely affect our ability to receive award or execute on relevant government programs. In addition, any obligations that may be imposed on us under the CMMC may be different from or in addition to those otherwise required by applicable laws and regulations, which may cause additional expense for compliance.

The implementation and operation of new financial management systems may have an adverse effect on our business and results of operations.

We, from time to time, modernize and upgrade our management systems. In particular, we began implementation of new financial management systems in fiscal 2022 that are designed to modernize and enhance our financial systems infrastructure and cost accounting practices through minimizing manual processes, increasing automation, and providing enhanced business analytics. Implementation and operation of the new systems require significant investment of human and financial resources. With the implementation of these new systems, we expect to incur additional expenses and experience certain one-time impacts to profitability related to the roll-out and operation of the new financial systems, including costs related to training. In addition, any significant difficulties in the implementation or operation could have a material adverse effect on our ability to fulfill and invoice customer orders, apply cash receipts, place purchase orders with suppliers, and make cash disbursements, and could negatively impact data processing and electronic communications among business locations, which may have a material

adverse effect on our business, consolidated financial condition, or results of operations. We also face the challenge of supporting our legacy systems and implementing necessary upgrades to those systems to support routine government and financial audits while and after we implement our new systems.

We may fail to attract, train, and retain skilled and qualified employees, which may impair our ability to generate revenue, effectively serve our clients, and execute our growth strategy.

Our business depends in large part upon our ability to attract and retain sufficient numbers of highly qualified individuals who may have advanced degrees in areas such as information technology as well as appropriate security clearances. We compete for such qualified personnel with other U.S. government contractors, the U.S. government, and private industry, and such competition is intense. Personnel with the requisite skills, qualifications, or security clearance may be in short supply or generally unavailable. The government and industry have recognized that the current process for obtaining security clearances is time-consuming, sometimes taking years to complete, and can present a risk to customer mission. See “—We may fail to obtain and maintain necessary security clearances which may adversely affect our ability to perform on certain contracts.”

Our ability to attract and retain skilled and qualified employees may also be impacted by our engagements in, or perceived connections to, politically or socially sensitive activities. In addition, our ability to recruit, hire, and internally deploy former employees of the U.S. government is subject to complex laws and regulations, which may serve as an impediment to our ability to attract such former employees, and failure to comply with these laws and regulations may expose us and our employees to civil or criminal penalties. Additionally, our ability to attract, hire, and retain skilled and qualified employees may be impacted by COVID-19, including whether an employment opportunity requires work in person and related considerations. See “—The effects of a pandemic or widespread health epidemic such as COVID-19 could have a material adverse effect on our business and results of operations.”

If we are unable to recruit and retain a sufficient number of qualified employees, or cannot obtain their appropriate security clearances in a timely manner, or fail to deploy such employees, our ability to maintain and grow our business and to effectively serve our clients could be limited and our future revenue and results of operations could be materially and adversely affected. Furthermore, to the extent that we are unable to make necessary permanent hires to appropriately serve our clients, we could be required to engage larger numbers of contracted personnel, which could reduce our profit margins.

If we are able to attract sufficient numbers of qualified new hires, training and retention costs may place significant demands on our resources. In addition, to the extent that we experience attrition in our employee ranks, we may realize only a limited or no return on such invested resources, and we would have to expend additional resources to hire and train replacement employees. The loss of services of key personnel could also impair our ability to perform required services under some of our contracts and to retain such contracts, as well as our ability to win new business.

We may fail to obtain and maintain necessary security clearances which may adversely affect our ability to perform on certain contracts.

Many U.S. government programs require contractor employees and facilities to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances in a timely manner, we may not be able to win new business, and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we are not able to obtain and maintain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts, as well as lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

Our profitability could suffer if we are not able to timely and effectively utilize our employees or manage our cost structure.

The cost of providing our services, including the degree to which our employees are utilized, affects our profitability. The degree to which we are able to utilize our employees in a timely manner or at all is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire, assimilate, and deploy new employees;
- our ability to forecast demand for our services and to maintain and deploy headcount that is aligned with demand, including employees with the right mix of skills and experience to support our projects;
- our employees' inability to obtain or retain necessary security clearances;
- our ability to manage attrition; and
- our need to devote time and resources to training, business development, and other non-chargeable activities.

If our employees are under-utilized, our profit margin and profitability could suffer. Additionally, if our employees are over-utilized, it could have a material adverse effect on employee engagement and attrition, which would in turn have a material adverse impact on our business.

Our profitability is also affected by the extent to which we are able to effectively manage our overall cost structure for operating expenses, such as wages and benefits, overhead and capital, and other investment-related expenditures. If we are unable to effectively manage our costs and expense and achieve efficiencies, our competitiveness and profitability may be adversely affected.

We may lose one or more members of our senior management team or fail to develop new leaders, which could cause the disruption of the management of our business.

We believe that the future success of our business and our ability to operate profitably depends on the continued contributions of the members of our senior management and the continued development of new members of senior management. We rely on our senior management to generate business and execute programs successfully. In addition, the relationships and reputation that many members of our senior management team have established and maintain with our clients are important to our business and our ability to identify new business opportunities. The loss of any member of our senior management or our failure to continue to develop new members could impair our ability to identify and secure new contracts, to maintain good client relations, and to otherwise manage our business.

Our employees or subcontractors may engage in misconduct or other improper activities, which could harm our ability to conduct business with the U.S. government.

We are exposed to the risk that employee or subcontractor fraud or other misconduct could occur. Misconduct by employees or subcontractors could include intentional or unintentional failures to comply with U.S. government procurement regulations, engaging in other unauthorized activities, or falsifying time records. Employee or subcontractor misconduct could also involve the improper use of our clients' sensitive or classified information, or the inadvertent or intentional disclosure of our or our clients' sensitive information in violation of our contractual, statutory, or regulatory obligations. It is not always possible to deter employee or subcontractor misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could materially harm our business. As a result of such misconduct, our employees could lose their security clearance and we could face fines and civil or criminal penalties, loss of facility clearance accreditation, and suspension, proposed debarment or debarment from bidding for or performing under contracts with the U.S. government, as well as reputational harm, which would materially and adversely affect our results of operations and financial condition.

We face intense competition from many competitors, which could cause us to lose business, lower prices and suffer employee departures.

Our business operates in a highly competitive industry, and we generally compete with a wide variety of U.S. government contractors, including large defense contractors, diversified service providers, and small businesses. We also face competition from entrants into our markets including companies divested by large prime contractors in response to increasing scrutiny of organizational conflicts of interest issues. There is also a significant industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us. Some of these companies possess greater financial resources and larger technical staffs, and others have smaller and more specialized staffs. These competitors could, among other things:

- make acquisitions of businesses, or establish teaming or other agreements among themselves or third parties, that allow them to offer more competitive and comprehensive solutions;
- divert sales from us by winning very large-scale government contracts, a risk that is enhanced by the recent trend in government procurement practices to bundle services into larger contracts;
- force us to charge lower prices in order to win or maintain contracts;
- seek to hire our employees; or
- adversely affect our relationships with current clients, including our ability to continue to win competitively awarded engagements where we are the incumbent.

If we lose business to our competitors or are forced to lower our prices or suffer employee departures, our revenue and our operating profits could decline. In addition, we may face competition from our subcontractors who, from time to time, seek to obtain prime contractor status on contracts for which they currently serve as a subcontractor to us. If one or more of our current subcontractors are awarded prime contractor status on such contracts in the future, it could divert sales from us and could force us to charge lower prices, which could have a material adverse effect on our revenue and profitability.

Our failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime contractor relationship to meet their obligations to us or our clients, could have a material adverse effect on our business and results of operations.

Maintaining strong relationships with other U.S. government contractors, who may also be our competitors, is important to our business and our failure to do so could have a material adverse effect on our business, prospects, financial condition, and operating results. To the extent that we fail to maintain good relations with our subcontractors or other prime contractors due to either perceived or actual performance failures or other conduct, they may refuse to hire us as a subcontractor in the future or to work with us as our subcontractor. In addition, other contractors may choose not to use us as a subcontractor or choose not to perform work for us as a subcontractor for any number of additional reasons, including because they choose to establish relationships with our competitors or because they choose to directly offer services that compete with our business.

As a prime contractor, we often rely on other companies to perform some of the work under a contract, and we expect to continue to depend on relationships with other contractors for portions of our delivery of services and revenue in the foreseeable future. If our subcontractors fail to perform their contractual obligations, our operating results and future growth prospects could be impaired. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, or our hiring of a subcontractor's personnel. In addition, if any of our subcontractors fail to deliver the agreed-upon supplies or perform the agreed-upon services on a timely basis, our ability to fulfill our obligations as a prime contractor may be jeopardized. Material losses could arise in future periods and subcontractor performance deficiencies could result in a client terminating a contract for default. A termination for default could expose us to liability and have an adverse effect on our ability to compete for future contracts and orders.

As a subcontractor, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required, and could cause other contractors to choose not to hire us as a subcontractor in the future. If the U.S. government terminates or reduces other prime contractors' programs or does not award them new contracts, subcontracting opportunities available to us could decrease, which would have a material adverse effect on our financial condition and results of operations. In addition, as a subcontractor, we may be unable to collect payments owed to us by the prime contractor, even if we have performed our obligations under the contract, as a result of, among other things, the prime contractor's inability to fulfill the contract. Due to certain common provisions in subcontracts in certain countries, we could also experience delays in receiving payment if the prime contractor experiences payment delays, which could have an adverse effect on our financial condition and results of operations.

A delay in the completion of the U.S. government's budget process could result in a reduction in our backlog and have a material adverse effect on our revenue and operating results.

To the extent the U.S. Congress is unable to approve the annual federal budget on a timely basis, and enacts a continuing resolution, funding for new projects may not be available and funding on contracts we are already performing may be delayed. Any such delays would likely result in new business initiatives being delayed or canceled and a reduction in our backlog, and could have a material adverse effect on our revenue and operating results. In addition, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a U.S. government shutdown, which could result in us incurring substantial costs without reimbursement under our contracts and the delay or cancellation of key programs or the delay of contract payments and may have a material adverse effect on our revenue and operating results. In addition, when supplemental appropriations are required to operate the U.S. government or fund specific programs and the passage of legislation needed to approve any supplemental appropriation bill is delayed, the overall funding environment for our business could be adversely affected.

We face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance.

A significant portion of our business relates to designing, developing, and implementing advanced defense and technology systems and products, including cybersecurity products and services. New technologies may be untested or unproven. We maintain insurance policies that mitigate against risk and potential liabilities related to our operations, including data breaches. This insurance is maintained in amounts that we believe are reasonable. However, our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear significant costs from an accident or incident. The amount of the insurance coverage we maintain or indemnification to which we may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities. Accordingly, we may be forced to bear substantial costs resulting from risks and uncertainties of our business which would negatively impact our results of operations, financial condition or liquidity.

Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent, and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

In recent years, there has been significant litigation involving intellectual property rights in technology industries. We may face from time to time, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark, and other intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel, and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing certain products or services, or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

Our focus on new growth areas for our business entails risks, including those associated with new relationships, clients, talent needs, capabilities, service offerings, and maintaining our collaborative culture and core values.

We are focused on growing our presence in our addressable markets by: expanding our relationships with existing clients, developing new clients by leveraging our core competencies, further developing our existing capabilities and service offerings, creating new capabilities and service offerings to address our clients' emerging needs, and undertaking business development efforts focused on identifying near-term developments and long-term trends that may pose significant challenges for our clients. These efforts entail inherent risks associated with innovation and competition from other participants in those areas, potential failure to help our clients respond to the challenges they face, our ability to comply with uncertain evolving legal standards applicable to certain of our service offerings, including those in the cybersecurity area, and, with respect to potential international growth, risks associated with operating in foreign jurisdictions, such as compliance with applicable foreign and U.S. laws and regulations that may impose different and, occasionally, conflicting or contradictory requirements, and the economic, legal, and political conditions in the foreign jurisdictions in which we operate, including the GDPR. See "—Implementation of various data privacy and cybersecurity laws, regulations and standards could require significant investment into ongoing compliance activities, trigger potential liability, and limit our ability to use personal data." As we attempt to develop new relationships, clients, capabilities, and service offerings, these efforts could harm our results of operations due to, among other things, a diversion of our focus and resources and actual costs, opportunity costs of pursuing these opportunities in lieu of others and a failure to reach a profitable return on our investments in new technologies, capabilities, and businesses, including expenses on research and development investments, and these efforts could ultimately be unsuccessful.

The needs of our customers change and evolve regularly and in particular due to complex and rapidly changing technologies. Our success depends upon our ability to identify emerging technological trends; develop technologically advanced, innovative, and cost-effective products and services; and market these products and services to our customers. Our success also depends on our continued access to suppliers of important technologies and components. The possibility exists that our competitors might develop new capabilities or service offerings that might cause our existing capabilities and service offerings to become obsolete. If we fail in our new capabilities development efforts or our capabilities or services fail to achieve market acceptance more rapidly than our competitors, our ability to procure new contracts could be negatively impacted, which would negatively impact our results of operations and financial condition.

Our ability to grow our business by leveraging our operating model to efficiently and effectively deploy our people across our client base is also largely dependent on our ability to maintain our collaborative culture. To the extent that we are unable to maintain our culture for any reason, including our effort to focus on new growth areas or acquire new businesses with different corporate cultures, we may be unable to grow our business. Any such failure could have a material adverse effect on our business and results of operations.

In addition, with the growth of our U.S. and international operations, we are now providing client services and undertaking business development efforts in numerous and disparate geographic locations both domestically and internationally. Our ability to effectively serve our clients is dependent upon our ability to successfully leverage our operating model across all of these and any future locations, maintain effective management controls over all of our locations to ensure, among other things, compliance with applicable laws, rules and regulations, and instill our core values in all of our personnel at each of these and any future locations. Any inability to ensure any of the foregoing could have a material adverse effect on our business and results of operations.

Changes to our operating structure, capabilities or strategy intended to address our clients' needs, respond to developments in our markets and grow our business may not be successful.

We routinely review our operating structure, capabilities and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets and successfully building platforms intended to provide the foundation for the future growth of our business. The outcome of any such review is difficult to predict and the extent of changes to our business following such a review, if any, are dependent in part upon the nature and extent of the review.

The implementation of changes to our operating structure, capabilities, strategy or any other aspect of our business following an internal review, may materially alter various aspects of our business or our business model as an entirety and there can be no assurance that any such changes will be successful or that they will not ultimately have a negative effect on our business and results of operations.

Many of our contracts with the U.S. government are classified or subject to other security restrictions, which may limit investor insight into portions of our business.

We derive a substantial portion of our revenue from contracts with the U.S. government that are classified or subject to security restrictions that preclude the dissemination of certain information. In addition, a significant number of our employees have security clearances which preclude them from providing information regarding certain of our clients and services provided to such clients to other of our employees without security clearances and investors. Because we are limited in our ability to provide information about these contracts and services, the various risks associated with these contracts or services or any dispute or claims relating to such contracts or services, you may not have important information concerning our business, which will limit your insight into a substantial portion of our business and therefore may be less able to fully evaluate the risks related to that portion of our business.

If we cannot collect our receivables or if payment is delayed, our business may be adversely affected by our inability to generate cash flow, provide working capital, or continue our business operations.

We depend on the timely collection of our receivables to generate cash flow, provide working capital, and continue our business operations. If the U.S. or any other government or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of invoices for any reason, our business and financial condition may be materially and adversely affected. The U.S. or any other government may delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget, lack of revised or final settled billing rates as a result of open audit years or as a result of audit findings by government regulatory agencies. Some prime contractors for whom we are a subcontractor have significantly fewer financial resources than we do, which may increase the risk that we may not be paid in full or that payment may be delayed.

We may consummate acquisitions, investments, joint ventures and divestitures, which involve numerous risks and uncertainties.

As part of our operating strategy, we continually monitor U.S. government spending and budgetary priorities to align our investments in new capabilities to drive organic growth, and also selectively pursue acquisitions, investments, partnerships, and joint ventures that broaden our domain expertise and service offerings, and/or establish relationships with new customers. These transactions pose many risks, including:

- we may not be able to identify suitable acquisition and investment candidates at prices we consider attractive;
- we may not be able to compete successfully for identified acquisition and investment candidates, complete acquisitions and investments, or accurately estimate the financial effect of acquisitions and investments on our business;
- future acquisitions and investments may require us to issue common stock or spend significant cash, resulting in dilution of ownership or additional debt leverage;
- we may have difficulty retaining an acquired company's key employees or clients;
- we may have difficulty integrating personnel from the acquired company with our people and our core values;

- we may have difficulty integrating acquired businesses and investments, resulting in unforeseen difficulties, such as incompatible accounting, information management, or other control systems, and greater expenses than expected;
- acquisitions and investments may disrupt our business or distract our management from other responsibilities;
- as a result of an acquisition or investment, we may incur additional debt and we may need to record write-downs from future impairments of intangible assets, each of which could reduce our future reported earnings; and
- we may not be able to effectively influence the operations of our joint ventures or partnerships, or we may be exposed to certain liabilities if our partners do not fulfill their obligations.

In connection with any acquisition or investment that we make, there may be liabilities that we fail to discover or that we inadequately assess, and we may fail to discover any failure of a target company to have fulfilled its contractual obligations to the U.S. government or other clients. Acquired entities and investments may not operate profitably or result in improved operating performance. Additionally, we may not realize anticipated synergies, business growth opportunities, cost savings, and other benefits, which could have a material adverse effect on our business and results of operations.

In addition, we may divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require significant investment of time and resources, may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantees or other financial arrangements, which could adversely affect our financial results. In addition, we may be unable to complete strategic divestitures on satisfactory terms and conditions, including non-competition arrangements, or within expected time frames.

Goodwill represents a significant asset on our balance sheet, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

As of March 31, 2021, the value of our goodwill was \$1.6 billion. The amount of our recorded goodwill may substantially increase in the future as a result of any acquisitions that we make. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. Impairment analysis is based on several factors requiring judgment and the use of estimates, which are inherently uncertain and based on assumptions that may prove to be inaccurate. Additionally, material changes in our financial outlook, as well as events outside of our control, such as deteriorating market conditions for companies in our industry, may indicate a potential impairment. When there is an impairment, we are required to write down the recorded amount of goodwill, which is reflected as a charge against operating income. Such non-cash impairment charges could have a material adverse effect on our results of operations in the period in which they are recognized.

Legal and Regulatory Risks

We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations.

As a U.S. government contractor, we must comply with laws and regulations relating to the formation, administration, and performance of U.S. government contracts, which affect how we do business with our clients. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, and/or suspension or debarment from contracting with federal agencies. Some significant laws and regulations that affect us include:

- the FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, the FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;
- the False Claims Act, which imposes civil and criminal liability for violations, including substantial monetary penalties, for, among other things, presenting false or fraudulent claims for payments or approval;
- the False Statements Act, which imposes civil and criminal liability for making false statements to the U.S. government;
- the Truthful Cost or Pricing Data Statute (formerly known as the Truth in Negotiations Act), which requires certification and disclosure of cost and pricing data in connection with the negotiation of certain contracts, modifications, or task orders;

- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;
- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the U.S. government;
- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the U.S. government and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the handling, use and dissemination of information classified for national security purposes or determined to be “controlled unclassified information” or “for official use only” and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work;
- laws, regulations, and executive orders regulating the handling, use, and dissemination of personally identifiable information in the course of performing a U.S. government contract;
- international trade compliance laws, regulations and executive orders that prohibit business with certain sanctioned entities and require authorization for certain exports or imports in order to protect national security and global stability;
- laws, regulations, and executive orders governing organizational conflicts of interest that may restrict our ability to compete for certain U.S. government contracts because of the work that we currently perform for the U.S. government or may require that we take measures such as firewalling off certain employees or restricting their future work activities due to the current work that they perform under a U.S. government contract;
- laws, regulations and executive orders that impose requirements on us to ensure compliance with requirements and protect the government from risks related to our supply chain;
- laws, regulations and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a government contract;
- the Contractor Business Systems rule, which authorizes Department of Defense agencies to withhold a portion of our payments if we are determined to have a significant deficiency in our accounting, cost estimating, purchasing, earned value management, material management and accounting, and/or property management system; and
- the FAR Cost Accounting Standards and Cost Principles, which impose accounting and allowability requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

In addition, the U.S. government adopts new laws, rules, and regulations from time to time that could have a material impact on our results of operations. Adverse developments in legal or regulatory proceedings on matters relating to, among other things, cost accounting practices and compliance, contract interpretations and statute of limitations, could also result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes.

Our performance under our U.S. government contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to periodic audit, review, and investigation by various agencies of the U.S. government and the current environment has led to increased regulatory scrutiny and sanctions for non-compliance by such agencies generally. In addition, from time to time we report potential or actual violations of applicable laws and regulations to the relevant governmental authority. Any such report of a potential or actual violation of applicable laws or regulations could lead to an audit, review, or investigation by the relevant agencies of the U.S. government. If such an audit, review, or investigation uncovers a violation of a law or regulation, or improper or illegal activities relating to our U.S. government contracts, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, withholding or suspension of payments, fines and suspension, or debarment from contracting with U.S. government agencies. Such penalties and sanctions are not uncommon in the industry and there is inherent uncertainty as to the outcome of any particular audit, review, or investigation. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position, and future prospects could be materially and adversely affected.

Further, if the U.S. government were to initiate suspension or debarment proceedings against us or if we are indicted for or convicted of illegal activities relating to our U.S. government contracts following an audit, review, or investigation, we may lose our ability to be awarded contracts in the future or receive renewals of existing contracts for a period of time which could materially and adversely affect our results of operations or financial condition. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts. See "Item 1. Business — Regulation."

Adverse judgments or settlements in legal disputes could result in materially adverse monetary damages or injunctive relief and damage our reputation.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. For example, our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government which may include such investigative techniques as subpoenas or civil investigative demands. As more fully described under "Item 3. Legal Proceedings", the U.S. Department of Justice (the "DOJ") is conducting a civil investigation of the Company, and the Company has also been in contact with other regulatory agencies and bodies, including the Securities and Exchange Commission, which notified the Company that it is conducting an investigation that the Company believes relates to matters that are also the subject of the DOJ's investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ's investigation. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related finding. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, (such as matters involving alleged violations of civil rights, wage and hour, and worker's compensation laws), relationships with clients and contractors, intellectual property disputes, and other business matters. Any such claims, proceedings or investigations may be time-consuming, costly, divert management resources, or otherwise have a material adverse effect on our result of operations.

The results of litigation and other legal proceedings, including the other claims described under "Item 3. Legal Proceedings," are inherently uncertain and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. The litigation and other legal proceedings described under "Item 3. Legal Proceedings" are subject to future developments and management's view of these matters may change in the future.

We are subject to risks associated with operating internationally.

Our business operations are subject to a variety of risks associated with conducting business internationally, including:

- Changes in or interpretations of laws or policies that may adversely affect the performance of our services;
- Political instability in foreign countries;
- Imposition of inconsistent or contradictory laws or regulations;
- Reliance on the U.S. or other governments to authorize us to export products, technology, and services to clients and other business partners;
- Conducting business in places where laws, business practices, and customs are unfamiliar or unknown;
- Failure to comply with U.S. government and foreign laws and regulations applicable to international business, employment, privacy, data protection, information security, or data transfer could have an adverse impact on our business with the U.S. government and could expose us to risks and costs of non-compliance with such laws and regulations, in addition to administrative, civil, or criminal penalties;
- U.S. and foreign government import and export control requirements and regulations, including International Traffic in Arms Regulations and the anti-boycott provisions of the U.S. Export Administration Act, technology transfer restrictions and other administrative, legislative, or regulatory actions that could materially interfere with our ability to offer our products or services in certain countries;
- Imposition of limitations on or increase of withholding and other taxes on payments by foreign subsidiaries or joint ventures;
- Changes in state and federal regulations in state money transmission regulations, anti-money laundering regulations, economic and trade sanctions administered by the U.S. Treasury Department's Office of Foreign Asset Control;
- Volatility resulting from the United Kingdom's withdrawal from the European Union in January 2020, particularly in countries where the Company has substantial activities; and
- Imposition of tariffs or embargoes, export controls and other trade restrictions, including the recent tariffs imposed by the U.S. and China and the possibility of additional tariffs or other trade restrictions relating to trade.

In addition, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by business entities for the purpose of obtaining or retaining business. We have operations and deal with governmental clients in countries known to experience corruption, including certain emerging countries in the Middle East and Southeast Asia. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants or contractors that could be in violation of various laws including the FCPA and other anti-corruption laws, even though these parties are not always subject to our control. Our international operations also involve activities involving the transmittal of information, which may include personal data, that may expose us to data privacy laws in the jurisdictions in which we operate. If our data protection practices become subject to new or different restrictions, and to the extent such practices are not compliant with the laws of the countries in which we process data, we could face increased compliance expenses and face penalties for violating such laws or be excluded from those markets altogether, in which case our operations could be adversely affected. We are also subject to import-export control regulations restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work.

If we were to fail to comply with the FCPA, other anti-corruption laws, applicable import-export control regulations, data privacy laws, or other applicable rules and regulations, we could be subject to substantial civil and criminal penalties, including fines for our company and incarceration for responsible employees and managers, suspension or debarment, and the possible loss of export or import privileges which could have a material adverse effect on our business and results of operations.

Recent efforts by the U.S. government to revise its organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.

Recent efforts by the U.S. government to reform its procurement practices have focused, among other areas, on the separation of certain types of work to facilitate objectivity and avoid or mitigate organizational conflicts of interest and the strengthening of regulations governing organizational conflicts of interest. Organizational conflicts of interest may arise from circumstances in which a contractor has:

- impaired objectivity during performance;
- unfair access to non-public information; or
- the ability to set the “ground rules” for another procurement for which the contractor competes.

A focus on organizational conflicts of interest issues has resulted in legislation and a proposed regulation aimed at increasing organizational conflicts of interest requirements, including, among other things, separating sellers of products and providers of advisory services in major defense acquisition programs. In addition, the U.S. government is working to adopt a FAR rule to address organizational conflicts of interest issues that will apply to all government contractors, including us, in Department of Defense and other procurements. A future FAR rule may also increase the restrictions in current organizational conflicts of interest regulations and rules. To the extent that proposed and future organizational conflicts of interest laws, regulations, and rules, limit our ability to successfully compete for new contracts or task orders with the U.S. government, either because of organizational conflicts of interest issues arising from our business, or because companies with which we are affiliated, or with which we otherwise conduct business, create organizational conflicts of interest issues for us, our results of operations could be materially and adversely affected.

Changes in tax law or judgments by management related to complex tax matters could adversely impact our results of operations.

We are subject to taxation in the U.S. and certain other foreign jurisdictions. Any future changes in applicable federal, state and local, or foreign tax laws and regulations or their interpretation or application, including those that could have a retroactive effect, could result in the Company incurring additional tax liabilities in the future. In particular, we will continue to assess the effect of the Tax Cuts and Jobs Act (the “2017 Tax Act”) on our business as it relates to the deduction for foreign derived intangible income and the capitalization of research and development expenditures, the latter of which is scheduled to begin in fiscal 2023. The Company also recognized a \$273.4 million income tax receivable during fiscal 2021 as a result of a provision of the CARES Act that allows taxpayers to carry losses back for five years. For additional information, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Additionally, we recognize liabilities for uncertainty in income taxes when it is more likely than not that a tax position will not be sustained on examination and settlement with various taxing authorities. We regularly assess the adequacy of our uncertain tax positions and other reserves, which requires a significant amount of judgment. Although we accrue for uncertain tax positions and other reserves, the results of regulatory audits and negotiations with taxing and customs authorities may be in excess of our accruals, resulting in the payment of additional taxes, duties, penalties and interest. As a result, any final determination of tax audits or related litigation may be materially different than our current provisional amounts, which could materially affect our tax obligations and effective tax rate. For example, during fiscal 2021, we recorded additional uncertain

tax positions of approximately \$17.6 million related to research and development credits that we have claimed, or will soon claim. Any increase to the liability we established as of March 31, 2021 for these uncertain tax positions as a result of audits by taxing authorities, changes in tax laws and regulations or otherwise relating to this, or any other, tax matter could have a material effect on our results of operations. For a description of our related accounting policies, refer to Note 2 and Note 13 to our accompanying consolidated financial statements.

Our U.S. government contracts may be terminated by the government at any time and may contain other provisions permitting the government to discontinue contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

U.S. government contracts contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. These rights and remedies allow government clients, among other things, to:

- terminate existing contracts, with short notice, for convenience as well as for default;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truthful Cost or Pricing Data Statute, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate or current;
- for some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under certain triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- terminate our facility security clearances and thereby prevent us from receiving classified contracts;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a multi-year contract or issue task orders in connection with IDIQ contracts;
- claim rights in solutions, systems, and technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services and disclose such work-product to third parties, including other U.S. government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- suspend or debar us from doing business with the U.S. government; and
- control or prohibit the export of our services.

Recent and potential future budget cuts and recent efforts to decrease federal awards for management support services, may cause agencies with which we currently have contracts to terminate, reduce the number of task orders under or fail to renew such contracts. If a U.S. government client were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or suspend or debar us from doing business with the U.S. government, our revenue and operating results would be materially harmed.

Our work with government clients exposes us to additional risks inherent in the government contracting environment, which could reduce our revenue, disrupt our business, or otherwise materially adversely affect our results of operations.

U.S. government contractors (including their subcontractors and others with whom they do business) operate in a highly regulated environment and are routinely audited and reviewed by the U.S. government and its agencies, including the DCAA, DCMA, Department of Defense Inspector General, and others. These agencies review our performance on contracts, pricing practices, cost accounting practices, and compliance with applicable policies, laws, regulations and standards, including applicable government cost accounting standards, as well as our contract costs, including allocated indirect costs. The DCAA audits and the DCMA reviews, among other areas, the adequacy of our internal control systems and policies, including our Defense Federal Acquisition Regulation Supplement ("DFARS") required business systems, which are comprised of our purchasing, property, estimating, earned value, accounting and material management and accounting systems. These internal

control systems could focus on significant elements of costs, such as executive compensation. Determination of a significant internal control deficiency by a government agency could result in increased payment withholding that might adversely affect our cash flow. In particular, over time the DCMA has increased and may continue to increase the proportion of executive compensation that it deems unallowable and the size of the executive population whose compensation is disallowed, which will continue to materially and adversely affect our results of operations or financial condition including the requirement to carry an increased level of reserves. We recognize as revenue, net of reserves, executive compensation that we determine, based on management's estimates, to be allowable; management's estimates in this regard are based on a number of factors that may change over time, including executive compensation survey data, our and other government contractors' experiences with the DCAA audit practices in our industry and relevant decisions of courts and boards of contract appeals. Any costs found to be unallowable under a contract will not be reimbursed, and any such costs already reimbursed must be refunded. Further, the amount of any such refund may exceed the provision of claimed indirect costs, which is based on management's estimates and assumptions that are inherently uncertain and may not cover actual losses. For example, DCAA audits may result in, and have historically resulted in, the Company's inability to retain certain claimed indirect costs, including executive and employee compensation, due to differing views of the allowability and reasonableness of such costs. As of March 31, 2021, years subsequent to the Company's fiscal year 2011 remained subject to audit and final resolution. The Company recognized a liability of \$263.2 million for estimated adjustments to claimed indirect costs based on its historical DCAA audit results, including the final resolution of such audits with the DCMA. Determining the provision for claimed indirect costs is complex and subject to management's estimate of adjustments to claimed indirect costs based on the number of years that remain open to audit and expected final resolution by U.S. government agencies. As a result, significant changes in estimates could have a material effect on the Company's results of operations. Furthermore, the disallowance of any costs previously charged could directly and negatively affect our current results of operations for the relevant prior fiscal periods, and we could be required to repay any such disallowed amounts. Each of these results could materially and adversely affect our results of operations or financial condition.

Moreover, if any of the administrative processes and business systems, some of which are currently certified as effective, are found not to comply with government imposed requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or to be paid timely. Unfavorable U.S. government audit, review, or investigation results could subject us to civil or criminal penalties or administrative sanctions, require us to retroactively and prospectively adjust previously agreed to billing or pricing rates for our work, and could harm our reputation and relationships with our clients and impair our ability to be awarded new contracts, which could affect our future sales and profitability by preventing us, by operation of law or in practice, from receiving new government contracts for some period of time. In addition, if our invoicing system were found to be inadequate following an audit by the DCAA, our ability to directly invoice U.S. government payment offices could be eliminated. As a result, we would be required to submit each invoice to the DCAA for approval prior to payment, which could materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. In addition, proposed regulatory changes, if adopted, would require the Department of Defense's contracting officers to impose contractual withholdings at no less than certain minimum levels based on assessments of a contractor's business systems. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, withholding of payments, suspension of payments, fines, and suspension or debarment from doing business with the U.S. government. We could also suffer serious reputational harm if allegations of impropriety were made against us.

In addition, in fiscal 2022 we began implementing new financial management systems and have adopted certain changes to our cost accounting practices. This may negatively impact our profitability. In particular, the changes we adopted to our cost accounting practices required us to estimate changes in costs for certain contracts and make payments in connection with such estimates. The changes are subject to audit by the DCAA and negotiation with the DCMA, which could result in additional payments that may be material and not recoverable. To the extent we are unable to fully mitigate the costs associated with changes to our cost accounting practices as we implement the new systems, our business and financial results may be adversely affected.

The U.S. government may revise its procurement, contract or other practices in a manner adverse to us.

The U.S. government may:

- revise its procurement practices or adopt new contract laws, rules, and regulations, such as cost accounting standards, organizational conflicts of interest, and other rules governing inherently governmental functions at any time;
- reduce, delay, or cancel procurement programs resulting from U.S. government efforts to improve procurement practices and efficiency;
- limit the creation of new government-wide or agency-specific multiple award contracts;

- face restrictions or pressure from government employees and their unions regarding the amount of services the U.S. government may obtain from private contractors;
- award contracts on a technically acceptable/lowest cost basis in order to reduce expenditures, and we may not be the lowest cost provider of services;
- adopt new socio-economic requirements, including setting aside procurement opportunities to small, disadvantaged businesses;
- change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements; and
- at its option, terminate or decline to renew our contracts.

In addition, any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future revenue and profit margin. In addition, changes to the procurement system could cause delays in the procurement decision-making process. Any such changes to the U.S. government's procurement practices or the adoption of new contracting rules or practices could impair our ability to obtain new or re-compete contracts and any such changes or increased associated costs could materially and adversely affect our results of operations.

The U.S. government may prefer minority-owned, small and small disadvantaged businesses; therefore, we may have fewer opportunities to bid for.

As a result of the Small Business Administration set-aside program, the U.S. government may decide to restrict certain procurements only to bidders that qualify as minority-owned, small, or small disadvantaged businesses. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted to a maximum of 49% of the work as a subcontractor on those programs. An increase in the amount of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to re-compete on incumbent work that is placed in the set-aside program.

Risks Related to Our Indebtedness

We have substantial indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial health and our ability to obtain financing in the future as well as to react to changes in our business.

As of March 31, 2021, we had total indebtedness of approximately \$2.4 billion and \$499.1 million of availability under our revolving credit facility (the "Revolving Credit Facility"). We are able to, and may, incur additional indebtedness in the future, subject to the limitations contained in the agreements governing our indebtedness. Our substantial indebtedness could have important consequences to holders of our common stock, including:

- making it more difficult for us to satisfy our obligations with respect to our Secured Credit Facility, consisting of a \$1,290 million term loan facility ("Term Loan A"), a \$384 million term loan facility ("Term Loan B" and, together with Term Loan A, the "Term Loans"), a \$500 million Revolving Credit Facility, with a sublimit for letters of credit of \$100 million, our \$700 million in aggregate principal amount of 3.875% Senior Notes due 2025 (the "Senior Notes") and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including under the Secured Credit Facility, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors or competitors with comparable debt and more favorable terms and thereby affecting our ability to compete; and
- increasing our cost of borrowing.

Although the Secured Credit Facility and the indenture governing the Senior Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from

incurring obligations that do not constitute indebtedness. In addition, the Revolving Credit Facility provides for commitments of \$500 million, which as of March 31, 2021, had availability of \$499.1 million. Additionally, the used portion as it pertains to open standby letters of credit and bank guarantees totaled \$0.9 million. Furthermore, subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the indebtedness under the Secured Credit Facility may be increased by up to (i) the greater of (x) \$627 million and (y) 100% of consolidated EBITDA of Booz Allen Hamilton, as of the end of the most recently ended four quarter period for which financial statements have been delivered pursuant to the Credit Agreement, plus (ii) the aggregate principal amount under which the pro forma consolidated net secured leverage ratio is equal to or less than 3.50:1.00. If new debt is added to our current debt levels, the related risks that we and the guarantors now face would increase and we may not be able to meet all our debt obligations, including the repayment of the Senior Notes.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations will depend on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. For information regarding the risks to our business that could impair our ability to satisfy our obligations under our indebtedness, see “— Risks Related to Our Indebtedness.”

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

The agreements governing our indebtedness restrict our ability to dispose of assets and use the proceeds from those dispositions and also restrict our ability to raise debt to be used to repay other indebtedness when it becomes due.

We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. In addition, under the Secured Credit Facility, we are subject to mandatory prepayments of our Term Loans from a portion of our excess cash flows, which may be stepped down upon the achievement of specified first lien leverage ratios. To the extent that we are required to prepay any amounts under our Term Loans, we may have insufficient cash to make required principal and interest payments on other indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under our indebtedness.

If we cannot make scheduled payments on our debt, we would be in default and the following events could occur: lenders under our Secured Credit Facility and holders of the Senior Notes could declare all outstanding principal and interest to be due and payable; lenders under the Revolving Credit Facility could terminate their commitments to provide loans; and lenders could foreclose against the assets securing their loans. All of these events could force us into bankruptcy or liquidation and result in investors' losing some or all of the value of their investment.

The terms of the agreements governing our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to take certain actions, which could harm our long-term interests.

The Secured Credit Facility and the indenture governing the Senior Notes contain covenants that, among other things, impose significant operating and financial restrictions on us and limit our ability to engage in actions that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness, guarantee indebtedness or issue disqualified stock or preferred stock;
- pay dividends on or make other distributions in respect of, or repurchase or redeem, our capital stock;
- prepay, redeem or repurchase subordinated indebtedness;
- make loans and investments;
- sell or otherwise dispose of assets;
- incur liens securing indebtedness;
- enter into transactions with affiliates;

- enter into agreements restricting our subsidiaries' ability to pay dividends to us or the guarantors or make other intercompany transfers;
- consolidate, merge or sell all or substantially all of our or any guarantor's assets;
- designate our subsidiaries as unrestricted subsidiaries; and
- enter into certain lines of business.

These covenants are subject to a number of important exceptions and qualifications. In addition, the restrictive covenants in the Secured Credit Facility require us to maintain a consolidated net total leverage ratio and a consolidated net interest coverage ratio that will each be tested at the end of each fiscal quarter. Our ability to satisfy such financial ratio tests may be affected by events beyond our control.

A breach of the covenants under the agreements governing our indebtedness could result in an event of default under those agreements. Such a default may allow certain creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the Secured Credit Facility would also permit the lenders under the Revolving Credit Facility to terminate all other commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under the Secured Credit Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event the lenders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

As a result of all of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions might hinder our ability to grow in accordance with our strategy.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Secured Credit Facility are at variable rates of interest and expose us to interest rate risk. While interest rates are currently at historically low levels, if interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

Based on Term Loans outstanding as of March 31, 2021 and assuming all revolving loans are fully drawn, and after considering interest rate swaps that fixed the interest rate on \$1 billion of principal of our variable rate debt each quarter point change in interest rates would result in a \$2.9 million change in our projected annual interest expense on our indebtedness under the Secured Credit Facility. We have entered into interest rate swaps and may in the future enter into additional interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce future interest rate volatility of our variable rate indebtedness. However, due to risks for hedging gains and losses and cash settlement costs, we may not elect to maintain such interest rate swaps, and any swaps may not fully mitigate our interest rate risk.

In addition, a transition away from the London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the applicable interest rate may affect the cost of servicing our debt under the Secured Credit Facility and the Revolving Credit Facility. As of March 31, 2021, we had \$2.4 billion outstanding under the Secured Credit Facility and \$499.1 million of availability under the Revolving Credit Facility, each of which incurs interest based on LIBOR. The potential consequences from discontinuation, modification, or reform of LIBOR, implementation of alternative reference rates, and any interest rate transition process cannot be fully predicted and may have an adverse impact on values of LIBOR-linked securities and other financial obligations or extensions of credit and may involve among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. For example, if any alternative base rate or means of calculating interest with respect to our outstanding variable rate indebtedness leads to an increase in the interest rates charged, it could result in an increase in the cost of such indebtedness, impact our ability to refinance some or all of our existing indebtedness or otherwise have a material adverse impact on our business, financial condition and results of operations.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to us or our indebtedness could make it more difficult for us to obtain additional debt financing in the future.

Our indebtedness has been rated by nationally recognized rating agencies and may in the future be rated by

additional rating agencies. We cannot assure you that any rating assigned to us or our indebtedness will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant. Any downgrade, suspension or withdrawal of a rating by a rating agency (or any anticipated downgrade, suspension or withdrawal) could make it more difficult or more expensive for us to obtain additional debt financing in the future.

Risks Related to Our Common Stock

Booz Allen Holding is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.

The operations of Booz Allen Holding are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. Further, the Secured Credit Facility and indenture governing the Senior Notes significantly restricts the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

Our financial results may vary significantly from period to period as a result of a number of factors many of which are outside our control, which could cause the market price of our Class A Common Stock to fluctuate.

Our financial results may vary significantly from period to period in the future as a result of many external factors that are outside of our control. Factors that may affect our financial results and that could cause the market price of our outstanding securities, including our Class A Common Stock, to fluctuate include those listed in this "Risk Factors" section and others such as:

- any cause of reduction or delay in U.S. government funding;
- fluctuations in revenue earned on existing contracts;
- commencement, completion, or termination of contracts during a particular period;
- a potential decline in our overall profit margins if our other direct costs and subcontract revenue grow at a faster rate than labor-related revenue;
- strategic decisions by us or our competitors, such as changes to business strategy, strategic investments, acquisitions, divestitures, spin offs, and joint ventures;
- a change in our contract mix to less profitable contracts;
- changes in policy or budgetary measures that adversely affect U.S. government contracts in general;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements, which are agreements that fulfill repetitive needs under GSA schedules, and IDIQ contracts;
- changes in demand for our services and solutions;
- fluctuations in the degree to which we are able to utilize our professionals;
- seasonality associated with the U.S. government's fiscal year;
- an inability to utilize existing or future tax benefits for any reason, including a change in law;
- alterations to contract requirements; and
- adverse judgments or settlements in legal disputes.

We cannot assure you that we will pay special or regular dividends on our stock in the future.

Our board of directors (the "Board") has authorized and declared a regular quarterly dividend for each quarter in the last several years. The Board has also authorized and declared special cash dividends from time to time. The declaration of any future dividends and the establishment of the per share amount, record dates and payment dates for any such future dividends are subject to the discretion of the Board taking into account future earnings, cash flows, financial requirements and other factors. There can be no assurance that the Board will declare any dividends in the future. To the extent that expectations by market participants regarding the potential payment, or amount, of any special or regular dividend prove to be incorrect, the price of our common stock may be materially and negatively affected and investors that bought shares of our common stock based on those expectations may suffer a loss on their investment. Further, to the extent that we declare a regular or special dividend at a time when market participants hold no such expectations or the amount of any such dividend exceeds current expectations, the price of our common stock may increase and investors that sold shares of our common stock prior to the record date for any such dividend may forego potential gains on their investment.

Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes Oxley Act of 2002, is expensive and time consuming and any delays or difficulty in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.

As a public company, the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, as well as the New York Stock Exchange rules, require us to implement various corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations requires us to devote significant management time and place significant additional demands on our finance, accounting and legal staff and on our management systems, including our financial, accounting, and information systems. Other expenses associated with being a public company include increased auditing, accounting, and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees, listing fees, as well as other expenses.

In particular, the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework, and to report on our conclusions as to the effectiveness of our internal controls. It also requires an independent registered public accounting firm to test our internal control over financial reporting and report on the effectiveness of such controls. In addition, we are required under the Exchange Act to maintain disclosure controls and procedures and internal control over financial reporting. Because of inherent limitations in any internal control environment, there can be no assurance that all control issues and instances of fraud, errors or misstatements, if any, within our company have been or will be detected on a timely basis. Such deficiencies could result in the correction or restatement of financial statements of one or more periods. Any failure to maintain effective controls or implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. We also rely on third parties for certain calculations and other information that support our accounting and financial reporting, which includes reports from such organizations on their controls and systems that are used to generate this information. Any failure by such third parties to provide us with accurate or timely information or implement and maintain effective controls may cause us to fail to meet our reporting obligations as a publicly traded company. In addition, as we implement new financial management systems, we could experience deficiencies in its operation that could have an adverse effect on the effectiveness of our internal control over financial reporting.

If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our consolidated financial statements, which could result in a decrease in the value of our common stock. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, the New York Stock Exchange, or other regulatory authorities.

Provisions in our organizational documents and in the Delaware General Corporation Law may prevent takeover attempts that could be beneficial to our stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may have the effect of delaying, deterring, preventing, or rendering more difficult a change in control of Booz Allen Holding that our stockholders might consider in their best interests. These provisions include:

- granting to the Board the sole power to set the number of directors and to fill any vacancy on the Board;
- granting to the Board the ability to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the Board;
- a prohibition on stockholders from calling special meetings of stockholders;
- the establishment of advance notice requirements for stockholder proposals and nominations for election to the Board at stockholder meetings; and
- prohibiting our stockholders from acting by written consent.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which imposes additional requirements regarding mergers and other business combinations. These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future.

Our amended and restated certificate of incorporation and amended and restated by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult, or prevent a change in our control, which may not be in the best interests of our stockholders.

The market for our Class A Common Stock may be adversely affected by the performance of other companies in the government services market.

In addition to factors that may affect our financial results and operations, the price of our Class A Common Stock may be impacted by the financial performance and outlook of other companies in the government services market. While certain factors may affect all participants in the markets in which we operate, such as U.S. government spending conditions and changes in rules and regulations applicable to government contractors, the market for our Class A Common Stock may be adversely affected by financial results or negative events only affecting other market participants or financial results of such participants. While such events or results may not impact or be indicative of our current or future performance, the price of our securities may nonetheless be adversely affected as a result thereof.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our current or former directors, officers, or stockholders.

Our fifth amended and restated certificate of incorporation requires that the Court of Chancery of the State of Delaware be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim against the Company arising pursuant to any provision of the Delaware General Corporation Law, the Company's fifth amended and restated certificate of incorporation or the Company's bylaws, or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine. Because the applicability of the exclusive forum provision is limited to the extent permitted by applicable law, we do not intend that the exclusive forum provision would apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and acknowledge that federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act. We note that there is uncertainty as to whether a court would enforce the provision and that investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any facilities or real estate. Our corporate headquarters is located at 8283 Greensboro Drive, McLean, Virginia 22102. We lease other operating offices and facilities throughout North America, and a limited number of overseas locations. Our principal offices outside of McLean, Virginia include: Annapolis Junction, Maryland; Bethesda, Maryland; Laurel, Maryland; San Diego, California; Herndon, Virginia; Charleston, South Carolina; Arlington, Virginia; Alexandria, Virginia; and Washington, D.C. We have a number of Sensitive Compartmented Information Facilities, which are enclosed areas within buildings that are used to perform classified work for the U.S. Intelligence Community. Many of our employees are located in facilities provided by the U.S. government. The total square footage of our leased offices and facilities is approximately 2.50 million square feet. We believe our facilities meet our current needs.

Item 3. Legal Proceedings

The Company is involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of March 31, 2021 and 2020, there were no material amounts accrued in the consolidated financial statements related to these proceedings.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent

the Company in connection with this matter and respond to the government's requests. As is commonly the case with this type of matter, the Company has also been in contact with other regulatory agencies and bodies, including the SEC, which notified the Company that it is conducting an investigation that the Company believes relates to the matters that are also the subject of the DOJ's investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ's investigation. In accordance with the Company's practice, the Company is cooperating with all relevant government parties. On May 12, 2021, the Company was informed that the DOJ has closed its criminal investigation. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related findings. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

On June 19, 2017, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Virginia styled *Langley v. Booz Allen Hamilton Holding Corp.*, No. 17-cv-00696 naming the Company, its Chief Executive Officer, and its Chief Financial Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. On September 5, 2017, the court named two lead plaintiffs, and on October 20, 2017, the lead plaintiffs filed a consolidated amended complaint. The complaint asserts claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company purporting to relate to matters that are the subject of the DOJ investigation described above. The plaintiffs seek to recover from the Company and the individual defendants an unspecified amount of damages. The Company believes the suit lacks merit and intends to defend against the lawsuit. Motions to dismiss were argued on January 12, 2018, and on February 8, 2018, the court dismissed the amended complaint in its entirety without prejudice. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

On November 13, 2017, a Verified Shareholder Derivative Complaint was filed in the United States District Court for the District of Delaware styled *Celine Thum v. Rozanski et al.*, C.A. No. 17-cv-01638, naming the Company as a nominal defendant and numerous current and former officers and directors as defendants. The complaint asserts claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act, purportedly relating to matters that are the subject of the DOJ investigation described above. The parties have stipulated to a stay of the proceedings pending the outcome of the securities litigation (described above), which the court so ordered on January 24, 2018. On December 12, 2019, the court ordered that the stay remain in effect and ordered the parties to submit periodic status reports. On May 27, 2020 and November 23, 2020, the parties submitted status reports stating that plaintiff believes the stay should remain in effect and defendants do not object to the stay remaining in effect. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

Item 4. *Mine Safety Disclosures*

None.

Information about our Executive Officers

The following table sets forth information about our executive officers as of the date hereof:

Name	Age	Position
Horacio D. Rozanski	53	President and Chief Executive Officer
Lloyd W. Howell, Jr.	55	Executive Vice President, Chief Financial Officer and Treasurer
Kristine Martin Anderson	52	Executive Vice President
Karen M. Dahut	57	Executive Vice President
Judith Dotson	57	Executive Vice President
Nancy J. Laben	59	Executive Vice President and Chief Legal Officer
Gary D. Labovich	61	Executive Vice President
Susan L. Penfield	59	Executive Vice President and Chief Innovation Officer
Elizabeth M. Thompson	66	Executive Vice President and Chief People Officer
Laura S. Adams	48	Vice President and Chief Accounting Officer

Horacio D. Rozanski is our President and Chief Executive Officer. A respected authority and leader in the consulting industry, Mr. Rozanski has expertise in business strategy, technology and operations, talent and diversity, and the future of consulting. He joined Booz Allen in 1992 as a consultant to commercial clients, was elected vice president in 1999, and served as our Chief Personnel Officer, Chief Strategy and Talent Officer, Chief Operating Officer, and President before becoming

Chief Executive Officer in 2015. He also is a member of our board of directors. Today, Mr. Rozanski is Chairman of the Board of Directors for Children's National Medical Center and a member of the Board of Directors at Marriott International and CARE. He is also a member of the Business Roundtable, the United States Holocaust Memorial Museum's Committee on Conscience, the Kennedy Center Corporate Fund Board, and the Aerospace Industries Association Finance Committee.

Lloyd W. Howell, Jr. is an Executive Vice President of our Company and our Chief Financial Officer and Treasurer since July 1, 2016. Mr. Howell previously served as the group leader for our Civil Commercial Group. Mr. Howell joined our Company in 1988, left in 1991, rejoined in 1995 and became an Executive Vice President in 2005. He served as chairman of our Ethics & Compliance Committee for over seven years, until April 2014. Mr. Howell serves on the board of directors of Moody's Corporation. Mr. Howell also serves on the board of overseers for the School of Engineering and Applied Science and as a Trustee at the University of Pennsylvania.

Kristine Martin Anderson is an Executive Vice President and is the group leader for the Company's Civilian Services Group after leading the Company's civil health business since April 2015. Prior to joining Booz Allen in 2006, she was Vice President for Operations and Strategy at CareScience, a software solutions company. Ms. Anderson currently serves on the eHealth Initiative's board of directors. In addition, she serves on the Cost and Resource Use Standing Committee of the National Quality Forum.

Karen M. Dahut is an Executive Vice President and is the group leader for the Company's Global Defense Group. Ms. Dahut joined our Company in 2002 and became a Senior Vice President in 2004. Ms. Dahut led the Company's Strategic Innovations Group from 2012 to April 2016 and the Civil Commercial Group from 2016 to March 2018. Previously, she also led the Company's Analytics business and its US Navy and Marine Corps business. Ms. Dahut is a board member of DexCom, Inc. She also serves on the board of the Northern Virginia Technology Council and the Smithsonian National Air and Space Museum.

Judith Dotson is an Executive Vice President and is the group leader for the Company's National Security Group. Ms. Dotson joined our Company in 1989 and became a Senior Vice President in 2004. Ms. Dotson led the Company's Finance, Economic Development, and Energy business from 2014 to March 2017 and the Joint Combatant Command business from 2017 to March 2020. Previously, she led the Company's Enterprise Integration Capability Development Team, the Defense System Development Capability Team, and the Environment & Energy Technology Team. Ms. Dotson served on the board of directors for the Nature Generation, a not-for-profit that inspires and empowers environmental stewardship in youth.

Nancy J. Laben is an Executive Vice President of our Company and our Chief Legal Officer. She also served as the Secretary until August 2019. Ms. Laben joined our Company in September 2013. She oversees the Legal functions, Ethics & Compliance, and Corporate Affairs. Before joining our Company, Ms. Laben served as General Counsel of AECOM Technology Corporation from June 2010 to August 2013, where she was responsible for all legal support. Prior to June 2010, Ms. Laben served as Deputy General Counsel at Accenture plc beginning in 1989. Prior to Accenture, Ms. Laben served in the law department at IBM Corporation.

Gary Labovich is an Executive Vice President and leads the modernization of our management systems as the Next Generation Modernization Lead. He joined Booz Allen in July 2004. Mr. Labovich has led the Company's systems delivery and digital businesses as well as the delivery of the Company's financial services capabilities and service offerings to both federal and private sector clients. Prior to joining the Company, Mr. Labovich spent 18 years at American Management Systems in key roles as both an entrepreneur and a senior executive specializing in systems development and strategic consulting for federal, state, local, and commercial organizations. Mr. Labovich is a former chair and a member of the board of trustees for the Greater DC Maryland Chapter of the National Multiple Sclerosis Society and serves on the board of trustees for Clark University.

Susan L. Penfield is an Executive Vice President and our Chief Innovation Officer, and leads our Strategic Innovation Group. Ms. Penfield joined the Company in 1994. She has over 25 years of strategy, technology, marketing, and solutions delivery experience. Prior to joining the Strategic Innovation Group, Ms. Penfield led the Company's Health business, where she drove technology and transformation initiatives across the federal, commercial, and non-profit health space. She serves as Chair of the board of directors of the Children's Inn at the National Institutes of Health, and also on the board of directors of Seed Spot Inc. Ms. Penfield is a member of the National Association for Female Executives (NAFE), and was recognized by the NAFE as its 2015 Digital Trailblazer.

Elizabeth M. Thompson is an Executive Vice President of our Company and serves as our Chief People Officer. Ms. Thompson joined our Company in 2008. Ms. Thompson served as Vice President of Human Resources for Fannie Mae from 2000 to 2008. Ms. Thompson sits on the board of the Society for Human Resource Management.

Laura S. Adams is a Vice President of our Company and our Chief Accounting Officer. Ms. Adams joined Booz Allen in January 2009 and has served as the Company's Chief Accounting Officer since 2016. Ms. Adams served as the Company's Controller from July 2014 to May 2021. Ms. Adams brings more than 25 years of finance and accounting specialty and industry experience, primarily in aerospace and defense and government and commercial IT management consulting services. Before

joining Booz Allen, Ms. Adams was a senior manager in the audit and assurance practice of Ernst & Young from 1995 through 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A Common Stock began trading on the New York Stock Exchange on November 17, 2010. On May 10, 2021, there were 217,583 beneficial holders of our Class A Common Stock. Our Class A Common Stock is listed on the New York Stock Exchange under the ticker symbol "BAH".

Dividends

The Company plans to continue paying recurring dividends in the future and assessing its excess cash resources to determine the best way to utilize its excess cash flow to meet its objectives. Any future dividends declared will be at the discretion of the Board and will depend, among other factors, upon our earnings, liquidity, financial condition, alternate capital allocation opportunities, or any other factors the Board deems relevant. On May 21, 2021, the Company announced that the Board had declared a quarterly cash dividend of \$0.37 per share. Payment of the dividend will be made on June 30, 2021 to stockholders of record at the close of business on June 15, 2021.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table shows the share repurchase activity for each of the three months in the quarter ended March 31, 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 2021	174,150	\$86.13	174,150	\$ 746,460,898
February 2021	367,649	\$81.60	367,649	\$ 716,460,897
March 2021	1,593,590	\$78.44	1,593,590	\$ 591,460,956
Total	2,135,389		2,135,389	

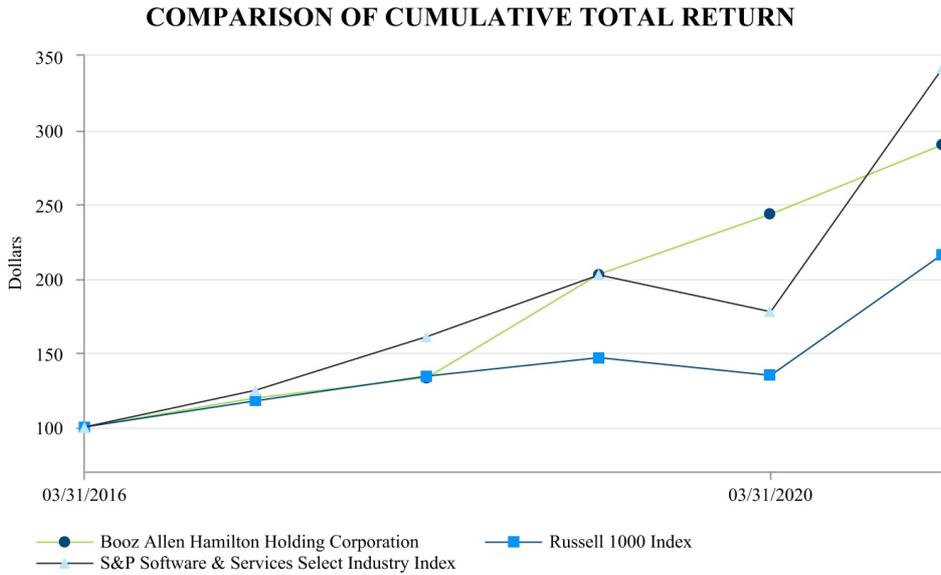
- (1) On December 12, 2011, the Board approved a \$30.0 million share repurchase program, which was further increased by the Board on (i) January 27, 2015 to \$180.0 million, (ii) January 25, 2017 to \$410.0 million, (iii) November 2, 2017 to \$610.0 million, (iv) May 24, 2018 to \$910.0 million, (v) May 23, 2019 to \$1,310.0 million and (vi) January 27, 2021 to \$1,710.0 million. As of March 31, 2021, the Company had approximately \$591.5 million remaining under the repurchase program. A special committee of the Board was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice.

Use of Proceeds from Registered Securities

None.

Performance

The graph set forth below compares the cumulative shareholder return on our Class A Common Stock between March 31, 2016 and March 31, 2021, to the cumulative return of (i) the Russell 1000 Index and (ii) S&P Software & Services Select Industry Index over the same period. The Russell 1000 and S&P Software & Services Select Industry Indices represent comparator groups for relative cumulative return performance to Booz Allen Hamilton. This graph assumes an initial investment of \$100 on March 31, 2016 in our Class A Common Stock, the Russell 1000 Index, and the S&P Software & Services Select Industry Index and assumes the reinvestment of dividends, if any. The stock price performance included in this graph is not necessarily indicative of future stock price performance.



**ASSUMES \$100 INVESTED ON MARCH 31, 2016
ASSUMES DIVIDEND REINVESTED**

Company/Market/Peer Group	3/31/2016	3/31/2017	3/31/2018	3/31/2019	3/31/2020	3/31/2021
Booz Allen Hamilton Holding Corp.	\$ 100.00	\$ 119.20	\$ 132.97	\$ 202.85	\$ 242.99	\$ 289.56
Russell 1000 Index	\$ 100.00	\$ 117.43	\$ 133.84	\$ 146.29	\$ 134.55	\$ 216.07
S&P Software & Services Select Industry Index	\$ 100.00	\$ 124.32	\$ 160.64	\$ 202.00	\$ 177.20	\$ 340.99

This performance graph and other information furnished under this Part II Item 5 of this Annual Report shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

Item 6. Selected Financial Data

The selected consolidated statements of operations data for fiscal 2021, fiscal 2020, and fiscal 2019 and the selected consolidated balance sheet data as of March 31, 2021 and 2020 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for fiscal 2018 and fiscal 2017 and the selected consolidated balance sheet data as of March 31, 2019, 2018 and 2017 have been derived from audited consolidated financial statements which are not included in this Annual Report. Our historical results are not necessarily

indicative of the results that may be expected for any future period. The selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report.

(In thousands, except share and per share data)	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
Consolidated Statements of Operations:					
Revenue	\$ 7,858,938	\$ 7,463,841	\$ 6,704,037	\$ 6,167,600	\$ 5,809,491
Operating costs and expenses:					
Cost of revenue	3,657,530	3,379,180	3,100,466	2,866,268	2,678,715
Billable expenses	2,325,888	2,298,413	2,004,664	1,861,312	1,751,077
General and administrative expenses	1,036,834	1,035,965	927,938	855,541	814,141
Depreciation and amortization	84,315	81,081	68,575	64,756	59,544
Total operating costs and expenses	7,104,567	6,794,639	6,101,643	5,647,877	5,303,477
Operating income	754,371	669,202	602,394	519,723	506,014
Interest expense	(81,270)	(96,960)	(89,517)	(82,269)	(62,298)
Other income (expense), net	(10,662)	7,192	2,526	(7,418)	(18,059)
Income before income taxes	662,439	579,434	515,403	430,036	425,657
Income tax expense	53,481	96,831	96,874	128,344	164,832
Net income	\$ 608,958	\$ 482,603	\$ 418,529	\$ 301,692	\$ 260,825
Earnings per common share (1):					
Basic	\$ 4.40	\$ 3.43	\$ 2.94	\$ 2.05	\$ 1.74
Diluted	\$ 4.37	\$ 3.41	\$ 2.91	\$ 2.03	\$ 1.72
Weighted average common shares outstanding (1):					
Basic	137,722,589	140,059,494	141,910,799	145,964,574	148,218,968
Diluted	138,703,220	141,238,135	143,156,176	147,750,022	150,274,640
Dividends declared per share	\$ 1.30	\$ 1.04	\$ 0.80	\$ 0.70	\$ 0.62

(In thousands)	As of March 31,				
	2021	2020	2019	2018	2017
Consolidated Balance Sheets:					
Cash and cash equivalents	\$ 990,955	\$ 741,901	\$ 283,990	\$ 286,958	\$ 217,417
Working capital	1,345,067	1,000,510	520,101	463,205	211,701
Total assets	5,499,601	4,793,966	3,831,841	3,606,619	3,378,693
Long-term debt, net of current portion	2,278,731	2,007,979	1,701,837	1,755,479	1,470,174
Stockholders' equity	1,071,176	856,356	675,366	562,491	584,873

On April 1, 2019 (fiscal 2020), we adopted Accounting Standard Codification (ASC) No. 842 *Leases* (Topic 842), using the modified retrospective transition approach and, as a result, comparative information for the prior fiscal years have not been retrospectively adjusted.

On April 1, 2018 (fiscal 2019), the Company adopted Topic 606, *Revenue from Contracts with Customers*, using the full retrospective transition method and adopted retrospectively ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Fiscal 2019, fiscal 2018 and fiscal 2017 results reflect the impact of the adoption of the two standards.

- (1) Basic earnings per share for the Company has been computed using the weighted average number of shares of Class A Common Stock outstanding during the period. The Company’s diluted earnings per share has been computed using the weighted average number of shares of Class A Common Stock including the dilutive effect of outstanding common stock options and other stock-based awards. For the purposes of calculating basic and diluted earnings per share, the Company has utilized the two class method, given non-forfeitable dividends declared on unvested Class A Restricted Common Stock.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with "Item 6. Selected Financial Data," and our consolidated financial statements and the related notes contained elsewhere in this Annual Report.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Item 1A. Risk Factors" and "Introductory Note — Cautionary Note Regarding Forward-Looking Statements". Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our fiscal year ends March 31 and, unless otherwise noted, references to years or fiscal are for fiscal years ended March 31. See "— Results of Operations."

Overview

We are a leading provider of management and technology consulting, analytics, engineering, digital solutions, mission operations, and cyber services to U.S. and international governments, major corporations, and not-for-profit organizations. Our ability to deliver value to our clients has always been, and continues to be, a product of the strong character, expertise and tremendous passion of our people. Our approximately 27,700 employees work to solve hard problems by making clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber, all fostered by a culture of innovation that extends to all reaches of the company.

Through our dedication to our clients' missions, and a commitment to evolving our business to address their needs, we have longstanding relationships with our clients, some more than 80 years. We support critical missions for a diverse base of federal government clients, including nearly all of the U.S. government's cabinet-level departments, as well as increasingly for top-tier commercial and international clients. We support our federal government clients by helping them tackle their most complex and pressing challenges such as protecting soldiers in combat and supporting their families, advancing cyber capabilities, keeping our national infrastructure secure, enabling and enhancing digital services, transforming the healthcare system, and improving government efficiency to achieve better outcomes. We serve commercial clients across industries including financial services, health and life sciences, energy, and technology. We have a presence in the Middle East and other international markets.

Financial and Other Highlights

During fiscal 2021, the Company generated strong revenue growth, substantial backlog growth, and increases in headcount for the year.

Revenue increased 5.3% from fiscal 2020 to fiscal 2021 primarily driven by strong execution on sustained client demand and headcount to meet that demand. The Company also benefited from higher staff utilization in the first half of the year as compared to the prior year driven by fewer paid time off ("PTO") days taken by our employees which resulted in increases in our direct labor and corresponding generation of revenue growth. Revenue growth also benefited from an overall increase in billable expenses.

Operating income increased 12.7% to \$754.4 million in fiscal 2021 from \$669.2 million in fiscal 2020, which reflects an increase in operating margin to 9.6% from 9.0% in the comparable year. The increase in operating income was primarily driven by the same factors driving revenue growth, as well as strong cost management efforts, and reductions in certain types of expenses, like travel and meetings. These were partially offset by the inability to recognize revenue on, or bill for, fee on certain contracts involving a ready workforce of approximately \$24.0 million for fiscal 2021. The Company also incurred incremental legal costs during fiscal 2021 and 2020 in response to the U.S. Department of Justice investigation and matters which purport to relate to the investigation, a portion of which was offset by the receipt of insurance reimbursements. We expect to incur additional costs in the future. Based on the information currently available, the Company is not able to reasonably estimate the expected long-term incremental legal costs or amounts that may be reimbursed associated with this investigation and these related matters.

We are monitoring the evolving situation related to COVID-19 and vaccine rollout, and we continue to work with our stakeholders to assess further possible implications to our business and to take actions in an effort to mitigate adverse consequences. To protect employee health and safety while COVID-19 remains a threat, we are currently delivering a majority of our services to clients via telework. In cases where telework options or effectiveness are limited, we are working closely with clients to achieve safe return plans guided by federal, state and local policies and advice from other experts. We are also working closely with our clients, where classified work is concentrated, to retain continuity of service and ensure a ready workforce. We expect to continue to be impacted by the inability of certain employees to perform their contract requirements at their designated work locations due to facility closures or restrictions as a result of COVID-19 and cannot perform such work remotely. While the CARES Act contains a provision that allows federal contractors to seek specified reimbursement for certain employees who are unable to perform their contract requirements due to government restrictions and we have been reimbursed for certain of these costs, such provision does not require the government to reimburse a contractor and reimbursements are also subject to limitations and currently do not extend past September 30, 2021. Through March 31, 2021, we have withheld recognition of revenue associated with these amounts at risk of not being reimbursed. We do not expect non-reimbursed fees to have a material impact on earnings in future periods as the majority of our affected workforce have returned to on site offices or may do so prior to September 30, 2021. Although we cannot currently predict the overall impact of COVID-19 and vaccine rollout, the longer the duration of the event, the more likely it is that it could have an adverse effect on our business, financial position, results of operations, billable expenses, and/or cash flows.

Non-GAAP Measures

We publicly disclose certain non-GAAP financial measurements, including Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, and Adjusted Diluted Earnings Per Share, or Adjusted Diluted EPS, because management uses these measures for business planning purposes, including to manage our business against internal projected results of operations and measure our performance. We view Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, and Adjusted Diluted EPS as measures of our core operating business, which exclude the impact of the items detailed below, as these items are generally not operational in nature. These non-GAAP measures also provide another basis for comparing period to period results by excluding potential differences caused by non-operational and unusual or non-recurring items. In addition, we use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations. We also utilize and discuss Free Cash Flow, because management uses this measure for business planning purposes, measuring the cash generating ability of the operating business, and measuring liquidity generally. We present these supplemental measures because we believe that these measures provide investors and securities analysts with important supplemental information with which to evaluate our performance, long-term earnings potential, or liquidity, as applicable, and to enable them to assess our performance on the same basis as management. These supplemental performance measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance or liquidity, as applicable, investors should (i) evaluate each adjustment in our reconciliation of revenue to Revenue, Excluding Billable Expenses, operating income to Adjusted Operating Income, net income to Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income and Adjusted Diluted Earnings Per Share, and net cash provided by operating activities to Free Cash Flow, (ii) use Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, and Adjusted Diluted EPS in addition to, and not as an alternative to, revenue, operating income, net income or diluted EPS, as measures of operating results, each as defined under GAAP and (iii) use Free Cash Flow in addition to, and not as an alternative to, net cash provided by operating activities as a measure of liquidity, each as defined under GAAP. We have defined the aforementioned non-GAAP measures as follows:

- "Revenue, Excluding Billable Expenses" represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.
- "Adjusted Operating Income" represents operating income before transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, supplemental employee benefits due to the COVID-19 outbreak and acquisition related costs. We prepare Adjusted Operating Income to eliminate the impact of items we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.
- "Adjusted EBITDA" represents net income before income taxes, net interest and other expense and depreciation and amortization and before certain other items, including transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, supplemental employee benefits due to the COVID-19 outbreak and acquisition related costs. "Adjusted EBITDA Margin on Revenue" is calculated as Adjusted EBITDA divided by revenue. "Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses" is calculated as Adjusted EBITDA divided by Revenue, Excluding Billable Expenses. The Company prepares Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, and Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary or non-recurring nature or because they result from an event of a similar nature.
- "Adjusted Net Income" represents net income before: (i) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, (ii) supplemental employee benefits due to the COVID-19 outbreak, (iii) acquisition related costs, (iv) research and development tax credits, (v) release of income tax reserves, (vi) re-measurement of deferred tax assets/liabilities, (vii) loss on debt extinguishment, and

(viii) amortization or write-off of debt issuance costs and write-off of original issue discount, in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view net income excluding the impact of the re-measurement of the Company's deferred tax assets and liabilities as an important indicator of performance consistent with the manner in which management measures and forecasts the Company's performance and the way in which management is incentivized to perform.

- "Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the consolidated financial statements.
- "Free Cash Flow" represents the net cash generated from operating activities less the impact of purchases of property, equipment, and software.

Below is a reconciliation of Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow to the most directly comparable financial measure calculated and presented in accordance with GAAP.

(Amounts in thousands, except share and per share data)	Fiscal Year Ended March 31,		
	2021	2020	2019
	(Unaudited)		
Revenue, Excluding Billable Expenses			
Revenue	\$ 7,858,938	\$ 7,463,841	\$ 6,704,037
Billable expenses	2,325,888	2,298,413	2,004,664
Revenue, Excluding Billable Expenses	\$ 5,533,050	\$ 5,165,428	\$ 4,699,373
Adjusted Operating Income			
Operating Income	\$ 754,371	\$ 669,202	\$ 602,394
Transaction expenses (a)	—	1,069	3,660
COVID-19 supplemental employee benefits (b)	577	2,722	—
Acquisition costs (c)	\$ 411	\$ —	\$ —
Adjusted Operating Income	\$ 755,359	\$ 672,993	\$ 606,054
EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue & Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses			
Net income	\$ 608,958	\$ 482,603	\$ 418,529
Income tax (benefit) expense	53,481	96,831	96,874
Interest and other, net (d)	91,932	89,768	86,991
Depreciation and amortization	84,315	81,081	68,575
EBITDA	838,686	750,283	670,969
Transaction expenses (a)	—	1,069	3,660
COVID-19 supplemental employee benefits (b)	577	2,722	—
Acquisition costs (c)	\$ 411	\$ —	\$ —
Adjusted EBITDA	\$ 839,674	\$ 754,074	\$ 674,629
Adjusted EBITDA Margin on Revenue	10.7 %	10.1 %	10.1 %
Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses	15.2 %	14.6 %	14.4 %
Adjusted Net Income			
Net income	\$ 608,958	\$ 482,603	\$ 418,529
Transaction expenses (a)	—	1,069	3,660
COVID-19 supplemental employee benefits (b)	577	2,722	—
Acquisition costs (c)	411	—	—
Research and development tax credits (e)	(2,928)	(38,395)	—
Release of income tax reserves (f)	(29)	(68)	(462)
Re-measurement of deferred tax assets/liabilities (g)	(76,767)	—	(27,908)
Loss on debt extinguishment (h)	13,239	—	—
Amortization or write-off of debt issuance costs and write-off of original issue discount	2,402	2,395	2,920
Adjustments for tax effect (i)	(4,324)	(1,608)	(1,711)
Adjusted Net Income	\$ 541,539	\$ 448,718	\$ 395,028
Adjusted Diluted Earnings Per Share			
Weighted-average number of diluted shares outstanding	138,703,220	141,238,135	143,156,176
Adjusted Net Income Per Diluted Share (j)	\$ 3.90	\$ 3.18	\$ 2.76
Free Cash Flow			
Net cash provided by operating activities	\$ 718,684	\$ 551,428	\$ 499,610
Less: Purchases of property and equipment	(87,210)	(128,079)	(94,681)
Free Cash Flow	\$ 631,474	\$ 423,349	\$ 404,929

- (a) Fiscal 2020 and fiscal 2019 reflect debt refinancing costs incurred in connection with the refinancing transactions consummated on November 26, 2019 and July 23, 2018, respectively.
- (b) Represents the supplemental contribution to employees' dependent care FSA accounts in response to the COVID-19 outbreak.
- (c) Represents certain costs incurred related to acquisition efforts of the Company, including legal and other professional fees.
- (d) Reflects the combination of Interest expense and Other income (expense), net from the consolidated statement of operations.
- (e) Reflects tax credits, net of reserves for uncertain tax positions, recognized in fiscal 2021 and 2020 related to an increase in research and development credits available for fiscal years 2016 to 2019 and fiscal years 2016 to 2020, respectively.
- (f) Release of pre-acquisition income tax reserves assumed by the Company in connection with the Carlyle Acquisition.
- (g) Fiscal 2021 reflects the income tax benefit associated with tax losses generated during fiscal 2021 as a result of a change in certain tax methods of accounting. The Company intends to carry these losses back to fiscal 2016 and subsequent periods under the CARES Act and has re-measured the fiscal 2021 loss accordingly. Fiscal 2019 reflects the adjustments made to the provisional income tax benefit associated with the re-measurement of the Company's existing deferred tax assets and liabilities as a result of the 2017 Tax Act.
- (h) Reflects the loss on debt extinguishment resulting from the redemption of Booz Allen Hamilton Inc.'s 5.125% Senior Notes due 2025 (the "2017 Senior Notes"), including \$9.0 million of the premium paid at redemption, and write-off of the unamortized debt issuance cost. See Note 10 to our consolidated financial statements for more information.
- (i) Reflects the tax effect of adjustments at an assumed effective tax rate of 26%, which approximates the blended federal and state tax rates, and consistently excludes the impact of other tax credits and incentive benefits realized.
- (j) Excludes an adjustment of approximately \$3.5 million, \$1.6 million, and \$1.8 million of net earnings for fiscal 2021, 2020, and 2019, respectively, associated with the application of the two-class method for computing diluted earnings per share.

Factors and Trends Affecting Our Results of Operations

Our results of operations have been, and we expect them to continue to be, affected by the following factors, which may cause our future results of operations to differ from our historical results of operations discussed under "—Results of Operations."

Business Environment and Key Trends in Our Markets

We believe that the following trends and developments in the U.S. government services industry and our markets may influence our future results of operations:

- uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to approve funding of the U.S. government, address budgetary constraints, including caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 ("BCA") and subsequently adjusted by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, the Bipartisan Budget Act of 2018, and the Bipartisan Budget Act of 2019, and address the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps;
- budget deficits and the growing U.S. national debt increasing pressure on the U.S. government to reduce federal spending across all federal agencies together with associated uncertainty about the size and timing of those reductions;

- cost-cutting and efficiency initiatives, current and future budget restrictions, continued implementation of Congressionally mandated automatic spending cuts, and other efforts to reduce U.S. government spending could cause clients to reduce or delay funding for orders for services or invest appropriated funds on a less consistent or rapid basis or not at all, particularly when considering long-term initiatives and in light of current uncertainty around Congressional efforts to approve funding of the U.S. government and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- delays in the completion of future U.S. government's budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;
- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence, defense-related programs as certain overseas operations end, and continued increased spending on cybersecurity, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration, and healthcare, including as a result of the presidential and administration transition;
- the extent, nature and effect of COVID-19, including the impact on federal budgets, current and pending procurements, supply chains, demand for services, deployment and productivity of our employees and the economic and societal impact of a pandemic, and the expected continued volatility in billable expenses;
- legislative and regulatory changes to limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- efforts by the U.S. government to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors;
- increased audit, review, investigation, and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws;
- the federal focus on refining the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments, which will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;
- negative publicity and increased scrutiny of government contractors in general, including us, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;
- increased competition from other government contractors and market entrants seeking to take advantage of certain of the trends identified above, and an industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us;
- cost cutting and efficiency and effectiveness efforts by U.S. civilian agencies with a focus on increased use of performance measurement, "program integrity" efforts to reduce waste, fraud and abuse in entitlement programs, and renewed focus on improving procurement practices for and interagency use of IT services, including through the use of cloud based options and data center consolidation;
- restrictions by the U.S. government on the ability of federal agencies to use lead system integrators, in response to cost, schedule, and performance problems with large defense acquisition programs where contractors were performing the lead system integrator role;

- increasingly complex requirements of the Department of Defense and the U.S. intelligence community, including cybersecurity, managing federal health care cost growth, and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare; and
- increasing small business regulations across the Department of Defense and civilian agency clients continue to gain traction, agencies are required to meet high small business set aside targets, and large business prime contractors are required to subcontract in accordance with considerable small business participation goals necessary for contract award.

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our consulting staff and, to a lesser extent, our subcontractors. Funding for our contracts and task orders is generally linked to trends in budgets and spending across various U.S. government agencies and departments. We provide services under a large portfolio of contracts and contract vehicles to a broad client base, and we believe that our diversified contract and client base lessens potential volatility in our business; however, a reduction in the amount of services that we are contracted to provide to the U.S. government or any of our significant U.S. government clients could have a material adverse effect on our business and results of operations. In particular, the Department of Defense is one of our significant clients, and the BCA (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, the Bipartisan Budget Act of 2018, and the Bipartisan Budget Act of 2019), provides for automatic spending cuts (referred to as sequestration) totaling approximately \$1.2 trillion between 2013 and 2021, including an estimated \$500 billion in federal defense spending cuts over this time period. The Bipartisan Budget Act of 2019 raised BCA spending caps on defense spending by \$90 billion for government fiscal 2020, and \$81 billion for fiscal 2021. For non-defense funding, the Bipartisan Budget Act of 2019 raised BCA spending caps by \$78 billion for government fiscal 2020 and \$72 billion for government fiscal 2021. While the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, the Bipartisan Budget Act of 2018, and the Bipartisan Budget Act of 2019 all negated and raised budget limits put in place by the BCA for both defense and non-defense spending, there can be no assurance that any spending cuts implemented in the future would be similarly negated. This could result in a commensurate reduction in the amount of services that we are contracted to provide to the Department of Defense and could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions required by the BCA may return and/or be applied, we are unable to predict the nature or magnitude of the potential adverse effect.

Contract Types

We generate revenue under the following three basic types of contracts:

- **Cost-Reimbursable Contracts.** Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fixed fee or award fee. As we increase or decrease our spending on allowable costs, our revenue generated on cost-reimbursable contracts will increase, up to the ceiling and funded amounts, or decrease, respectively. We generate revenue under two general types of cost-reimbursable contracts: cost-plus-fixed-fee and cost-plus-award-fee, both of which reimburse allowable costs and provide for a fee. The fee under each type of cost-reimbursable contract is generally payable upon completion of services in accordance with the terms of the contract. Cost-plus-fixed-fee contracts offer no opportunity for payment beyond the fixed fee. Cost-plus-award-fee contracts also provide for an award fee that varies within specified limits based upon the client's assessment of our performance against a predetermined set of criteria, such as targets for factors like cost, quality, schedule, and performance.
- **Time-and-Materials Contracts.** Under contracts in this category, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. We assume the financial risk on time-and-materials contracts because our costs of performance may exceed negotiated hourly rates. To the extent our actual direct labor, including allocated indirect costs, and associated billable expenses decrease or increase in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, respectively, or could incur a loss.
- **Fixed-Price Contracts.** Under a fixed-price contract, we agree to perform the specified work for a predetermined price. To the extent our actual direct and allocated indirect costs decrease or increase from the estimates upon which the price was negotiated, we will generate more or less profit, respectively, or could incur a loss. Some fixed-price contracts have a performance-based component, pursuant to which we can earn incentive payments or incur financial penalties based on our

performance. Fixed-price level of effort contracts require us to provide a specified level of effort (i.e., labor hours), over a stated period of time, for a fixed price.

The amount of risk and potential reward varies under each type of contract. Under cost-reimbursable contracts, there is limited financial risk, because we are reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, we are reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, we are typically reimbursed for other contract direct costs and expenses at cost. We assume financial risk on time-and-materials contracts because our labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-reimbursable contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a predetermined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings but generally involve greater financial risk because we bear the impact of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period's profitability. Changes in contract type as a result of re-competes and new business could influence the percentage/mix in unanticipated ways.

The table below presents the percentage of total revenue for each type of contract:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Cost-reimbursable	56%	57%	53%
Time-and-materials	25%	23%	24%
Fixed-price	19%	20%	23%

Contract Diversity and Revenue Mix

We provide services to our clients through a large number of single award contracts, contract vehicles, and multiple award contract vehicles. Most of our revenue is generated under indefinite delivery/indefinite quantity, or IDIQ, contract vehicles, which include multiple award government wide acquisition contract vehicles, or GWACs, and General Services Administration Multiple Award Schedule Contracts, or GSA schedules, and certain single award contracts. GWACs and GSA schedules are available to all U.S. government agencies. Any number of contractors typically competes under multiple award IDIQ contract vehicles for task orders to provide particular services, and we earn revenue under these contract vehicles only to the extent that we are successful in the bidding process for task orders. No single task order under any IDIQ contract represented more than 3.1% of our revenue in fiscal 2021. No single definite contract accounted for more than 3.0% of our revenue in fiscal 2021.

We generate revenue under our contracts and task orders through our provision of services as both a prime contractor and subcontractor, as well as from the provision of services by subcontractors under contracts and task orders for which we act as the prime contractor. For fiscal 2021, 2020, and 2019, 93%, 92%, and 92%, respectively, of our revenue was generated by contracts and task orders for which we served as a prime contractor; 7%, 8%, and 8%, respectively, of our revenue was generated by contracts and task orders for which we served as a subcontractor; and approximately 25%, 24%, and 24%, respectively, of our revenue was generated by services provided by our subcontractors. The mix of these types of revenue affects our operating margin. Substantially all of our operating margin is derived from direct consulting staff labor as the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. We view growth in direct consulting staff labor as the primary driver of earnings growth. Direct consulting staff labor growth is driven by consulting staff headcount growth, after attrition, and total backlog growth.

Our People

Revenue from our contracts is derived from services delivered by consulting staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of March 31, 2021, 2020, and 2019, we employed approximately 27,700, 27,200, and 26,100 people, respectively, of which approximately 24,800, 24,200, and 23,400, respectively, were consulting staff.

Contract Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders (including optional orders) for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under IDIQ contracts, except to the extent that task orders have been awarded to us under those contracts.

The following table summarizes the value of our contract backlog at the respective dates presented:

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(In millions)		
Backlog:			
Funded	\$ 3,510	\$ 3,415	\$ 3,436
Unfunded	6,086	4,518	3,687
Priced options	14,436	12,796	12,198
Total backlog	<u>\$ 24,032</u>	<u>\$ 20,729</u>	<u>\$ 19,321</u>

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the period of performance has expired, and unexercised option period and other unexercised optional orders. As of March 31, 2021 and March 31, 2020, the Company had \$6.7 billion and \$6.3 billion of remaining performance obligations, respectively, and we expect to recognize approximately 70% of the remaining performance obligations as of March 31, 2021 as revenue over the next 12 months, and approximately 85% over the next 24 months. The remainder is expected to be recognized thereafter. However, given the uncertainties discussed below, as well as the risks described in "Item 1A. Risk Factors", we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all. Our backlog includes orders under contracts that in some cases extend for several years. The U.S. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We view growth in total backlog and consulting staff headcount as the two key measures of our potential business growth. Growing and deploying consulting staff is the primary means by which we are able to achieve profitable revenue growth. To the extent that we are able to hire additional consulting staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog increased by 15.9% from March 31, 2020 to March 31, 2021 and increased by 7.3% from March 31, 2019 to March 31, 2020. Additions to funded backlog during fiscal 2021 and 2020 totaled \$8.0 billion and \$7.4 billion respectively. We report internally on our backlog on a monthly basis and review backlog upon occurrence of certain events to determine if any adjustments are necessary.

We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period and we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost-cutting initiatives and other efforts to reduce U.S. government spending, which could reduce or delay funding for orders for services; and delayed funding of our contracts due to delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions by the U.S. government to fund its operations. The amount of our funded backlog is also subject to change, due to, among other factors: changes in congressional appropriations that reflect changes in U.S. government policies or priorities resulting from various military, political, economic, or international developments; changes in the use of U.S. government contracting vehicles, and the provisions therein used to procure our services and adjustments to the scope of services, or cancellation of contracts, by the U.S. government at any time. In our recent experience, none of the following additional risks have had a material negative effect on our ability to realize revenue from our funded backlog: the unilateral right of the U.S. government to cancel multi-year contracts and related orders or to terminate existing contracts for convenience or default; in the case of unfunded backlog, the

potential that funding will not be made available; and, in the case of priced options, the risk that our clients will not exercise their options.

In addition, contract backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the U.S. government's fiscal year. The revenue value of orders included in contract backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 5.3% of total backlog as of March 31, 2021 and any of the four preceding fiscal quarters.

We expect to recognize revenue from a substantial portion of funded backlog as of March 31, 2021 within the next twelve months. However, given the uncertainties discussed above, as well as the risks described in "Item 1A. Risk Factors", we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

Operating Costs and Expenses

Costs associated with compensation and related expenses for our people are the most significant component of our operating costs and expenses. The principal factors that affect our costs are additional people as we grow our business and are awarded new contracts, task orders, and additional work under our existing contracts, and the hiring of people with specific skill sets and security clearances as required by our additional work.

Our most significant operating costs and expenses are described below.

- *Cost of Revenue.* Cost of revenue includes direct labor, related employee benefits, and overhead. Overhead consists of indirect costs, including indirect labor relating to infrastructure, management and administration, and other expenses.
- *Billable Expenses.* Billable expenses include direct subcontractor expenses, travel expenses, and other expenses incurred to perform on contracts.
- *General and Administrative Expenses.* General and administrative expenses include indirect labor of executive management and corporate administrative functions, marketing and bid and proposal costs, and other discretionary spending.
- *Depreciation and Amortization.* Depreciation and amortization includes the depreciation of computers, leasehold improvements, furniture and other equipment, and the amortization of internally developed software, as well as third-party software that we use internally, and of identifiable long-lived intangible assets over their estimated useful lives.

Seasonality

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, we also have historically experienced higher bid and proposal costs in the months leading up to the U.S. government's fiscal year end as we pursue new contract opportunities being awarded shortly after the U.S. government fiscal year end as new opportunities are expected to have funding appropriated in the U.S. government's subsequent fiscal year. We may continue to experience this seasonality in future periods, and our future periods may be affected by it. While not certain, changes in the government's funding and spending patterns have altered historical seasonality trends, supporting our approach to managing the business on an annual basis.

Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period. See "Item 1A. Risk Factors."

Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements as well as the reported amounts of revenue and expenses during the reporting period. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies, including the critical policies and practices listed below, are more fully described and discussed in the notes to the consolidated financial statements. We consider the following accounting policies to be critical to an understanding of our financial condition and results of operations because these policies require the most difficult, subjective or

complex judgments on the part of our management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition and Cost Estimation

Our revenues from contracts with customers (clients) are derived from offerings that include consulting, analytics, digital solutions, engineering, and cyber services, substantially with the U.S. government and its agencies, and to a lesser extent, subcontractors. We also serve foreign governments, as well as domestic and international commercial clients. We perform under various types of contracts, which include cost-reimbursable-plus-fee contracts, time-and-material contracts, and fixed-price contracts.

We consider a contract with a customer to exist under Topic 606 when there is approval and commitment from us and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. We will also consider whether two or more contracts entered into with the same customer should be combined and accounted for as a single contract. Furthermore, in certain transactions with commercial clients and with the U.S. government, we may commence providing services prior to receiving a formal approval from the customer. In these situations, we will consider the factors noted above, the risks associated with commencing the work, and legal enforceability in determining whether a contract with the customer exists under Topic 606.

Customer contracts are often modified to change the scope, price, specifications or other terms within the existing arrangement. Contract modifications are evaluated by management to determine whether the modification should be accounted for as part of the original performance obligation(s) or as a separate contract. If the modification adds distinct goods or services and increases the contract value proportionate to the stand-alone selling price of the additional goods or services, it will be accounted for as a separate contract. Generally, our contract modifications do not include goods or services which are distinct, and therefore are accounted for as part of the original performance obligation(s) with any impact on transaction price or estimated costs at completion being recorded as through a cumulative catch-up adjustment to revenue.

We evaluate each service deliverable contracted with the customer to determine whether it represents promises to transfer distinct goods or services. Under Topic 606, these are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the time over which revenue from the contract is recognized. Our contracts generally provide a set of integrated or highly interrelated tasks or services and are therefore accounted for as a single performance obligation. However, in cases where we provide more than one distinct good or service within a customer contract, the contract is separated into individual performance obligations which are accounted for discretely.

Contracts with the U.S. government are generally subject to the FAR and are priced based on estimated or actual costs of providing the goods or services. We derive a majority of our revenue from contracts awarded through a competitive bidding process. Pricing for non-U.S. government agencies and commercial customers is based on discrete negotiations with each customer. Certain of our contracts contain award fees, incentive fees or other provisions that may increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. Management estimates variable consideration as the most likely amount that we expect to achieve based on our assessment of the variable fee provisions within the contract, prior experience with similar contracts or clients, and management's evaluation of the performance on such contracts. We may perform work under a contract that has not been fully funded if the work has been authorized by the management and the customer to proceed. We evaluate unfunded amounts as variable consideration in estimating the transaction price. We include the estimated variable consideration in our transaction price to the extent that it is probable that a significant reversal of revenue will not occur upon the ultimate settlement of the variable fee provision. In the limited number of situations where our contracts with customers contain more than one performance obligation, we allocate the transaction price of a contract between the performance obligations in the proportion to their respective stand-alone selling prices. We generally estimate the stand-alone selling price of performance obligations based on an expected cost-plus margin approach as allowed under Topic 606. Our U.S. government contracts generally contain FAR provisions that enable the customer to terminate a contract for default or for the convenience of the U.S. government.

We recognize revenue for each performance obligation identified within our customer contracts when, or as, the performance obligation is satisfied by transferring the promised goods or services. Revenue may either be recognized over time or at a point in time. We generally recognize revenue over time as our contracts typically involve a continuous transfer of control to the customer. A continuous transfer of control under contracts with the U.S. government and its agencies is evidenced by clauses which require us to be paid for costs incurred plus a reasonable margin in the event that the customer unilaterally terminates the contract for convenience. For contracts where we recognize revenue over time, a contract cost-based input method is generally used to measure progress towards satisfaction of the underlying performance obligation(s). Contract costs include direct costs such as materials, labor and subcontract costs, as well as indirect costs identifiable with, or allocable to, a specific contract that are expensed as incurred. We do not incur material incremental costs to acquire or fulfill contracts. Under

a contract cost-based input method, revenue is recognized based on the proportion of contract costs incurred to the total estimated costs expected to be incurred upon completion of the underlying performance obligation. We generally include both funded and unfunded portions of customer contracts in this estimation process.

For interim financial reporting periods, contract revenue attributable to indirect costs is recognized based upon agreed-upon annual forward-pricing rates established with the U.S. government at the start of each fiscal year. Forward pricing rates are estimated and agreed upon between us and the U.S. government and represent indirect contract costs required to execute and administer contract obligations. The impact of any agreed-upon changes, or changes in the estimated annual forward-pricing rates, are recorded in the interim financial reporting period when such changes are identified. These changes relate to the interim financial reporting period differences between the actual indirect costs incurred and allocated to customer contracts compared to the estimated amounts allocated to contracts using the estimated annual forward-pricing rates established with the U.S. government.

On certain contracts, principally time-and-materials and cost-reimbursable-plus-fee contracts, revenue is recognized using the right-to-invoice practical expedient as we are contractually able to invoice the customer based on the control transferred. However, we did not elect to use the practical expedient which would allow us to exclude contracts recognized using the right-to-invoice practical expedient from the remaining performance obligations disclosed below. Additionally, for stand-ready performance obligations to provide services under fixed-price contracts, revenue is recognized over time using a straight-line measure of progress as the control of the services is provided to the customer ratably over the term of the contract. If a contract does not meet the criteria for recognition of revenue over time, we recognize revenue at the point in time when control of the good or service is transferred to the customer. Determining a measure of progress towards the satisfaction of performance obligations requires management to make judgments that may affect the timing of revenue recognition.

Many of our contracts recognize revenue under a contract cost-based input method and require an Estimate-at-Completion (EAC) process, which management uses to review and monitor the progress towards the completion of our performance obligations. Under this process, management considers various inputs and assumptions related to the EAC, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Estimating the total cost at completion of performance obligations is subjective and requires management to make assumptions about future activity and cost drivers under the contract. Changes in these estimates can occur for a variety of reasons and, if significant, may impact the profitability of our contracts. Changes in estimates related to contracts accounted for under the EAC process are recognized in the period when such changes are made on a cumulative catch-up basis. If the estimate of contract profitability indicates an anticipated loss on a contract, we recognize the total loss at the time it is identified. For fiscal 2021, 2020, and 2019, the aggregate impact of adjustments in contract estimates was not material.

Remaining performance obligations represent the transaction price of exercised contracts for which work has not yet been performed, irrespective of whether funding has or has not been authorized and appropriated as of the date of exercise. Remaining performance obligations do not include negotiated but unexercised options or the unfunded value of expired contracts.

Business Combinations

The accounting for the Company's business combinations consists of allocating the purchase price to tangible and intangible assets acquired and liabilities assumed based on their fair values, with the excess recorded as goodwill. Certain fair value measurements include inputs that are unobservable, requiring management to make judgments and estimates that can be affected by contract performance and other factors that may cause final amounts to differ materially from original estimates. We have up to one year from the acquisition date to use additional information obtained to adjust the fair value of the acquired assets and liabilities which may result in changes to the recorded values with an offsetting adjustment to goodwill.

Goodwill and Intangible Assets Impairment

We test goodwill and trade name for impairment at least annually as of January 1 of each year and more frequently if interim indicators of impairment exist. We perform our impairment testing of goodwill at the reporting level. As our business is highly integrated and all of our components have similar economic characteristics, we conclude that we have one reporting unit at the consolidated entity level, which is the same as our single operating segment. We test goodwill for impairment using the quantitative method (primarily based on market capitalization). We test the trade name for impairment using the relief from royalty method that requires management to make significant amount of judgments and estimates in the valuation. We do not consider goodwill, trade name, or any other amortizable intangible assets at risk of impairment.

Amortizable intangible assets are tested for impairment when an event occurs or circumstances change indicating that the carrying amount of the asset may not be recoverable. A significant amount of management judgment is required to determine if an event representing an impairment indicator has occurred during the year, including but not limited to: a decline in forecasted cash flows; a sustained, material decline in the stock price and market capitalization; a significant adverse change in the

business climate or economy; or unanticipated competition. An adverse change in any of these factors could have a significant impact on the recoverability of other intangible assets.

During the fiscal years ended March 31, 2021, March 31, 2020, and March 31, 2019, the Company did not record any impairment of goodwill and intangible assets.

Accounting for Income Taxes

Provisions for federal, state, and foreign income taxes are calculated from the income reported on our consolidated financial statements based on current tax law and also include the cumulative effect of any changes in tax rates from those previously used in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for purposes of preparing consolidated financial statements than for income tax purposes.

Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for uncertain tax positions when, despite the belief that our tax positions are supportable, there remains uncertainty in a tax position taken in our previously filed income tax returns. For tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of reserves, our effective tax rate in a given consolidated financial statement period may be materially impacted.

The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the value of these assets. If we are unable to generate sufficient future taxable income in these jurisdictions, a valuation allowance is recorded when it is more likely than not that the value of the deferred tax assets is not realizable.

Recent Accounting Pronouncements

See Note 2 to our accompanying audited consolidated financial statements for information related to our adoption of new accounting standards and for information on our anticipated adoption of recently issued accounting standards.

Segment Reporting

We report operating results and financial data in one operating and reportable segment. We manage our business as a single profit center in order to promote collaboration, provide comprehensive functional service offerings across our entire client base, and provide incentives to employees based on the success of the organization as a whole. Although certain information regarding served markets and functional capabilities is discussed for purposes of promoting an understanding of our complex business, we manage our business and allocate resources at the consolidated level of a single operating segment.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and have been prepared in accordance with GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements and notes of the Company include its subsidiaries, and the joint ventures and partnerships over which the Company has a controlling financial interest. The Company uses the equity method to account for investments in entities that it does not control if it is otherwise able to exert significant influence over the entities' operating and financial policies.

The Company's fiscal year ends on March 31 and unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The accompanying consolidated financial statements present the financial position of the Company as of March 31, 2021 and 2020 and the Company's results of operations for fiscal 2021, fiscal 2020, and fiscal 2019.

Certain amounts reported in the Company's prior year consolidated financial statements have been reclassified to conform to the current year presentation.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the periods indicated:

	Fiscal Year Ended March 31,			Fiscal 2021 Versus Fiscal 2020	Fiscal 2020 Versus Fiscal 2019
	2021	2020	2019		
	(In thousands)				
Revenue	\$ 7,858,938	\$ 7,463,841	\$ 6,704,037	5.3 %	11.3 %
Operating costs and expenses:					
Cost of revenue	3,657,530	3,379,180	3,100,466	8.2 %	9.0 %
Billable expenses	2,325,888	2,298,413	2,004,664	1.2 %	14.7 %
General and administrative expenses	1,036,834	1,035,965	927,938	0.1 %	11.6 %
Depreciation and amortization	84,315	81,081	68,575	4.0 %	18.2 %
Total operating costs and expenses	7,104,567	6,794,639	6,101,643	4.6 %	11.4 %
Operating income	754,371	669,202	602,394	12.7 %	11.1 %
Interest expense	(81,270)	(96,960)	(89,517)	(16.2)%	8.3 %
Other income (expense), net	(10,662)	7,192	2,526	NM	NM
Income before income taxes	662,439	579,434	515,403	14.3 %	12.4 %
Income tax expense	53,481	96,831	96,874	(44.8)%	— %
Net income	\$ 608,958	\$ 482,603	\$ 418,529	26.2 %	15.3 %

NM - Not meaningful

Fiscal 2021 Compared to Fiscal 2020

Revenue

Revenue increased to \$7,858.9 million from \$7,463.8 million, or a 5.3% increase, primarily driven by strong execution on sustained client demand and headcount to meet that demand. The Company also benefited from higher staff utilization in the first half of the year as compared to the prior year driven by fewer PTO days taken by our employees which resulted in increases in our direct labor and corresponding generation of revenue growth. Revenue growth also benefited from an overall increase in billable expenses.

Cost of Revenue

Cost of revenue increased to \$3,657.5 million from \$3,379.2 million, or an 8.2% increase. This increase was primarily due to an increase in salaries and salary-related benefits of \$258.9 million, and \$64.9 million increase in incentive compensation, employer retirement plan contributions, and stock compensation, partially offset by decreases in other business expenses. The increase in salaries and salary-related benefits was driven by an increase in headcount growth and annual base salary increases. Cost of revenue as a percentage of revenue was 46.5% and 45.3% in fiscal 2021 and fiscal 2020, respectively.

Billable Expenses

Billable expenses increased to \$2,325.9 million from \$2,298.4 million, or a 1.2% increase. The overall increase was primarily attributable to an increase in use of subcontractors in fiscal 2021 driven by client demand. The increase was partially offset by decreases in expenses from contracts which require the Company to incur direct and travel expenses on behalf of clients compared to the prior year. The impact of COVID-19 drove volatility in the timing and magnitude of billable expenses. Billable expenses as a percentage of revenue were 29.6% and 30.8% for fiscal 2021 and fiscal 2020, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$1,036.8 million from \$1,036.0 million, or a 0.1% increase. The increase was primarily due to a \$23.6 million increase of salaries and salary-related benefits, driven by headcount growth, and a \$16.8 million increase in incentive and stock compensation, and employer retirement plan contributions. The increase was partially offset by a decrease of \$39.5 million in other business related expenses and professional fees. General and administrative expenses as a percentage of revenue were 13.2% and 13.9% for fiscal 2021 and fiscal 2020, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased to \$84.3 million from \$81.1 million, or a 4.0% increase, primarily due to increases in depreciation expense resulting from the effects of higher capital expenditures in fiscal 2020.

Interest Expense

Interest expense decreased to \$81.3 million from \$97.0 million, or a 16.2% decrease, primarily due to a decrease in 1 Month LIBOR, the benchmark interest rate under our Secured Credit Facility, and a reduction in expense as a result of the repayment of the remaining Deferred Payment Obligation balance in December 2019.

Other Expense (Income), net

Other expense (Income), net decreased to a \$10.7 million net other expense from \$7.2 million of net other income primarily due to the loss on debt extinguishment resulting from the redemption of the 2017 Senior Notes, including \$9.0 million of the premium paid at redemption, and write-off of the unamortized debt issuance cost. This was partially offset by net gains of \$5.1 million recognized from the Company's sale of certain customer contracts and other assets.

Income Tax Expense

Income tax expense decreased to \$53.5 million from \$96.8 million. The effective tax rate decreased to 8.1% in fiscal 2021 from 16.7% in fiscal 2020. The decrease was primarily due to a \$76.8 million income tax benefit recognized in the fourth quarter of fiscal 2021 related to the re-measurement of net operating losses that we intend to carry back to fiscal 2016 and subsequent years, partially offset by \$38.4 million of available research and development credits, net of reserves for uncertain tax positions, recognized in fiscal 2020. We expect our effective tax rate to increase in relation to fiscal 2021 due to re-measurement of losses being limited to a single tax year. For additional information concerning the loss re-measurement, see Note 13 to our consolidated financial statements.

Fiscal 2020 Compared to Fiscal 2019

Revenue

Revenue increased to \$7,463.8 million from \$6,704.0 million, or an 11.3% increase, primarily due to sustained client demand and increased client staff headcount to meet that demand. Revenue growth was also driven by an increase in billable expenses, including subcontractors and direct expenses on behalf of our clients.

Cost of Revenue

Cost of revenue increased to \$3,379.2 million from \$3,100.5 million, or a 9.0% increase. This increase was primarily due to an increase in salaries and salary-related benefits of \$250.4 million, and an increase in employer retirement plan contributions of \$12.7 million. The increase in salaries and salary-related benefits was driven by an increase in headcount growth and annual base salary increases. Cost of revenue as a percentage of revenue was 45.3% and 46.2% in fiscal 2020 and fiscal 2019, respectively.

Billable Expenses

Billable expenses increased to \$2,298.4 million from \$2,004.7 million, or a 14.7% increase. The overall increase was primarily attributable to an increase in use of subcontractors in fiscal 2020 driven by client demand. In addition, contracts which require the Company to incur direct and travel expenses on behalf of our clients increased over the prior year. Billable expenses as a percentage of revenue were 30.8% and 29.9% in fiscal 2020 and fiscal 2019, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$1,036.0 million from \$927.9 million, or an 11.6% increase. The increase was primarily due to salaries and salary-related benefits of \$52.0 million, driven by headcount growth as well as annual base salary increases. In addition, other business related expenses and professional fees increased \$53.0 million. General and administrative expenses as a percentage of revenue were 13.9% and 13.8% for fiscal 2020 and fiscal 2019, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased to \$81.1 million from \$68.6 million, or an 18.2% increase, primarily due to increases in depreciation expense resulting from the effects of higher capital expenditures in fiscal 2019.

Interest Expense

Interest expense increased to \$97.0 million from \$89.5 million, or an 8.3% increase, primarily as a result of the incremental \$400 million in debt the Company incurred in April 2019 under the delayed draw facility (the "Delayed Draw Facility"). This was partially offset by a reduction in expense as a result of the repayment of the remaining Deferred Payment Obligation balance in December 2019.

Income Tax Expense

Income tax expense decreased to \$96.8 million from \$96.9 million. The effective tax rate decreased to 16.7% in fiscal 2020 from 18.8% in fiscal 2019. The decrease was primarily due to an increase of \$38.4 million in available research and development credits, net of reserves for uncertain tax positions, recognized in fiscal 2020, partially offset by the re-measurement of deferred income taxes of \$27.9 million in fiscal 2019.

Liquidity and Capital Resources

As of March 31, 2021, our total liquidity was \$1.5 billion, consisting of \$991.0 million of cash and cash equivalents and \$499.1 million available under the Revolving Credit Facility. To date, COVID-19 has not had a significant impact on our liquidity, cash flows or capital resources. However, COVID-19 has led to disruption and volatility in the global capital markets, which, depending on future developments, could impact our capital resources and liquidity in the future. In the opinion of management, we will be able to meet our liquidity and cash needs through a combination of cash flows from operating activities, available cash balances, and available borrowing under the Revolving Credit Facility. If these resources need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities.

The following table presents selected financial information for the periods presented:

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Cash and cash equivalents	\$ 990,955	\$ 741,901	\$ 283,990
Total debt	\$ 2,356,596	\$ 2,185,844	\$ 1,759,761
Net cash provided by operating activities	\$ 718,684	\$ 551,428	\$ 499,610
Net cash used in investing activities	(158,284)	(128,079)	(89,212)
Net cash provided by (used in) financing activities	(311,346)	34,562	(413,366)
Total increase (decrease) in cash and cash equivalents	\$ 249,054	\$ 457,911	\$ (2,968)

From time to time we evaluate alternative uses for excess cash resources once our operating cash flow and required debt servicing needs have been met. Some of the possible uses of our remaining excess cash at any point in time may include funding strategic acquisitions, further investment in our business, and returning value to shareholders through share repurchases, quarterly dividends, and special dividends. While the timing and financial magnitude of these possible actions are currently indeterminable, the Company expects to be able to manage and adjust its capital structure in the future to meet its liquidity needs.

Historically, we have been able to generate sufficient cash to fund our operations, mandatory debt and interest payments, capital expenditures, and discretionary funding needs. However, due to fluctuations in cash flows, including as a result of the trends and developments described above under "—Factors and Trends Affecting Our Results of Operations" relating to U.S. government shutdowns, U.S. government cost-cutting, reductions or delays in the U.S. government appropriations and spending process and other budgetary matters, it may be necessary from time-to-time in the future to borrow under our Secured Credit Facility to meet cash demands. While the timing and financial magnitude of these possible actions are currently indeterminable, we expect to be able to manage and adjust our capital structure to meet our liquidity needs. Our expected liquidity and capital structure may also be impacted by discretionary investments and acquisitions that we could pursue. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our Revolving Credit Facility will be sufficient to meet our anticipated cash requirements for the next twelve months, which primarily include:

- operating expenses, including salaries;
- working capital requirements to fund the growth of our business;
- capital expenditures which primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support our operations;
- the design, build-out, testing, and implementation and operation of new financial management systems;
- commitments and other discretionary investments;
- debt service requirements for borrowings under our Secured Credit Facility and interest payments for the Senior Notes; and
- cash taxes to be paid.

Our ability to fund our operating needs depends, in part, on our ability to continue to generate positive cash flows from operations or, if necessary, raise cash in the capital markets. In addition, from time to time we evaluate conditions to opportunistically access the financing markets to secure additional debt capital resources and improve the terms of our indebtedness.

Cash Flows

Cash received from clients, either from the payment of invoices for work performed or for advances in excess of costs incurred, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the client. Billing timetables and payment terms on our contracts vary based on a number of factors, including whether the contract type is cost-reimbursable, time-and-materials, or fixed-price. We generally bill and collect cash more frequently under cost-reimbursable and time-and-materials contracts, as we are authorized to bill as the costs are incurred or work is performed. In contrast, we may be limited to bill certain fixed-price contracts only when specified milestones, including deliveries, are achieved. In addition, a number of our contracts may provide for performance-based payments, which allow us to bill and collect cash prior to completing the work.

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth with other short-term fluctuations related to the payment practices of our clients. Our accounts receivable reflects amounts billed to our clients as of each balance sheet date. Our clients generally pay our invoices within 30 days of the invoice date, although we experience a longer billing and collection cycle with our global commercial customers. At any month-end, we also include in accounts receivable the revenue that was recognized in the preceding month, which is generally billed early in the following month. Finally, we include in accounts receivable amounts related to revenue accrued in excess of amounts billed, primarily on our fixed-price and cost-reimbursable-plus-award-fee contracts. The total amount of our accounts receivable can vary significantly over time, but is generally sensitive to revenue levels and customer mix.

Operating Cash Flow

Net cash provided by operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect cash from clients in a timely manner, our ability to manage our vendor payments, and the timing of cash paid for income taxes. Continued uncertainty in global economic conditions may also affect our business as customers and suppliers may decide to downsize, defer, or cancel contracts, which could negatively affect the operating cash flows. Net cash provided by operations was \$718.7 million in fiscal 2021 compared to \$551.4 million in fiscal 2020, or a 30.3% increase. The improvement in operating cash flow over the prior year was primarily driven by collections growth in excess of revenue growth. Higher income taxes paid in fiscal 2021 were offset by lower disbursements primarily attributable to strong cost management and lower expenses primarily attributable to COVID-19.

Investing Cash Flow

Net cash used in investing activities was \$158.3 million in fiscal 2021 compared to \$128.1 million in the prior year, or a 23.6% increase. The increase in net cash used in investing activities was primarily due to a \$74.2 million strategic minority investment made by the Company during fiscal 2021. This was partially offset by a decrease in capital expenditures over the prior year as well as proceeds from the sale of certain Company assets. The decrease in capital expenditures reflects a shift away from facilities investment towards technology and tools needed to support the virtual work environment. Additionally, we continue to modernize our corporate information technology infrastructure, including the implementation of a new financial management system on April 1, 2021.

Financing Cash Flow

Net cash used in financing activities was \$311.3 million in fiscal 2021 compared to \$34.6 million of net cash provided by financing activities in the prior year. The increase in net cash used in financing activities was primarily due to the following:

- Increase in share repurchases of \$131.2 million as compared to the prior year
- Increase in dividends paid of \$34.5 million as compared to the prior year
- Total proceeds in fiscal 2020 of \$500.0 million from the \$400.0 million draw on our Delayed Draw Facility and a \$100.0 million draw on our Revolving Credit Facility, not present in fiscal 2021

The above were partially offset by net proceeds of \$341.5 million received from the issuance of the 3.875% Senior Notes due 2028 (the "Senior Notes") and the repayment of the 2017 Senior Notes during the second quarter of fiscal 2021 as well as the repayment of the remaining Deferred Payment Obligation balance of \$80.0 million in the prior year.

Dividends and Share Repurchases

The Company paid \$1.30 in dividends per share to shareholders of record in fiscal 2021. On May 21, 2021, the Company announced a regular quarterly cash dividend in the amount of \$0.37 per share. The quarterly dividend is payable on June 30, 2021 to stockholders of record on June 15, 2021.

The following table summarizes the cash distributions recognized in the consolidated statement of cash flows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Recurring dividends (1)	\$ 181,066	\$ 146,602	\$ 114,234
Dividend equivalents (2)	—	—	280
Total distributions	<u>\$ 181,066</u>	<u>\$ 146,602</u>	<u>\$ 114,514</u>

(1) Amounts represent recurring dividends that were declared and paid for during each quarter of fiscal 2021, 2020, and 2019, respectively.

(2) Dividend equivalents are distributions made to option holders equal to the previously declared special dividends.

On December 12, 2011, the Board of Directors approved a \$30.0 million share repurchase program, which was further increased by the Board of Directors on (i) January 27, 2015 to \$180.0 million, (ii) January 25, 2017 to \$410.0 million, (iii) November 2, 2017 to \$610.0 million, (iv) May 24, 2018 to \$910.0 million, (v) May 23, 2019 to \$1,310.0 million, and (vi) January 27, 2021 to \$1,710.0 million. The Company may repurchase shares pursuant to the program by means of open market repurchases, directly negotiated repurchases or through agents acting pursuant to negotiated repurchase agreements. During fiscal 2021 and 2020, the Company purchased 3.8 million and 2.5 million shares of the Company's Class A Common Stock, respectively, for an aggregate of \$293.4 million and \$173.4 million, respectively. As of March 31, 2021, the Company had approximately \$591.5 million remaining under the repurchase program.

Any determination to pursue one or more of the above alternative uses for excess cash is subject to the discretion of our Board of Directors, and will depend upon various factors, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable law, our contracts, and our Credit Agreement, as amended, and other factors deemed relevant by our Board of Directors.

Indebtedness

Our debt totaled \$2,356.6 million and \$2,185.8 million as of March 31, 2021 and 2020, respectively. Our debt bears interest at specified rates (see Note 10 to our consolidated financial statements).

On November 26, 2019 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton"), Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Seventh Amendment (the "Seventh Amendment") to the Credit Agreement, dated as of July 31, 2012, as amended (the "Credit Agreement") with certain institutional lenders, and Bank of America, N.A., as Administrative and Collateral Agents. The Seventh Amendment reduced the applicable margin applicable to the Term Loan B ("Term Loan B" and, together with the Term Loan A, the "Term Loans") from 2.00% to 1.75% for LIBOR loans and from 1.00% to 0.75% for base rate loans and extended the maturity of the Term Loan B to November 26, 2026. The applicable margin and maturity date applicable to the Term Loan A (the "Term Loan A") remained unchanged.

Prior to the Seventh Amendment, approximately \$389.0 million was outstanding under Term Loan B. Pursuant to the Seventh Amendment, certain lenders converted their existing Term Loan B loans into a new tranche of Term Loan B loans in an aggregate amount, along with Term Loan B loans advanced by certain new lenders, of approximately \$389.0 million (the "New Refinancing Tranche B Term Loans"). The proceeds from the new lenders were used to prepay in full all of the existing Term Loan B loans that were not converted into the new Term Loan B tranche. Voluntary prepayments of the New Refinancing Tranche B Term Loans are permitted at any time, in minimum principal amounts, without premium or penalty. The other terms of the New Refinancing Tranche B Term Loans are generally the same as the existing Term Loan B prior to the Seventh Amendment.

As of March 31, 2021, the Credit Agreement provided Booz Allen Hamilton with a \$1,289.8 million Term Loan A, a \$384.2 million Term Loan B, and a \$500.0 million Revolving Credit Facility with a sub-limit for letters of credit of \$100.0 million (collectively, the "Secured Credit Facility"). As of March 31, 2021, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was June 23, 2023 and the maturity date of Term Loan B was November 26, 2026. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement are secured by a first

priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) the greater of (x) \$627 million and (y) 100% of consolidated EBITDA of Booz Allen Hamilton, as of the end of the most recently ended four quarter period for which financial statements have been delivered pursuant to the Credit Agreement plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

At Booz Allen Hamilton's option, borrowings under the Secured Credit Facility bear interest based either on LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or, a base rate equal to the highest of (x) the administrative agent's prime corporate rate, (y) the overnight federal funds rate plus 0.50% and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%, in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.25% to 2.00% for LIBOR loans and 0.25% to 1.00% for base rate loans, in each case based on Booz Allen Hamilton's consolidated total net leverage ratio. The applicable margin for Term Loan B is 1.75% for LIBOR loans and 0.75% for base rate loans. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.20% to 0.35% based on Booz Allen Hamilton's consolidated total net leverage ratio.

Booz Allen Hamilton occasionally borrows under the Revolving Credit Facility in anticipation of cash demands. During fiscal 2021, Booz Allen Hamilton accessed no amounts of its \$500.0 million Revolving Credit Facility. During fiscal 2020, Booz Allen Hamilton accessed a total of \$100.0 million of its \$500.0 million Revolving Credit Facility. As of March 31, 2021, there was no outstanding balance on the Revolving Credit Facility. As of March 31, 2020, \$100 million was outstanding on the Revolving Credit Facility, which was repaid in June 2020.

The Credit Agreement requires quarterly principal payments of 1.25% of the stated principal amount of Term Loan A until maturity, and quarterly principal payments of 0.25% of the stated principal amount of Term Loan B until maturity.

Booz Allen Hamilton also has agreed to pay customary letter of credit and agency fees. As of March 31, 2021 and 2020, Booz Allen Hamilton was contingently liable under open standby letters of credit and bank guarantees issued by its banks in favor of third parties that totaled \$9.8 million and \$9.7 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. For both March 31, 2021 and 2020, approximately \$0.9 million, of these instruments reduced our available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$20.0 million facility, of which \$11.1 million and \$6.2 million, respectively, was available to Booz Allen Hamilton at March 31, 2021 and 2020. As of March 31, 2021, we had \$499.1 million of capacity available for additional borrowings under the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens; (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) change in fiscal periods; (viii) negative pledges; (ix) restrictive agreements; (x) line of business; and (xi) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, we are required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of March 31, 2021, we were compliant with these covenants.

During fiscal 2021, interest payments of \$23.6 million and \$7.8 million were made for the Term Loan A and Term Loan B facilities, respectively. During fiscal 2020, interest payments of \$50.3 million and \$15.9 million were made for the Term Loan A and Term Loan B facilities, respectively.

The total outstanding debt balance is recorded in the accompanying consolidated balance sheets net of unamortized discount and debt issuance costs of \$17.4 million and \$16.0 million as of March 31, 2021 and 2020, respectively.

On August 24, 2020, Booz Allen Hamilton issued \$700 million aggregate principal amount of its Senior Notes under an Indenture, dated as of August 24, 2020, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of August 24, 2020, among Booz Allen Hamilton, the Subsidiary

Guarantors and the Trustee. A portion of the net proceeds from the sale of the Senior Notes was used to redeem in full \$350 million aggregate principal amount of the outstanding 2017 Senior Notes at a redemption price of 102.56% of the principal amount thereof, plus accrued and unpaid interest thereon to (but excluding) the redemption date, and to pay all fees and expenses related to the foregoing. Booz Allen Hamilton intends to use the remaining net proceeds from the sale of the Senior Notes for working capital and other general corporate purposes (see Note 10 in our consolidated financial statements). For fiscal 2021 and 2020, total interest payments of \$28.7 million and \$17.9 million were made for the Senior Notes and the 2017 Senior Notes, respectively.

Borrowings under the Term Loans and, if used, the Revolving Credit Facility, incur interest at a variable rate. In accordance with our risk management strategy between April 6, 2017 and April 4, 2019, Booz Allen Hamilton executed a series of interest rate swaps. As of March 31, 2021, we had interest rate swaps with an aggregate notional amount of \$1 billion. These instruments hedge the variability of cash outflows for interest payments on the floating portion of our debt. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (see Note 11 in our consolidated financial statements).

Capital Structure and Resources

Our stockholders' equity amounted to \$1,071.2 million as of March 31, 2021, an increase of \$214.8 million compared to stockholders' equity of \$856.4 million as of March 31, 2020. The increase was primarily due to net income of \$609.0 million in fiscal 2021 and stock-based compensation expense of \$59.8 million, partially offset by \$318.1 million in treasury stock resulting from the repurchase of shares of our Class A Common Stock and \$181.1 million in aggregate quarterly dividend payments in fiscal 2021.

Off-Balance Sheet Arrangements

As of March 31, 2021, we did not have any material off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2021. For contractual obligations, we included payments that we have an unconditional obligation to make.

	Payments Due by Fiscal Periods				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 years
	(In thousands)				
Long-term debt (a)	\$ 2,373,976	\$ 77,865	\$ 1,223,572	\$ 7,782	\$ 1,064,757
Operating lease obligations	364,080	68,498	133,788	103,155	58,639
Interest on indebtedness	289,050	54,920	93,647	68,161	72,322
Total contractual obligations	\$ 3,027,106	\$ 201,283	\$ 1,451,007	\$ 179,098	\$ 1,195,718

(a) See Note 10 to our consolidated financial statements for additional information regarding debt and related matters.

In the normal course of business, we enter into agreements with subcontractors and vendors to provide products and services that we consume in our operations or that are delivered to our clients. These products and services are not considered unconditional obligations until the products and services are actually delivered, at which time we record a liability for our obligation.

Capital Expenditures

Since we do not own any of our facilities, our capital expenditure requirements primarily relate to the purchase of computers, management systems, furniture, and leasehold improvements to support our operations. Direct facility and equipment costs billed to clients are not treated as capital expenses. Our capital expenditures for fiscal 2021 and 2020 were \$87.2 million and \$128.1 million, respectively. The decrease in capital expenditures reflects a shift away from facilities investment towards technology and tools needed to support the virtual work environment. Additionally, we continue to modernize our corporate information technology infrastructure, including the implementation of a new financial management system on April 1, 2021. Given the uncertainty surrounding COVID-19, we may adjust our capital expenditures in fiscal 2022 to support our business operations as we further develop our long term strategy on a safe return to work.

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits, and other uncertainties related to our business. For a discussion of these items, refer to Note 21 to our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and market prices such as those related to interest rates. Due to the wide-ranging adverse impacts on global financial markets and the current economic crisis caused by COVID-19, we may be exposed to greater interest rate volatility and market risk in the near future. We actively monitor these exposures and manage such risks through our regular financing activities and through the use of derivative financial instruments.

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt, cash equivalents, which consist primarily of funds invested in U.S. government money-market funds, our cash flow hedges and our Rabbi trust.

Our exposure to market risk for changes in interest rates related to our outstanding debt will impact our Secured Credit Facility. The interest expense associated with our term loans and any loans under our Revolving Credit Facility will vary with market rates. A hypothetical interest rate increase of 25 basis points would have increased interest expense related to the term facilities under our Secured Credit Facility by approximately \$2.9 million in fiscal 2021 and \$3.1 million in fiscal 2020, and likewise decreased our income and cash flows. The year over year decrease in interest expense was due to a 90 basis point reduction in the 1 month LIBOR yield curve, the benchmark interest rate used in conjunction with our floating rate debt, and a reduction in interest expense as a result of repayment of the remaining Deferred Payment Obligation balance in fiscal 2020. Additionally, as part of the Seventh Amendment consummated on November 26, 2019, the Company reduced its credit spread by 25 basis points on the Term Loan B debt tranche, further contributing to offsetting interest expense year over year.

As of March 31, 2021 and 2020, we had \$991.0 million and \$741.9 million, respectively, in cash and cash equivalents. Due to a near zero interest rate environment over the last 12 months, the interest income returns on our cash and cash equivalents balances were nominal on a comparative basis. As of March 31, 2021 and 2020 the interest income on balance sheet cash was less than 3%. Therefore, the corresponding impact to our interest income, and likewise to our income and cash flow, was not material.

Pursuant to our interest rate risk management strategies, we use interest rate cash flow hedges to add stability to our incurrence of interest rate expense and to manage our exposure to related interest rate movement. See Note 11 to our consolidated financial statements for further discussion. As of March 31, 2021, we had interest rate swaps with an aggregate notional amount of \$1 billion. These derivative instruments hedge the variability of cash outflows for interest payments on our variable rate debt and are recorded at fair value on our consolidated balance sheet. As of March 31, 2021, a 25 basis point increase in interest rates would increase the fair value of our interest rate swaps by approximately \$4.8 million and a 25 basis point decrease in interest rates would decrease the fair value of our interest rate swaps by approximately \$3.8 million.

During fiscal 2019, we established a Rabbi trust to provide for the payment of benefits under our non-qualified deferred compensation plan. As of March 31, 2021, fund assets totaled \$14.1 million which include mutual fund investments that are subject to fluctuations in market prices and interest rates. Cash distributions made to plan participants are recognized as operating cash flows in the consolidated statement of cash flows and have the effect of lowering both fund assets and the corresponding fund liabilities on a one-for-one basis. Changes in fair value on fund liabilities offset the changes in fair value of fund assets, and changes in fair value on both fund assets and fund liabilities are recognized in earnings on our consolidated statements of operations. See Notes 14 and 19 to our consolidated financial statements for further discussion.

Item 8. *Financial Statements and Supplementary Data*

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Booz Allen Hamilton Holding Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Booz Allen Hamilton Holding Corporation (the Company) as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 21, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition related to the cost-based input method and variable consideration

Description of the Matter As described in Notes 2 and 3 to the consolidated financial statements, the Company generally recognizes revenue over time as services are provided, as most of its contracts involve a continuous transfer of control to the customer. For certain of these contracts, revenue is recognized under a cost-based input method that requires an estimate of total costs at completion of the performance obligation, and certain contracts include variable consideration (e.g., award or incentive fees) that require estimates of the amounts that are probable. Estimates of costs at completion and variable consideration are highly subjective to develop and can change over the contract performance period for a variety of reasons and, if significant, these changes could have a material effect on the Company's results of operations.

Auditing revenue recognition based on the cost-based input method involved subjective auditor judgment because the Company's estimates include costs at completion. The estimates of costs at completion are based on management's assessment of the stage of completion of the performance obligations and the time and materials necessary to fulfill its performance obligations under the contracts. Auditing variable consideration involved subjective auditor judgment because the Company's estimates include an expectation of award and incentive fees. The estimates of variable consideration for a contract are based on, among other things, the Company's historical experience earning award or incentive fees on that contract or other similar contracts.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over revenue recognition under the cost-based input method and for variable consideration. For example, we tested controls over the determination of significant assumptions regarding the estimation of costs to be incurred for the performance obligations, controls evaluating the appropriateness of changes in estimated future costs, and controls over estimating the portion of award or incentive fees probable to be earned.

To test the recognition of revenue under the cost-based input method, our audit procedures included among others, reviewing management's projected costs for consistency with contract terms, obtaining an understanding of the stage of completion through review of customer correspondence, evidence of stage of completion including discussion with program teams, and comparing actual results to prior management estimates. To test the estimates of the portion of award or incentive fees probable to be earned, our audit procedures included among others, agreeing data from the Company's calculation to contract documentation supporting fees previously awarded for a contract or other similar contracts, inspecting customer correspondence and considering the sensitivity of the estimates based on the range of historical experience earning award or incentive fees.

Government Contracting Matters - Provision for Claimed Indirect Costs

Description of the Matter As discussed in Note 21 to the consolidated financial statements, in the ordinary course of business, agencies of the U.S. government, including the Defense Contract Audit Agency (DCAA), routinely audit the Company's indirect costs and business practices for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. Such audits may result in, and have historically resulted in, the Company's inability to retain certain claimed indirect costs, including executive and employee compensation, due to differing views of the allowability and reasonableness of such costs. As of March 31, 2021, years subsequent to the Company's fiscal year 2011 remained subject to audit and final resolution. The Company recognized a liability of \$263.2 million for estimated adjustments to claimed indirect costs based on its historical DCAA audit results, including the final resolution of such audits with the Defense Contract Management Agency (DCMA) (the provision for claimed indirect costs).

Auditing the provision for claimed indirect costs was complex due to the inherently judgmental nature of management's estimate of adjustments to claimed indirect costs based on the number of years that remain open to audit and expected final resolution by agencies of the U.S. government. Significant changes in management's estimate could have a material effect on the Company's results of operations.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's determination of its provision for claimed indirect costs. For example, we tested controls over the application of the available historical information from resolution of audits and communications from agencies of the U.S. government utilized in the determination of the estimate. We also tested management's controls over the completeness and accuracy of the data used.

To test the provision for claimed indirect costs, we performed audit procedures that included, among others, testing the clerical accuracy of the estimates and the completeness and accuracy of the data utilized in determining the provision. We inspected communications with the DCAA or DCMA including prior audit reports and final resolutions. We also engaged our government contracting specialists to assist in identifying trends and recent experience in DCAA audits to evaluate the data the Company used to estimate the provision for claimed indirect costs.

Unrecognized Tax Benefits

Description of the Matter

As discussed in Notes 2 and 13 to the consolidated financial statements, the Company is subject to federal, state and foreign taxation in various jurisdictions. The Company reserves for uncertain tax positions related to unrecognized income tax benefits where it is not more likely than not that the Company's tax position will be sustained. As of March 31, 2021, the Company has recorded \$62.9 million of reserves for uncertain tax positions. These reserves involve considerable judgment and estimation and are evaluated by management based on available information.

Auditing the unrecognized tax benefits was complex due to the significant judgment in applying the tax law and inherent uncertainty involved in predicting the ultimate resolution of the matter with the taxing authority.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's accounting for uncertain tax positions. For example, we tested controls over management's review of the application of the tax law and the analysis performed to determine the unrecognized tax benefits. We also tested management's controls over the completeness and accuracy of the data used in the calculation of the liabilities recorded.

To test the unrecognized tax benefits, we performed audit procedures that included, among others, understanding the application of the tax law and rationale used by management and evaluating whether the uncertain tax position met the "more likely than not" recognition threshold. For example, we verified our understanding of the relevant facts by reading the Company's analysis of the application of the tax law. We involved our tax subject matter resources in the assessment of the technical merits of the Company's tax positions, considering the applicable tax laws, and the methodology applied. We assessed the mathematical accuracy of management's calculations, reviewed contracts and other source documents and performed sensitivity analyses related to management's estimate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006
Tysons, Virginia
May 21, 2021

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2021	March 31, 2020
	(Amounts in thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 990,955	\$ 741,901
Accounts receivable, net	1,411,894	1,459,471
Prepaid expenses and other current assets	233,323	126,816
Total current assets	2,636,172	2,328,188
Property and equipment, net of accumulated depreciation	204,642	208,077
Operating lease right-of-use assets	239,374	240,122
Intangible assets, net of accumulated amortization	307,128	300,987
Goodwill	1,581,160	1,581,160
Other long-term assets	531,125	135,432
Total assets	\$ 5,499,601	\$ 4,793,966
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 77,865	\$ 177,865
Accounts payable and other accrued expenses	666,971	698,011
Accrued compensation and benefits	425,615	348,775
Operating lease liabilities	54,956	49,021
Other current liabilities	65,698	54,006
Total current liabilities	1,291,105	1,327,678
Long-term debt, net of current portion	2,278,731	2,007,979
Operating lease liabilities, net of current portion	263,144	270,266
Deferred tax liabilities	364,461	88,086
Other long-term liabilities	230,984	243,601
Total liabilities	4,428,425	3,937,610
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 162,950,606 shares at March 31, 2021 and 161,333,973 shares at March 31, 2020; outstanding, 136,246,029 shares at March 31, 2021 and 138,719,921 shares at March 31, 2020	1,629	1,613
Treasury stock, at cost — 26,704,577 shares at March 31, 2021 and 22,614,052 shares at March 31, 2020	(1,216,163)	(898,095)
Additional paid-in capital	557,957	468,027
Retained earnings	1,757,524	1,330,812
Accumulated other comprehensive loss	(29,771)	(46,001)
Total stockholders' equity	1,071,176	856,356
Total liabilities and stockholders' equity	\$ 5,499,601	\$ 4,793,966

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(Amounts in thousands, except per share data)		
Revenue	\$ 7,858,938	\$ 7,463,841	\$ 6,704,037
Operating costs and expenses:			
Cost of revenue	3,657,530	3,379,180	3,100,466
Billable expenses	2,325,888	2,298,413	2,004,664
General and administrative expenses	1,036,834	1,035,965	927,938
Depreciation and amortization	84,315	81,081	68,575
Total operating costs and expenses	<u>7,104,567</u>	<u>6,794,639</u>	<u>6,101,643</u>
Operating income	754,371	669,202	602,394
Interest expense	(81,270)	(96,960)	(89,517)
Other (expense) income, net	(10,662)	7,192	2,526
Income before income taxes	<u>662,439</u>	<u>579,434</u>	<u>515,403</u>
Income tax expense	53,481	96,831	96,874
Net income	<u>\$ 608,958</u>	<u>\$ 482,603</u>	<u>\$ 418,529</u>
Earnings per share of common stock (Note 4):			
Basic	<u>\$ 4.40</u>	<u>\$ 3.43</u>	<u>\$ 2.94</u>
Diluted	<u>\$ 4.37</u>	<u>\$ 3.41</u>	<u>\$ 2.91</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(Amounts in thousands)		
Net income	\$ 608,958	\$ 482,603	\$ 418,529
Other comprehensive income, net of tax:			
Change in unrealized gain (loss) on derivatives designated as cash flow hedges	13,665	(39,752)	(7,971)
Change in postretirement plan costs	2,565	4,941	11,887
Total other comprehensive (loss) income, net of tax	<u>\$ 16,230</u>	<u>\$ (34,811)</u>	<u>\$ 3,916</u>
Comprehensive income	<u>\$ 625,188</u>	<u>\$ 447,792</u>	<u>\$ 422,445</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
	2021	2020	2019
(Amounts in thousands)			
Cash flows from operating activities			
Net income	\$ 608,958	\$ 482,603	\$ 418,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	84,315	81,081	68,575
Noncash lease expense	53,202	55,096	—
Stock-based compensation expense	59,844	43,290	31,275
Deferred income taxes	231,998	65,434	23,006
Amortization of debt issuance costs	4,395	4,688	5,052
Loss on debt extinguishment	13,239	1,451	4,302
Losses (gains) on dispositions, and other	(3,322)	1,772	(5,464)
Changes in assets and liabilities:			
Accounts receivable, net	47,081	(129,107)	(196,453)
Income taxes receivable / payable	(363,396)	(122,977)	21,634
Prepaid expenses and other current assets	(1,797)	(13,500)	(2,328)
Other long-term assets	(3,272)	(6)	(15,346)
Accrued compensation and benefits	71,713	18,044	44,137
Accounts payable and other accrued expenses	(31,506)	48,260	107,644
Other current liabilities	(9,463)	5,016	(7,885)
Operating lease liabilities	(53,641)	(37,651)	—
Other long-term liabilities	10,336	47,934	2,932
Net cash provided by operating activities	718,684	551,428	499,610
Cash flows from investing activities			
Purchases of property, equipment, and software	(87,210)	(128,079)	(94,681)
Payment for minority investment in entity	(74,168)	—	—
Proceeds from sales of assets, net of payment	3,094	—	5,469
Net cash used in investing activities	(158,284)	(128,079)	(89,212)
Cash flows from financing activities			
Proceeds from issuance of common stock	19,408	14,987	11,266
Stock option exercises	11,747	8,925	12,116
Repurchases of common stock	(313,397)	(182,224)	(252,824)
Cash dividends paid	(181,066)	(146,602)	(114,234)
Debt extinguishment costs	(8,971)	—	—
Repayment of debt	(527,865)	(76,922)	(170,512)
Proceeds from debt issuance	691,496	497,891	102,071
Payment of deferred payment obligation	—	(80,000)	—
Other financing activities	(2,698)	(1,493)	(1,249)
Net cash provided by (used in) financing activities	(311,346)	34,562	(413,366)
Net increase (decrease) in cash and cash equivalents	249,054	457,911	(2,968)
Cash and cash equivalents—beginning of year	741,901	283,990	286,958
Cash and cash equivalents—end of year	\$ 990,955	\$ 741,901	\$ 283,990
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	\$ 60,955	\$ 84,125	\$ 76,731
Income taxes	\$ 176,711	\$ 109,754	\$ 52,512
Supplemental disclosures of non-cash investing and financing activities			
Share repurchases transacted but not settled and paid	\$ 15,408	\$ 10,736	\$ 6,315
Noncash financing activities	\$ 178	\$ 3,920	\$ 3,033

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in thousands, except share data)	Class A Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at March 31, 2018	158,028,673	\$ 1,580	(14,582,134)	\$ (461,457)	\$ 346,958	\$ 690,516	\$ (15,106)	\$ 562,491
Issuance of common stock	876,187	9	—	—	11,257	—	—	11,266
Stock options exercised	1,019,965	10	—	—	12,106	—	—	12,116
Repurchase of common stock	—	—	(5,314,838)	(249,993)	—	—	—	(249,993)
Net income	—	—	—	—	—	418,529	—	418,529
Other comprehensive income, net of tax	—	—	—	—	—	—	3,916	3,916
Dividends paid of \$0.80 per share of common stock	—	—	—	—	—	(114,234)	—	(114,234)
Stock-based compensation expense	—	—	—	—	31,275	—	—	31,275
Balance at March 31, 2019	159,924,825	\$ 1,599	(19,896,972)	\$ (711,450)	\$ 401,596	\$ 994,811	\$ (11,190)	\$ 675,366
Issuance of common stock	833,258	8	—	—	14,979	—	—	14,987
Stock options exercised	575,890	6	—	—	8,919	—	—	8,925
Repurchase of common stock	—	—	(2,717,080)	(186,645)	—	—	—	(186,645)
Recognition of liability related to future stock units vesting	—	—	—	—	(757)	—	—	(757)
Net income	—	—	—	—	—	482,603	—	482,603
Other comprehensive loss, net of tax	—	—	—	—	—	—	(34,811)	(34,811)
Dividends paid of \$1.04 per share of common stock	—	—	—	—	—	(146,602)	—	(146,602)
Stock-based compensation expense	—	—	—	—	43,290	—	—	43,290
Balance at March 31, 2020	161,333,973	\$ 1,613	(22,614,052)	\$ (898,095)	\$ 468,027	\$ 1,330,812	\$ (46,001)	\$ 856,356
Issuance of common stock	1,112,183	11	—	—	18,803	—	—	18,814
Stock options exercised	504,450	5	—	—	11,742	—	—	11,747
Repurchase of common stock	—	—	(4,090,525)	(318,068)	—	—	—	(318,068)
Recognition of liability related to future restricted stock units vesting	—	—	—	—	(456)	—	—	(456)
Net income	—	—	—	—	—	608,958	—	608,958
Topic 326 adoption impact	—	—	—	—	—	(1,180)	—	(1,180)
Other comprehensive income, net of tax	—	—	—	—	—	—	16,230	16,230
Dividends paid of \$1.30 per share of common stock	—	—	—	—	—	(181,066)	—	(181,066)
Stock-based compensation expense	—	—	—	—	59,841	—	—	59,841
Balance at March 31, 2021	162,950,606	\$ 1,629	(26,704,577)	\$ (1,216,163)	\$ 557,957	\$ 1,757,524	\$ (29,771)	\$ 1,071,176

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share data or unless otherwise noted)
March 31, 2021

1. BUSINESS OVERVIEW

Our Business

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or the Company, we, us, and our, was incorporated in Delaware in May 2008. The Company provides management and technology consulting, analytics, engineering, digital solutions, mission operations, and cyber services to U.S. and international governments, major corporations, and not-for-profit organizations. The Company reports operating results and financial data in one reportable segment. The Company is headquartered in McLean, Virginia, with approximately 27,700 employees as of March 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. All intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements and notes of the Company include its subsidiaries, and the joint ventures and partnerships over which the Company has a controlling financial interest. The Company uses the equity method to account for investments in entities that it does not control if it is otherwise able to exert significant influence over the entities' operating and financial policies.

The Company's fiscal year ends on March 31 and unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The accompanying consolidated financial statements present the financial position of the Company as of March 31, 2021 and 2020 and the Company's results of operations for fiscal 2021, 2020, and 2019.

Certain amounts reported in the Company's prior year consolidated financial statements have been reclassified to conform to the current year presentation.

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas of the consolidated financial statements where estimates may have the most significant effect include the provision for claimed indirect costs, valuation and expected lives of tangible and intangible assets, contingent consideration related to business acquisitions, impairment of long-lived assets, accrued liabilities, revenue recognition, including the accrual of indirect costs, bonus and other incentive compensation, stock-based compensation, reserves for uncertain tax positions and valuation allowances on deferred tax assets, provisions for income taxes, postretirement obligations, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ materially from management's estimates.

Revenue Recognition

The Company's revenues from contracts with customers (clients) are derived from offerings that include consulting, analytics, digital solutions, engineering, and cyber services, substantially with the U.S. government and its agencies, and to a lesser extent, subcontractors. The Company also serves foreign governments, as well as domestic and international commercial clients. The Company performs under various types of contracts, which include cost-reimbursable-plus-fee contracts, time-and-material contracts, and fixed-price contracts.

The Company considers a contract with a customer to exist under Topic 606, when there is approval and commitment from both the Company and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Company also will consider whether two or more contracts entered into with the same customer should be combined and accounted for as a single contract. Furthermore, in

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certain transactions with commercial clients and with the U.S. government, the Company may commence providing services prior to receiving a formal approval from the customer. In these situations, the Company will consider the factors noted above, the risks associated with commencing the work and legal enforceability in determining whether a contract with the customer exists under Topic 606.

Customer contracts are often modified to change the scope, price, specifications or other terms within the existing arrangement. Contract modifications are evaluated by management to determine whether the modification should be accounted for as part of the original performance obligation(s) or as a separate contract. If the modification adds distinct goods or services and increases the contract value proportionate to the stand-alone selling price of the additional goods or services, it will be accounted for as a separate contract. Generally, the Company's contract modifications do not include goods or services which are distinct, and therefore are accounted for as part of the original performance obligation(s) with any impact on transaction price or estimated costs at completion being recorded as through a cumulative catch-up adjustment to revenue.

The Company evaluates each service deliverable contracted with the customer to determine whether it represents promises to transfer distinct goods or services. Under Topic 606, these are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the time over which revenue from the contract is recognized. The Company's contracts generally provide a set of integrated or highly interrelated tasks or services and are therefore accounted for as a single performance obligation. However, in cases where we provide more than one distinct good or service within a customer contract, the contract is separated into individual performance obligations which are accounted for discretely.

Contracts with the U.S. government are generally subject to the FAR and are priced based on estimated or actual costs of providing the goods or services. The Company derives a majority of its revenue from contracts awarded through a competitive bidding process. Pricing for non-U.S. government agencies and commercial customers is based on discrete negotiations with each customer. Certain of the Company's contracts contain award fees, incentive fees or other provisions that may increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. Management estimates variable consideration as the most likely amount that we expect to achieve based on our assessment of the variable fee provisions within the contract, prior experience with similar contracts or clients, and management's evaluation of the performance on such contracts. The Company may perform work under a contract that has not been fully funded if the work has been authorized by management and the customer to proceed. The Company evaluates unfunded amounts as variable consideration in estimating the transaction price. We include the estimated variable consideration in our transaction price to the extent that it is probable that a significant reversal of revenue will not occur upon the ultimate settlement of the variable fee provision. In the limited number of situations where our contracts with customers contain more than one performance obligation, the Company allocates the transaction price of a contract between the performance obligations in the proportion to their respective stand-alone selling prices. The Company generally estimates the stand-alone selling price of performance obligations based on an expected cost-plus margin approach as allowed under Topic 606. Our U.S. government contracts generally contain FAR provisions that enable the customer to terminate a contract for default or for the convenience of the U.S. government.

The Company recognizes revenue for each performance obligation identified within our customer contracts when, or as, the performance obligation is satisfied by transferring the promised goods or services. Revenue may either be recognized over time or at a point in time. The Company generally recognizes revenue over time as our contracts typically involve a continuous transfer of control to the customer. A continuous transfer of control under contracts with the U.S. government and its agencies is evidenced by clauses which require the Company to be paid for costs incurred plus a reasonable margin in the event that the customer unilaterally terminates the contract for convenience. For contracts where the Company recognizes revenue over time, a contract cost-based input method is generally used to measure progress towards satisfaction of the underlying performance obligation(s). Contract costs include direct costs such as materials, labor and subcontract costs, as well as indirect costs identifiable with, or allocable to, a specific contract that are expensed as incurred. The Company does not incur material incremental costs to acquire or fulfill contracts. Under a contract cost-based input method, revenue is recognized based on the proportion of contract costs incurred to the total estimated costs expected to be incurred upon completion of the underlying performance obligation. The Company generally includes both funded and unfunded portions of customer contracts in this estimation process.

For interim financial reporting periods, contract revenue attributable to indirect costs is recognized based upon agreed-upon annual forward-pricing rates established with the U.S. government at the start of each fiscal year. Forward pricing rates are estimated and agreed upon between the Company and the U.S. government and represent indirect contract costs required to execute and administer contract obligations. The impact of any agreed-upon changes, or changes in the estimated annual

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forward-pricing rates, are recorded in the interim financial reporting period when such changes are identified. These changes relate to the interim financial reporting period differences between the actual indirect costs incurred and allocated to customer contracts compared to the estimated amounts allocated to contracts using the estimated annual forward-pricing rates established with the U.S. government.

On certain contracts, principally time-and-materials and cost-reimbursable-plus-fee contracts, revenue is recognized using the right-to-invoice practical expedient as the Company is contractually able to invoice the customer based on the control transferred. However, we did not elect to use the practical expedient which would allow the Company to exclude contracts recognized using the right-to-invoice practical expedient from the remaining performance obligations disclosed below. Additionally, for stand-ready performance obligations to provide services under fixed-price contracts, revenue is recognized over time using a straight-line measure of progress as the control of the services is provided to the customer ratably over the term of the contract. If a contract does not meet the criteria for recognition of revenue over time, we recognize revenue at the point in time when control of the good or service is transferred to the customer. Determining a measure of progress towards the satisfaction of performance obligations requires management to make judgments that may affect the timing of revenue recognition.

Many of our contracts recognize revenue under a contract cost-based input method and require an Estimate-at-Completion (EAC) process, which management uses to review and monitor the progress towards the completion of our performance obligations. Under this process, management considers various inputs and assumptions related to the EAC, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Estimating the total cost at completion of performance obligations is subjective and requires management to make assumptions about future activity and cost drivers under the contract. Changes in these estimates can occur for a variety of reasons and, if significant, may impact the profitability of the Company's contracts. Changes in estimates related to contracts accounted for under the EAC process are recognized in the period when such changes are made on a cumulative catch-up basis. If the estimate of contract profitability indicates an anticipated loss on a contract, the Company recognizes the total loss at the time it is identified. For fiscal 2021, 2020 and 2019, the aggregate impact of adjustments in contract estimates was not material.

Remaining performance obligations represent the transaction price of exercised contracts for which work has not yet been performed, irrespective of whether funding has or has not been authorized and appropriated as of the date of exercise. Remaining performance obligations do not include negotiated but unexercised options or the unfunded value of expired contracts.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash on hand and highly liquid investments having a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. The Company's cash equivalents consist primarily of government money market funds and money market deposit accounts. The Company maintains its cash and cash equivalents in bank accounts that, at times, exceed the federally insured FDIC limits. The Company has not experienced any losses in such accounts.

Valuation of Accounts Receivable

The Company maintains allowances for doubtful accounts against certain accounts receivables based upon the latest information regarding whether specific charges are recoverable or invoices are ultimately collectible. Assessing the recoverability of charges and collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer credit-worthiness, current economic conditions, accounts receivable aging trends for billed receivables, availability of funding, compliance with contractual terms and conditions, client satisfaction with work performed, and other factors impacting accounts receivables. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate recoverability and collectability of accounts receivable becomes available. Upon determination that a receivable is uncollectible, the receivable balance and any associated reserve are written off.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and accounts receivable. The Company's cash equivalents are generally invested in U.S. government money market funds and money market deposit accounts. The Company believes that credit risk for accounts receivable is limited as the receivables are primarily with the U.S. government.

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Property and Equipment

Property and equipment are recorded at cost, and the balances are presented net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is depreciated over five to ten years, and computer equipment is depreciated over four years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Maintenance and repairs are charged to expense as incurred.

Business Combinations

The accounting for the Company's business combinations consists of allocating the purchase price to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values, with the excess recorded as goodwill. The Company has up to one year from the acquisition date to use information as of each acquisition date to adjust the fair value of the acquired assets and liabilities which may result in material changes to their recorded values with an offsetting adjustment to goodwill.

Intangible Assets

Intangible assets primarily consist of the Company's trade name, customer relationships, software and other amortizable intangible assets. The Company capitalizes the following costs associated with developing internal-use computer software pertaining to upgrades in our business and financial systems: (i) external direct costs of materials and services consumed in developing or obtaining internal-use computer software and (ii) certain payroll and payroll-related costs for Company employees who are directly associated with the development of internal-use software, to the extent of the time spent directly on the project. Customer relationships are generally amortized on an accelerated basis over the expected life based on projected future cash flows of approximately three to twelve years. Software purchased or developed for internal use is amortized over two to five years. The Company's trade name is not amortized, but is tested for impairment on at least an annual basis as of January 1 and more frequently if interim indicators of impairment exist. The trade name is considered to be impaired if the carrying value exceeds its estimated fair value. The Company uses the relief from royalty method to estimate the fair value. The fair value of the asset is the present value of the license fees avoided by owning the asset, or the royalty savings. During the fiscal years ended March 31, 2021, 2020, and 2019, the Company did not record any impairment of intangible assets.

Goodwill

The Company assesses goodwill for impairment on at least an annual basis on January 1 unless interim indicators of impairment exist. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. The Company operates as a single operating segment and as a single reporting unit for the purpose of evaluating goodwill. As of January 1, 2021, the Company performed its annual impairment test of goodwill by comparing the fair value of the Company (based on market capitalization) to the carrying value of the Company's net equity, and concluded that the fair value of the reporting unit was significantly greater than the carrying amount. During the fiscal years ended March 31, 2021, 2020, and 2019, the Company did not record any impairment of goodwill.

Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment, amortizable intangible assets, and right-of-use (ROU) assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for any excess of the carrying amount over the fair value of the asset. During the fiscal years ended March 31, 2021, 2020, and 2019, the Company did not record any material impairment charges.

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Leases

At contract inception, the Company determines whether the contract is, or contains, a lease, which exists when the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. Operating lease balances are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, and operating lease liabilities, net of current portion in our consolidated balance sheet. Cash payments arising from operating leases are classified within operating activities in the consolidated statement of cash flows. As of March 31, 2021, the Company had no finance leases.

The Company's leases are generally for facilities and office space and the Company recognizes ROU assets and lease liabilities at the lease commencement date for those arrangements. The initial lease liability is equal to the present value of the future minimum lease payments over the lease term. The initial measurement of the ROU asset is equal to the initial lease liability plus any initial direct costs and prepaid lease payments, less any lease incentives. At the lease commencement date the Company estimates its collateralized incremental borrowing rate based on publicly available yields adjusted for Company-specific considerations and the Company's varying lease terms in determining the present value of future payments. Certain of the Company's leases contain options to renew or to terminate the lease which are included in the determination of the ROU assets and lease liabilities when it is reasonably certain that the Company will exercise the option. The Company's leases may also include variable lease payments, such as maintenance costs, utilities, or other variable lease-related payments which are not included in measuring ROU assets and lease liabilities and are recorded as lease expense in the period incurred.

As permitted under Topic 842 the Company elected not to recognize ROU assets and lease liabilities for leases with an initial term of 12 months or less; lease expense from these leases are recognized on a straight-line basis over the lease term. As further permitted under Topic 842, for all material classes of leased assets, the Company elected to not separate lease components from non-lease components, accounting for both components as a single lease component. As of March 31, 2021, the Company did not have any lease agreements with residual value guarantees or material restrictions or covenants.

Income Taxes

The Company provides for income taxes as a "C" corporation on income earned from operations. The Company is subject to federal, state, and foreign taxation in various jurisdictions.

Deferred tax assets and liabilities are recorded to recognize the expected future tax benefits or costs of events that have been, or will be, reported in different years for financial statement purposes than for tax purposes. Deferred tax assets and liabilities are computed based on the difference between the consolidated financial statement carrying amount and tax basis of assets and liabilities using enacted tax rates and laws for the years in which these items are expected to reverse. If management determines that some portion or all of a deferred tax asset is not "more likely than not" to be realized, a valuation allowance is recorded as a component of the income tax provision to reduce the deferred tax asset to an appropriate level in that period. In determining the need for a valuation allowance, management considers all positive and negative evidence, including historical earnings, projected future taxable income, future reversals of existing taxable temporary differences, taxable income in prior carryback periods, and prudent, feasible tax-planning strategies.

The Company periodically assesses its tax positions for all periods open to examination by tax authorities based on the latest available information. Those positions are evaluated to determine whether they will more likely than not be sustained upon examination by the Internal Revenue Service ("IRS") or other taxing authorities. The Company reserves for these uncertain tax positions related to unrecognized income tax benefits where it is not more likely than not that the Company's tax position will be sustained on examination and settlement with the various taxing authorities. Liabilities for unrecognized tax benefits are measured based on the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. These unrecognized tax benefits are recorded as a component of income tax expense. As uncertain tax positions in periods open to examination are closed out, or as new information becomes available, the resulting change is reflected in the recorded liability and income tax expense. Penalties and interest recognized related to the reserves for uncertain tax positions are recorded as a component of income tax expense.

Comprehensive Income

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and is presented in the consolidated statements of comprehensive income. Accumulated other comprehensive loss as of March 31, 2021 and 2020 consisted of net unrealized losses on the Company's defined and postretirement benefit plans and unrealized gains or losses on interest rate swaps designated as cash flow hedges.

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Stock-Based Compensation

Stock-based compensation to employees is recognized in the consolidated statements of operations based on the grant date fair values with the expense for time vested awards recognized on an accelerated basis over the vesting period. The Company estimates forfeitures anticipated to occur during the vesting period for the purposes of recognizing costs associated with stock-based compensation. The expense for performance awards is recognized straight line over the vesting period. The Company uses the Black-Scholes option-pricing model to determine the fair value of its option awards at the time of grant.

Defined Benefit Plan and Other Postretirement Benefits

The Company recognizes the underfunded status of defined benefit plans on the consolidated balance sheets within other long-term liabilities. Gains and losses, and prior service costs and credits that have not yet been recognized through net periodic benefit cost are recognized in accumulated other comprehensive loss, net of tax effects, and will be amortized as a component of net periodic cost in future periods. The measurement date, the date at which the benefit obligations are measured, is the Company's fiscal year-end.

The Company also offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability. The Company accrues the costs of the benefits at the date the inactive employee becomes disability eligible and elects to participate in the benefit. The accrued cost for such benefits is calculated using an actuarial estimate of the present value of all future benefit payments for obligations at the end of the fiscal year.

Self-Funded Medical Plans

The Company maintains self-funded medical insurance. Self-funded plans include Consumer Driven Health Plans with a Health Savings Account option and traditional choice plans. Further, self-funded plans also include prescription drug and dental benefits. The Company records an incurred but unreported claim liability in the accrued compensation and benefits line of the consolidated balance sheets for self-funded plans based on an actuarial valuation. The estimate of the incurred but unreported claim liability was provided by a third-party valuation firm, primarily based on claims and participant data for the medical, dental, and pharmacy related costs.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we consider the principal or most advantageous market in which the asset or liability would transact, and if necessary, consider assumptions that market participants would use when pricing the asset or liability.

The accounting guidance for fair value measurements establishes a three-level fair value hierarchy that prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3). Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. See Note 19 to our consolidated financial statements for additional information on the Company's fair value measurements.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. This guidance requires companies to record an allowance for expected credit losses over the contractual term of certain financial assets, including trade receivables and contract assets, and expands disclosure requirements for credit quality of financial assets. The Company adopted this standard effective April 1, 2020 using the modified retrospective method. The adoption of this standard did not have a material impact on the consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This guidance requires a customer in a cloud computing arrangement that is a service contract to follow existing internal-use software guidance to determine which implementation costs to defer and recognize as an asset. ASU 2018-15 generally aligns the guidance on capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with that of implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for interim

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reporting periods for fiscal years beginning after December 15, 2019. The Company adopted this standard effective April 1, 2020 on a prospective basis, and adoption of this standard did not have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This guidance includes removal of certain exceptions to the general principles of Topic 740 and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The provisions of this standard are effective for years beginning after December 15, 2020, with early adoption permitted. The Company early adopted the standard effective April 1, 2020, and applied most of the relevant amendments prospectively. The Company's adoption did not have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance is intended to provide relief for entities impacted by reference rate reform. Topic 848 contains provisions and optional expedients designed to simplify requirements around designation of hedging relationships, probability assessments of hedged forecasted transactions and accounting for modifications of contracts that refer to LIBOR or other rates affected by reference rate reform. The guidance is elective and is effective on the date of issuance. Topic 848 is applied prospectively to contract modifications and as of the effective date for existing and new eligible hedging relationships. The guidance is temporary and will generally not be applicable to transactions which occur after December 31, 2022. The Company elected to adopt Topic 848 in the fourth quarter of fiscal 2020 and has elected to apply the hedge accounting practical expedient related to probability of the hedged future LIBOR indexed cash flows. The Company continues to evaluate the impact of this guidance and may apply other elections, as applicable. The adoption of this guidance did not have a material impact on the consolidated financial statements and disclosures.

In August 2020, the SEC issued Release No. 33-10825, *Modernization of Regulation S-K Items 101, 103 and 105*, with the intent of improving the readability of filed documents and simplifying registrants' compliance efforts. This amendment became effective on November 9, 2020. The Company's adoption only impacted the Company's disclosures and did not impact the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In November 2020, the SEC issued Release No. 33-10890, *Amendments to Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, to simplify, modernize and enhance certain financial disclosure requirements in Regulation S-K. Companies are required to adopt the amendment for their first fiscal year ending on or after August 9, 2021, with early adoption permitted on an item-by-item basis. The Company is currently assessing the future impact of this amendment on its related disclosures.

Other recent accounting pronouncements issued during fiscal 2021 and through the filing date are not expected to have a material impact on the Company's present or historical consolidated financial statements.

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3. REVENUE

The Company's revenues from contracts with customers (clients) are derived from offerings that include management and technology consulting services, analytics, digital solutions, engineering, mission operations, and cyber services, substantially with the U.S. government and its agencies, and to a lesser extent, subcontractors. The Company also serves foreign governments, as well as domestic and international commercial clients. The Company performs under various types of contracts, which include cost-reimbursable-plus-fee contracts, time-and-material contracts, and fixed-price contracts.

Disaggregation of Revenue

We disaggregate our revenue from contracts with customers by contract type, customer, as well as whether the Company acts as prime contractor or sub-contractor, as we believe these categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following series of tables presents our revenue disaggregated by these categories.

Revenue by Contract Type:

We generate revenue under the following three basic types of contracts:

- **Cost-Reimbursable Contracts:** Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fixed fee or award fee.
- **Time-and-Materials Contracts:** Under contracts in this category, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. We assume the financial risk on time-and-materials contracts because our costs of performance may exceed negotiated hourly rates.
- **Fixed-Price Contracts:** Under a fixed-price contract, we agree to perform the specified work for a predetermined price. To the extent our actual direct and allocated indirect costs decrease or increase from the estimates upon which the price was negotiated, we will generate more or less profit, respectively, or could incur a loss.

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The table below presents the total revenue for each type of contract:

	Fiscal Year Ended March 31,					
	2021		2020		2019	
Cost-reimbursable	\$ 4,419,533	56%	\$ 4,211,592	57%	\$ 3,580,595	53%
Time-and-materials	1,962,999	25%	1,737,414	23%	1,576,673	24%
Fixed-price	1,476,406	19%	1,514,835	20%	1,546,769	23%
Total Revenue	\$ 7,858,938	100%	\$ 7,463,841	100%	\$ 6,704,037	100%

Revenue by Customer Type:

	Fiscal Year Ended March 31,					
	2021		2020		2019	
U.S. government:						
Defense Clients	\$ 3,898,802	49%	\$ 3,568,659	47%	\$ 3,114,571	47%
Intelligence Clients	1,571,411	20%	1,614,315	22%	1,566,870	23%
Civil Clients	2,185,030	28%	2,019,245	27%	1,760,996	26%
Total U.S. government	7,655,243	97%	7,202,219	96%	6,442,437	96%
Global Commercial Clients	203,695	3%	261,622	4%	261,600	4%
Total Revenue	\$ 7,858,938	100%	\$ 7,463,841	100%	\$ 6,704,037	100%

Revenue by Whether the Company Acts as a Prime Contractor or a Sub-Contractor:

	Fiscal Year Ended March 31,					
	2021		2020		2019	
Prime Contractor	\$ 7,311,313	93%	\$ 6,884,763	92%	\$ 6,159,918	92%
Sub-contractor	547,625	7%	579,078	8%	544,119	8%
Total Revenue	\$ 7,858,938	100%	\$ 7,463,841	100%	\$ 6,704,037	100%

Performance Obligations

Remaining performance obligations represent the transaction price of exercised contracts for which work has not yet been performed, irrespective of whether funding has or has not been authorized and appropriated as of the date of exercise. Remaining performance obligations exclude negotiated but unexercised options, the unfunded value of expired contracts, and certain variable consideration which the Company does not expect to recognize as revenue.

As of March 31, 2021 and 2020, the Company had \$6.7 billion and \$6.3 billion of remaining performance obligations, respectively. We expect to recognize approximately 70% of the remaining performance obligations as of March 31, 2021 as revenue over the next 12 months, and approximately 85% over the next 24 months. The remainder is expected to be recognized thereafter.

Contract Balances

As discussed in Note 2, the Company's performance obligations are typically satisfied over time and revenue is generally recognized using a cost-based input method. Fixed-price contracts are typically billed to the customer using milestone or fixed monthly payments, while cost-reimbursable-plus-fee and time-and-material contracts are typically billed to the customer at periodic intervals (e.g. monthly or weekly) as indicated by the terms of the contract. Disparities between the timing of revenue recognition and customer billings and cash collections results in net contract assets or liabilities being recognized at the end of each reporting period.

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Contract assets primarily consist of unbilled receivables typically resulting from revenue recognized exceeding the amount billed to the customer and right to payment is not just subject to the passage of time. Contract liabilities primarily consist of advance payments, billings in excess of costs incurred and deferred revenue. Contract assets and liabilities are reported on a net contract basis at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for an estimate of uncollected receivables. Refer to Note 6 for more information on receivables recognized from contracts accounted for under Topic 606.

The following table summarizes the contract balances recognized on the Company's consolidated balance sheets:

	March 31, 2021	March 31, 2020
Contract assets:		
Current	\$ 1,037,968	\$ 988,634
Long-term	63,869	62,600
Total	1,101,837	1,051,234
Contract liabilities:		
Advance payments, billings in excess of costs incurred and deferred revenue	\$ 15,906	\$ 26,018

Changes in contract assets and contract liabilities are primarily due to the timing difference between the Company's performance of services and payments from customers. For fiscal 2021, 2020 and 2019, we recognized revenue of \$24.5 million, \$18.9 million and \$25.3 million, respectively, related to our contract liabilities on April 1, 2020, 2019 and 2018, respectively. To determine revenue recognized from contract liabilities during the reporting periods, the Company allocates revenue to individual contract liability balances and applies revenue recognized during the reporting periods first to the beginning balances of contract liabilities until the revenue exceeds the balances.

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4. EARNINGS PER SHARE

The Company computes basic and diluted earnings per share amounts based on net income for the periods presented. The Company uses the weighted average number of common shares outstanding during the period to calculate basic earnings per share, or EPS. Diluted EPS adjusts the weighted average number of shares outstanding to include the dilutive effect of outstanding common stock options and other stock-based awards.

The Company currently has outstanding shares of Class A Common Stock. Holders of unvested Class A Common Stock and time-vested restricted stock units are entitled to participate in non-forfeitable dividends or other distributions. These unvested restricted shares participated in the Company's dividends declared and paid in each quarter of fiscal 2021, 2020, and 2019. As such, EPS is calculated using the two-class method whereby earnings are reduced by distributed earnings as well as any available undistributed earnings allocable to holders of these unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Earnings for basic computations (1)	\$ 605,437	\$ 481,085	\$ 416,664
Weighted-average common shares outstanding for basic computations	137,722,589	140,059,494	141,910,799
Earnings for diluted computations (1)	\$ 605,455	\$ 481,092	\$ 416,675
Dilutive stock options and restricted stock	980,631	1,178,641	1,245,377
Weighted-average common shares outstanding for diluted computations	138,703,220	141,238,135	143,156,176
Earnings per share of common stock			
Basic	\$ 4.40	\$ 3.43	\$ 2.94
Diluted	\$ 4.37	\$ 3.41	\$ 2.91

(1) During fiscal 2021, 2020, and 2019 approximately 0.8 million, 0.4 million, and 0.6 million shares of participating securities were paid dividends totaling \$1.0 million, \$0.7 million, and \$0.6 million, respectively. There were undistributed earnings of \$2.5 million, \$0.9 million, and \$1.2 million allocated to the participating class of securities in both basic and diluted earnings per share of common stock for fiscal 2021, 2020, and 2019, respectively. The allocated undistributed earnings and the dividends paid comprise the difference between net income presented on the consolidated statements of operations and earnings for basic and diluted computations for fiscal 2021, 2020, and 2019.

The EPS calculation for fiscal 2021, 2020, and 2019 excludes 0.03 million, 0.2 million, and 0.2 million options, respectively, as their impact was anti-dilutive.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As of both March 31, 2021 and 2020, goodwill was \$1,581.2 million. The Company performed an annual impairment test of the goodwill as of January 1, 2021 and 2020, and did not identify any impairment.

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Intangible Assets

Intangible assets consisted of the following:

	March 31, 2021			March 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:						
Customer relationships and other amortizable intangible assets	\$ 82,400	\$ 50,503	\$ 31,897	\$ 88,350	\$ 46,285	\$ 42,065
Software	114,972	29,941	85,031	101,410	32,688	68,722
Total amortizable intangible assets	\$ 197,372	\$ 80,444	\$ 116,928	\$ 189,760	\$ 78,973	\$ 110,787
Unamortizable intangible assets:						
Trade name	\$ 190,200	—	\$ 190,200	\$ 190,200	—	\$ 190,200
Total	\$ 387,572	\$ 80,444	\$ 307,128	\$ 379,960	\$ 78,973	\$ 300,987

Intangible assets related to customer relationships are generally amortized on an accelerated basis over periods ranging from 3 years to 12 years, and those related to software are generally amortized on a straight line basis over periods ranging from 2 years to 5 years.

The Company performed an annual impairment test of the trade name as of January 1, 2021 and 2020, and did not identify any impairment.

Amortization expense for fiscal 2021, 2020, and 2019 was \$19.3 million, \$22.3 million, and \$20.9 million, respectively.

The following table summarizes the estimated annual amortization expense for future periods, which does not reflect amortization expense for certain intangible assets that are not yet placed in service:

For the Fiscal Year Ended March 31,

2022	\$ 17,824
2023	15,587
2024	11,796
2025	6,801
2026	4,074
Thereafter	4,865
Total estimated amortization expense	\$ 60,947

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6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	March 31,	
	2021	2020
Current assets:		
Accounts receivable–billed	\$ 375,383	\$ 474,822
Accounts receivable–unbilled	1,037,968	988,634
Allowance for doubtful accounts	(1,457)	(3,985)
Accounts receivable, net	1,411,894	1,459,471
Other long-term assets:		
Accounts receivable–unbilled	63,869	62,600
Total accounts receivable, net	<u>\$ 1,475,763</u>	<u>\$ 1,522,071</u>

Unbilled amounts represent revenues for which billings have not been presented to customers at year end. These amounts are usually billed and collected within one year subject to various conditions including, without limitation, appropriated and available funding. Long-term unbilled receivables not anticipated to be billed and collected within one year, which are primarily related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout, are included in other long-term assets in the accompanying consolidated balance sheets. The Company recognized a (benefit) provision for doubtful accounts of \$(2.6) million, \$(6.4) million, and \$11.9 million for fiscal 2021, 2020, and 2019, respectively.

7. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net were as follows:

	March 31,	
	2021	2020
Furniture and equipment	\$ 117,430	\$ 140,232
Computer equipment	97,571	94,529
Leasehold improvements	225,132	245,685
Total	440,133	480,446
Less: Accumulated depreciation and amortization	(235,491)	(272,369)
Property and equipment, net	<u>\$ 204,642</u>	<u>\$ 208,077</u>

Depreciation and amortization expense relating to property and equipment for fiscal 2021, 2020, and 2019 was \$65.0 million, \$58.8 million, and \$47.8 million, respectively. During fiscal 2021 and 2020, the Company reduced the gross cost and accumulated depreciation and amortization by \$100.3 million and \$171.8 million, respectively, for zero net book value assets deemed no longer in service.

8. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

	March 31,	
	2021	2020
Vendor payables	\$ 371,744	\$ 432,953
Accrued expenses	295,227	265,058
Total accounts payable and other accrued expenses	<u>\$ 666,971</u>	<u>\$ 698,011</u>

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Accrued expenses consisted primarily of the Company's provision for claimed indirect costs, which was approximately \$263.2 million and \$224.6 million as of March 31, 2021 and 2020, respectively. Refer to Note 21 for further discussion of this provision.

9. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

	March 31,	
	2021	2020
Bonus	\$ 130,565	\$ 114,359
Retirement	44,474	41,604
Vacation	202,100	159,512
Other	48,476	33,300
Total accrued compensation and benefits	<u>\$ 425,615</u>	<u>\$ 348,775</u>

10. DEBT

Debt consisted of the following:

	March 31, 2021		March 31, 2020	
	Interest Rate	Outstanding Balance	Interest Rate	Outstanding Balance
Term Loan A	1.61 %	\$ 1,289,764	2.49 %	\$ 1,363,739
Term Loan B	1.86 %	384,212	2.74 %	388,102
Revolver	— %	—	3.75 %	100,000
Senior Notes	3.88 %	700,000	— %	—
2017 Senior Notes	— %	—	5.13 %	350,000
Less: Unamortized debt issuance costs and discount on debt		(17,380)		(15,997)
Total		<u>2,356,596</u>		<u>2,185,844</u>
Less: Current portion of long-term debt		(77,865)		(177,865)
Long-term debt, net of current portion		<u>\$ 2,278,731</u>		<u>\$ 2,007,979</u>

Term Loans and Revolving Credit Facility

On November 26, 2019 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton"), Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Seventh Amendment (the "Seventh Amendment") to the Credit Agreement (as amended, the "Credit Agreement"), dated as of July 31, 2012 among Booz Allen Hamilton, Investor, certain wholly-owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent and Collateral Agent and the other lenders and financial institutions from time to time party thereto (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, the Third Amendment to the Credit Agreement, dated as of July 13, 2016, the Fourth Amendment to the Credit Agreement, dated as of February 6, 2017, the Fifth Amendment to the Credit Agreement, dated as of March 7, 2018, and the Sixth Amendment to the Credit Agreement, dated as of July 23, 2018). Pursuant to the Seventh Amendment, the Company reduced the applicable margin applicable to the Term Loan B ("Term Loan B" and, together with the Term Loan A, the "Term Loans") from 2.00% to 1.75% for LIBOR loans and from 1.00% to 0.75% for base rate loans and extended the maturity of the Term Loan B to November 26, 2026. The applicable margin and maturity date applicable to the Term Loan A (the "Term Loan A") remained unchanged.

Prior to the Seventh Amendment, approximately \$389.0 million was outstanding under Term Loan B. Pursuant to the Seventh Amendment, certain lenders converted their existing Term Loan B loans into a new tranche of Term Loan B loans in an aggregate amount, along with Term Loan B loans advanced by certain new lenders, of approximately \$389.0 million (the

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“New Refinancing Tranche B Term Loans”). The proceeds from the new lenders were used to prepay in full all of the existing Term Loan B loans that were not converted into the new Term Loan B tranche. Voluntary prepayments of the New Refinancing Tranche B Term Loans are permitted at any time, in minimum principal amounts, without premium or penalty. The other terms of the New Refinancing Tranche B Term Loans are generally the same as the existing Term Loan B prior to the Seventh Amendment.

As of March 31, 2021, the Credit Agreement provided Booz Allen Hamilton with a \$1,289.8 million Term Loan A, a \$384.2 million Term Loan B and a \$500.0 million revolving credit facility (the “Revolving Credit Facility”) with a sub-limit for letters of credit of \$100.0 million (collectively, the “Secured Credit Facility”). As of March 31, 2021, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was July 23, 2023 and the maturity date of Term Loan B was November 26, 2026. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor, and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) the greater of (x) \$627 million and (y) 100% of consolidated EBITDA of Booz Allen Hamilton, as of the end of the most recently ended four quarter period for which financial statements have been delivered pursuant to the Credit Agreement plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

At Booz Allen Hamilton’s option, borrowings under the Secured Credit Facility bear interest based either at LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or a base rate (equal to the highest of (x) the administrative agent’s prime corporate rate, (y) the overnight federal funds rate plus 0.50% and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%), in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.25% to 2.00% for LIBOR loans and 0.25% to 1.00% for base rate loans, in each case based on Booz Allen Hamilton’s consolidated total net leverage ratio. The applicable margin for Term Loan B is 1.75% for LIBOR loans and 0.75% for base rate loans. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.20% to 0.35% based on Booz Allen Hamilton’s consolidated total net leverage ratio.

Booz Allen Hamilton occasionally borrows under the Revolving Credit Facility in anticipation of cash demands. During fiscal 2021, Booz Allen Hamilton accessed no amounts of its \$500.0 million Revolving Credit Facility. During fiscal 2020, Booz Allen Hamilton accessed a total of \$100 million, of its \$500 million Revolving Credit Facility. As of March 31, 2021, there was no outstanding balance on the Revolving Credit Facility. As of March 31, 2020, \$100 million was outstanding on the Revolving Credit Facility, which was repaid in June 2020.

The Credit Agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of Term Loan A until maturity, and quarterly principal payments of 0.25% of the stated principal amount of Term Loan B until maturity.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) change in fiscal periods; (viii) negative pledges; (ix) restrictive agreements; (x) line of business; and (xi) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of March 31, 2021 and 2020, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

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During fiscal 2021, interest payments of \$23.6 million and \$7.8 million were made for Term Loan A and Term Loan B, respectively. During fiscal 2020, interest payments of \$50.3 million and \$15.9 million were made for Term Loan A and Term Loan B, respectively.

Borrowings under the Term Loans, and if used, the Revolving Credit Facility, incur interest at a variable rate. In accordance with Booz Allen Hamilton's risk management strategy, between April 6, 2017 and April 4, 2019, Booz Allen Hamilton executed a series of interest rate swaps. As of March 31, 2021, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of \$1 billion. These instruments hedge the variability of cash outflows for interest payments on the Term Loans and the Revolving Credit Facility. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (see Note 11 in our consolidated financial statements).

Senior Notes

On August 24, 2020, Booz Allen Hamilton issued \$700.0 million aggregate principal amount of its 3.875% Senior Notes due 2028 (the "Senior Notes") under an Indenture, dated as of August 24, 2020, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of August 24, 2020, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Each of Booz Allen Hamilton's existing and future restricted subsidiaries that guarantee its obligations under the Secured Credit Facility or certain other indebtedness guarantee the Senior Notes on a senior unsecured basis. The Senior Notes and the guarantees are Booz Allen Hamilton's and each Subsidiary Guarantors' senior unsecured obligations and rank equally in right of payment with all of Booz Allen Hamilton's and the Subsidiary Guarantors' existing and future senior indebtedness and rank senior in right of payment to any of Booz Allen Hamilton's and the Subsidiary Guarantors' future subordinated indebtedness.

Booz Allen Hamilton may redeem some or all of the Senior Notes at any time prior to September 1, 2023, at a price equal to 100.00% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, plus an applicable "make-whole premium." Booz Allen Hamilton may redeem the Senior Notes at its option, in whole at any time or in part from time to time, upon certain required notice, at any time (i) on and after September 1, 2023, at a price equal to 101.94% of the principal amount of the Senior Notes, (ii) on or after September 1, 2024, at a price equal to 100.97% of the principal amount of the Senior Notes, and (iii) on September 1, 2025 and thereafter, at a price equal to 100.00% of the principal amount of the Senior Notes, in each case, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date. In addition, at any time on or prior to September 1, 2023, Booz Allen Hamilton may redeem up to 40.00% of the original aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 103.88% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 50.00% of the original aggregate principal amount of the Senior Notes remains outstanding after each such redemption; and the redemption occurs within 180 days of the closing date of such equity offering.

Interest is payable on the Senior Notes semi-annually on March 1 and September 1 of each year, beginning on March 1, 2021, and principal is due at maturity on September 1, 2028. In connection with the issuance of the Senior Notes, the Company recognized \$9.2 million of issuance costs, which were recorded as an offset against the carrying value of debt and will be amortized to interest expense over the term of the Senior Notes. For fiscal 2021, interest payments of \$14.1 million were made for the Senior Notes.

2017 Senior Notes

On April 25, 2017, Booz Allen Hamilton issued \$350.0 million aggregate principal amount of its 5.125% Senior Notes due 2025 (the "2017 Senior Notes"), under an Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors, and Wilmington Trust, National Association, as trustee, as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors, and Wilmington Trust, National Association, as trustee. Each of Booz Allen Hamilton's existing and future domestic restricted subsidiaries that guaranteed its obligations under the Secured Credit Facility and certain other indebtedness guaranteed the 2017 Senior Notes on a senior unsecured basis.

On August 24, 2020, Booz Allen Hamilton used a portion of the net proceeds from the sale of the Senior Notes to redeem in full \$350.0 million aggregate principal amount of the outstanding 2017 Senior Notes at a redemption price of 102.563% of the principal amount thereof, plus accrued and unpaid interest thereon to (but excluding) the redemption date, and to pay all

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fees and expenses related to the foregoing. Booz Allen Hamilton intends to use the remaining net proceeds from the sale of the Senior Notes for working capital and other general corporate purposes.

During fiscal 2021, the Company recorded \$13.2 million of loss on debt extinguishment in other (expense) income, net on the Consolidated Statements of Operations, including \$9.0 million of the premium paid at redemption, and write-off of the unamortized debt issuance cost of the 2017 Senior Notes. For fiscal 2021 and 2020, interest payments of \$14.6 million and \$17.9 million were made for the 2017 Senior Notes, respectively.

The following table summarizes required future debt principal repayments:

	Payments Due By March 31,						
	Total	2022	2023	2024	2025	2026	Thereafter
Term Loan A	\$1,289,764	\$73,974	\$73,974	\$1,141,816	\$—	\$—	—
Term Loan B	384,212	3,891	3,891	3,891	3,891	3,891	364,757
Senior Notes	700,000	—	—	—	—	—	700,000
Total	\$2,373,976	\$77,865	\$77,865	\$1,145,707	\$3,891	\$3,891	\$1,064,757

Interest on debt and debt-like instruments consisted of the following:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Term Loan A Interest Expense	\$ 23,541	\$ 50,080	\$ 42,043
Term Loan B Interest Expense	7,787	15,739	16,765
Interest on Revolving Credit Facility	799	92	115
Senior Notes Interest Expense	23,476	17,938	17,938
Deferred Payment Obligation Interest (1)	—	5,740	7,993
Amortization of Debt Issuance Costs (DIC) and Original Issue Discount (OID) (2)	4,396	4,688	5,052
Interest Swap Expense	20,558	2,094	(1,026)
Other	713	589	637
Total Interest Expense	\$ 81,270	\$ 96,960	\$ 89,517

(1) In connection with Carlyle Group indirectly acquiring all of the issued and outstanding stock of the Company on July 31, 2008, the Company established a Deferred Payment Obligation, payable 8.5 years after the closing date, or until settlement of all outstanding claims, less any settled claims. All remaining potential claims outstanding that were able to be indemnified under the Deferred Payment Obligation related to former officers and stockholders' lawsuits, were all settled as of December 31, 2019. Interest payments on the Deferred Payment Obligation were made twice a year in January and July. The final payment was made during fiscal 2020.

(2) DIC and OID on the Term Loans and Senior Notes are recorded as a reduction of long-term debt in the consolidated balance sheet and are amortized ratably over the life of the related debt using the effective rate method. DIC on the Company's Revolving Credit Facility is recorded as a long-term asset on the consolidated balance sheet and amortized ratably over the term of the Revolving Credit Facility.

11. DERIVATIVES

The Company utilizes derivative financial instruments to manage interest rate risk related to its variable rate debt. The Company's objectives in using these interest rate derivatives, which were designated as cash flow hedges, are to manage its exposure to interest rate movements and reduce volatility of interest expense. The aggregate notional amount of all interest rate swap agreements was \$1 billion as of March 31, 2021. The swaps have staggered maturities, ranging from June 30, 2021 to June 30, 2025. These swaps mature within the last tranche of the Company's floating rate debt (November 26, 2026).

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The floating-to-fixed interest rate swaps involve the exchange of variable interest amounts from a counterparty for the Company making fixed-rate interest payments over the life of the agreements without exchange of the underlying notional amount and effectively converting a portion of the variable rate debt into fixed interest rate debt.

Derivative instruments are recorded in the consolidated balance sheet on a gross basis at estimated fair value. As of March 31, 2021, \$17.2 million, and \$21.0 million were classified as other current liabilities and other long-term liabilities, respectively, on the consolidated balance sheet. As of March 31, 2020, \$18.8 million and \$37.8 million were classified as other current liabilities, and other long-term liabilities, respectively, on the consolidated balance sheet.

For interest rate swaps designated as cash flow hedges, the changes in the fair value of derivatives is recorded in Accumulated Other Comprehensive Loss, or AOCL, net of taxes, and is subsequently reclassified into interest expense in the period that the hedged forecasted interest payments are made on the Company's variable-rate debt. Over the next 12 months, the Company estimates that \$17.2 million will be reclassified as an increase to interest expense. Cash flows associated with periodic settlements of interest rate swaps will be classified as operating activities in the consolidated statement of cash flows. The effect of derivative instruments on the accompanying consolidated financial statements is as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain or Loss Recognized in Income on Derivatives	Fiscal year ended March 31,								
		Amount of Gain or (Loss) Recognized in AOCI on Derivatives			Amount of Gain or (Loss) Reclassified from AOCI into Income		Interest Expense on Consolidated Statements of Operations			
		2021	2020	2019	2021	2020	2021	2020		
Interest rate swaps	Interest expense	\$ (2,071)	\$ (55,871)	\$ (9,772)	\$ (20,558)	\$ (2,094)	1,026	\$ (81,270)	\$ (96,960)	\$ (89,517)

The Company is subject to counterparty risk in connection with its interest rate swap derivative contracts. Credit risk related to a derivative financial instrument represents the possibility that the counterparty will not fulfill the terms of the contract. The Company mitigates this credit risk by entering into agreements with credit-worthy counterparties and regularly reviews its credit exposure and the creditworthiness of the counterparties.

12. LEASES

The Company's leases are generally for facilities and office space. The Company adopted ASU 2016-02, *Leases* (Topic 842) on April 1, 2019 using the modified retrospective transition approach, and as a result did not recast comparative prior period information and presented prior period amounts and disclosures under ASC 840, *Leases* (Topic 840).

The Company's total lease cost is recorded primarily within general and administrative expenses on the consolidated statement of operations and consisted of the following:

	Fiscal Year Ended March 31,	
	2021	2020
Operating lease cost	\$ 68,702	\$ 71,067
Short-term lease cost	3,780	9,657
Variable lease cost	12,843	11,657
Total operating lease costs	\$ 85,325	\$ 92,381

Rental expense for operating leases classified under Topic 840 for fiscal 2019 was approximately \$82.7 million, net of \$0.6 million of sublease income.

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Future minimum operating lease payments for noncancelable operating leases as of March 31, 2021 are as follows:

For the Fiscal Year Ending March 31,	Operating Lease Payments	
2022	\$	68,498
2023		71,553
2024		62,235
2025		57,691
2026		45,464
Thereafter		58,639
Total future lease payments		364,080
Less: imputed interest		(45,980)
Total lease liabilities	\$	318,100

Supplemental cash flow information related to leases was as follows:

	Fiscal Year Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities	\$ 69,320	\$ 53,741
Operating lease liabilities arising from obtaining ROU assets (1)	52,454	26,378

(1) Includes all noncash increases and decreases arising from new or remeasured operating lease arrangements

Other information related to leases was as follows:

	March 31,	
	2021	2020
Weighted average remaining lease term (in years)	5.53	6.02
Weighted average discount rate	4.64 %	4.69 %

13. INCOME TAXES

The components of income tax expense were as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Current			
U.S. Federal	\$ (227,309)	\$ (2,638)	\$ 34,019
State and local	39,542	18,410	26,232
Foreign	9,250	15,625	13,617
Total current	(178,517)	31,397	73,868
Deferred			
U.S. Federal	245,624	59,856	23,258
State and local	(13,626)	5,578	(252)
Total deferred	231,998	65,434	23,006
Total	\$ 53,481	\$ 96,831	\$ 96,874

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A reconciliation of the provision for income tax to the amount computed by applying the statutory federal income tax rate to income from continuing operations before income taxes for each of the three years ended March 31 is as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Income tax expense computed at U.S. federal statutory rate	\$ 139,112	\$ 121,681	\$ 108,235
Increases (reductions) resulting from:			
State and local income taxes, net of federal tax	17,586	20,031	22,450
Foreign income taxes, net of federal tax	6,679	12,344	10,758
Meals and entertainment	653	1,761	1,771
Re-measurement of deferred taxes	—	—	(27,908)
Re-measurement of current year losses under CARES Act	(76,767)	—	—
Excess tax benefits from stock-based compensation	(8,556)	(10,265)	(10,777)
Research and development and other federal credits	(30,313)	(90,898)	(6,355)
Executive compensation -162(M)	3,813	2,346	2,615
IRS audit settlement	—	—	(2,573)
Foreign-Derived Intangible Income (FDII)	(4,536)	(4,915)	—
Changes in uncertain tax positions	6,793	44,621	(278)
Other	(983)	125	(1,064)
Income tax expense from operations	<u>\$ 53,481</u>	<u>\$ 96,831</u>	<u>\$ 96,874</u>

The Company reported a change in its method of accounting for the capitalization of costs associated with property, plant and equipment on its 2020 U.S. federal tax return that was filed in the fourth quarter of fiscal 2021, and intends to file a permissible subsequent change in method of accounting (also related to property, plant and equipment) in its 2021 U.S. federal tax return to be filed in fiscal 2022. These method changes resulted in an increase in tax on the fiscal 2020 U.S. federal tax return over the prior year estimate as well as the generation of a net operating loss for fiscal 2021. As a result of a provision in the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), taxpayers are allowed to carry net operating losses generated in fiscal 2019, 2020 and 2021 back to the five prior tax years (fiscal years 2016 - 2020). Accordingly, the Company has recorded a long-term income tax receivable of \$273.4 million related to the U.S. federal carry back of the fiscal 2021 loss. Additionally, the Company has recorded a \$238.9 million U.S. federal deferred tax liability as a result of the fiscal 2020 change in method of accounting. This deferred tax liability is reflected within the property and equipment deferred in the Company's significant components of deferred income tax assets and liabilities. The corporate tax rate for the Company was 35% during fiscal 2016 and 2017, 31.5% during fiscal 2018, and 21% since fiscal 2019. As the Company intends to carry the U.S. federal net operating loss generated in fiscal 2021 back to fiscal 2016 and subsequent years, this resulted in an income tax benefit of \$76.8 million related to the re-measurement of the current year loss in the applicable fiscal years.

For state tax purposes, an incremental net operating loss carryforward of \$89.6 million that was generated is expected to be utilized in fiscal 2022 and future years. Including the impact of these state carryforwards, this transaction resulted in an incremental state deferred tax asset of \$11.8 million.

The Company has both income tax receivables and income tax payable on its consolidated balance sheet as follows:

	March 31,	
	2021	2020
Current income tax receivable	\$ 175,541	\$ 69,734
Long term income tax receivable	\$ 333,188	\$ 53,848
Current income tax payable	\$ 30,694	\$ 5,178

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The current income tax receivable as of March 31, 2021 represents estimated payments made in fiscal 2021 and prior periods that will be applied to the Company's fiscal 2022 U.S. federal and state tax returns. This amount is classified as prepaid expenses and other current assets on the consolidated balance sheet. The current income tax payable as of March 31, 2021 represents current liabilities associated with the Company's amended fiscal 2020 U.S. state returns that the Company intends to file in fiscal 2022. This amount is classified as other current liabilities on the consolidated balance sheet. The long-term income tax receivable as of March 31, 2021 represents the carryback claim for the fiscal 2021 net operating loss and the amended U.S. federal return refund claims for research and development tax credits. This amount is classified as other long-term assets on the consolidated balance sheet.

The significant components of the Company's deferred income tax assets and liabilities were as follows:

	March 31,	
	2021	2020
Deferred income tax assets:		
Accrued expenses	\$ 78,005	\$ 67,230
Deferred compensation	52,191	36,448
Stock-based compensation	5,724	6,909
Pension and postretirement benefits	32,881	32,437
Net operating loss carryforwards	98,471	5,741
Extended disability benefits	2,838	2,779
Interest rate swaps	9,955	14,774
Federal tax credits	12,582	—
State tax credits	27,243	19,214
Operating lease liabilities	86,046	86,565
Other	3,378	1,567
Total gross deferred income tax assets	409,314	273,664
Less: Valuation allowance	(6,165)	(4,296)
Total net deferred income tax assets	403,149	269,368
Deferred income tax liabilities:		
Unbilled receivables	(245,809)	(199,869)
Intangible assets	(69,519)	(64,530)
Debt issuance costs	(1,488)	(1,939)
Property and equipment	(336,321)	(12,820)
Operating lease right-of-use assets	(62,442)	(62,623)
Internally developed software	(20,309)	(15,673)
Total deferred income tax liabilities	(735,888)	(357,454)
Net deferred income tax liability	\$ (332,739)	\$ (88,086)

Deferred tax balances arise from temporary differences between the carrying amount of assets and liabilities and their tax basis and are stated at the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some or all of the deferred tax asset will not be realized. In determining if the Company's deferred tax assets are realizable, management considers all positive and negative evidence, including the history of generating financial reporting earnings, future reversals of existing taxable temporary differences, projected future taxable income, as well as any tax planning strategies.

As discussed above, the increase in the property and equipment deferred tax liability relates to the Company's fiscal 2020 change in method of accounting and represents income to be recognized in fiscal 2022 and 2023.

As of March 31, 2021, the Company has available federal, state, and foreign net operating loss ("NOL carryforwards") of \$2.0 million, \$91.9 million and \$4.6 million, respectively, that may be applied against future taxable income. The federal net operating losses are primarily attributable to an acquisition and will begin to expire in fiscal 2037. The state net operating losses are primarily attributable to current year losses, with varying expiration or no expiration dates. For state tax purposes, the fiscal

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2021 loss generally cannot be carried back to prior tax years and as such, a net operating loss carryforward was recorded rather than an income tax receivable. We recorded a partial valuation allowance against those federal, state and foreign net operating losses that we believe will expire prior to utilization.

Uncertain Tax Positions

The Company maintains reserves for uncertain tax positions related to unrecognized income tax benefits. These reserves involve considerable judgment and estimation and are evaluated by management based on the best information available including changes in tax laws and other information. As of March 31, 2021, 2020, and 2019, the Company has recorded \$62.9 million, \$56.1 million, and \$11.5 million, respectively, of reserves for uncertain tax positions which includes potential tax benefits of \$62.7 million, \$55.2 million, and \$11.1 million, respectively, that, when recognized, impact the effective tax rate. As of March 31, 2021, \$11.1 million of the reserve is reflected as a reduction to deferred taxes and the remaining balance is recorded as a component of other long-term liabilities in the consolidated balance sheet. As of March 31, 2020, the entire balance is reflected as a component of other long-term liabilities, having been reclassified from income tax reserves on the prior year consolidated balance sheet.

A reconciliation of the beginning and ending amount of potential tax benefits for the periods presented is as follows:

	March 31,		
	2021	2020	2019
Beginning of year	\$ 55,221	\$ 11,083	\$ 11,608
Increases in prior year position	5,018	34,001	93
Increases in current year position	12,753	10,970	575
Decreases in prior year position	—	(765)	—
Settlements with taxing authorities	—	—	(731)
Lapse of statute of limitations	(10,250)	(68)	(462)
End of year	<u>\$ 62,742</u>	<u>\$ 55,221</u>	<u>\$ 11,083</u>

During fiscal 2021, the Company recognized an increase in reserves for uncertain tax positions of approximately \$5.0 million related to an increase in research and development tax credits available for fiscal years 2016 to 2020 and \$12.8 million for fiscal 2021. This was partially offset by the release of \$10.3 million in reserves for uncertain tax positions related to the expiration of the statute of limitations of acquired uncertain tax position liabilities. The Company recognized accrued interest and penalties of \$0.3 million, \$0.5 million and \$0.2 million for fiscal 2021, 2020, and 2019, respectively, related to the reserves for uncertain tax positions in the income tax provision. Included in the total reserve for uncertain tax positions are accrued penalties and interest of approximately \$1.2 million, \$0.9 million and \$0.4 million at March 31, 2021, 2020, and 2019, respectively.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. As of March 31, 2021, the Company's tax years ended March 31, 2016 and forward are open and subject to examination by the federal tax authorities. The other jurisdictions' currently open or under examination are not considered to be material.

The Company is currently contesting tax assessments from the District of Columbia Office of Tax and Revenue for fiscal years 2013 through 2015 at various stages of applicable administrative and judicial processes, with a combined amount at issue of approximately \$11.7 million, net of associated federal tax benefits as of March 31, 2021. The Company has taken similar tax positions with respect to subsequent fiscal years, with approximately \$38.6 million, net of federal tax benefits, of total potential future tax expense that would arise from an adverse final resolution. As of March 31, 2021, the Company does not maintain reserves for any uncertain tax positions related to the contested tax benefits or the similar tax positions taken in the subsequent fiscal years. Given the recoverable nature of the state tax expense, the Company does not believe that the resolution of these matters will have a material adverse effect on its results of operations, cash flows or financial condition.

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14. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Company sponsors the Employees' Capital Accumulation Plan, or ECAP, which is a qualified defined contribution plan that covers eligible U.S. and certain international employees. ECAP provides for distributions to participants by reason of retirement, death, disability, or termination of employment. The Company provides an annual matching contribution of up to 6% of eligible annual compensation. Total expense recognized under ECAP for fiscal 2021, 2020, and 2019 was \$166.3 million, \$151.0 million, and \$136.3 million, respectively, and the Company-paid contributions were \$163.0 million, \$146.5 million, and \$130.9 million, respectively.

Defined Benefit Plan

The Company provides postretirement healthcare benefits to former officers under a medical indemnity insurance plan, with premiums paid by the Company. This plan is referred to as the Officer Medical Plan. The Company recognizes a liability for the defined benefit plans' underfunded status, measures the defined benefit plans' obligations that determine its funded status as of the end of the fiscal year, and recognizes as a component of accumulated other comprehensive income the changes in the defined benefit plans' funded status that are not recognized as components of net periodic benefit cost.

The components of net postretirement medical expense for the Officer Medical Plan were as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Service cost	\$ 5,657	\$ 4,955	\$ 5,952
Interest cost	4,237	4,859	5,130
Net actuarial loss	—	—	2,108
Total postretirement medical expense	<u>\$ 9,894</u>	<u>\$ 9,814</u>	<u>\$ 13,190</u>

The service cost component of net periodic benefit cost is included in cost of revenue and general and administrative expenses, and the non-service cost components of net periodic benefit cost (interest cost and net actuarial loss) are included as part of other income (expense), net in the accompanying consolidated statements of operations.

The weighted-average discount rate used to determine the year-end benefit obligation for the Officer Medical Plan were 3.40%, 3.60% and 4.10% for fiscal 2021, 2020, and 2019, respectively.

Assumed healthcare cost trend rates for the Officer Medical Plan at March 31, 2021 and 2020 were as follows:

	2021	2020
Pre-65 initial rate		
Healthcare cost trend rate assumed for next year	6.55 %	6.80 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2029	2029
Post-65 initial rate		
Healthcare cost trend rate assumed for next year	6.75 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2029	2029

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The changes in the benefit obligation, plan assets, and funded status of the Officer Medical Plan were as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Benefit obligation, beginning of the year	\$ 119,609	\$ 120,341	\$ 126,886
Service cost	5,657	4,955	5,952
Interest cost	4,237	4,859	5,130
Net actuarial (gain) loss	(3,466)	(6,761)	(13,885)
Benefits paid	(4,519)	(3,785)	(3,742)
Benefit obligation, end of the year	<u>\$ 121,518</u>	<u>\$ 119,609</u>	<u>\$ 120,341</u>

The net actuarial gain related to the benefit obligation in fiscal 2021 was primarily due to a favorable medical cost experience, partially offset by the unfavorable impact from declines in discount rates as of March 31, 2021. The net actuarial gain related to the benefit obligation in fiscal 2020 was due mainly to the repeal of excise tax on high cost health plans in December 2019, partially offset by the unfavorable impact from declines in discount rates and changes in estimated medical costs as of March 31, 2020. The net actuarial gain related to benefit obligation in fiscal 2019 was due mainly to the favorable medical cost experience in the past year as well as updates to demographic assumptions.

Changes in plan assets	Fiscal Year Ended March 31,		
	2021	2020	2019
Fair value of plan assets, beginning of the year	\$ —	\$ —	\$ —
Employer contributions	4,519	3,785	3,742
Benefits paid	(4,519)	(3,785)	(3,742)
Fair value of plan assets, end of the year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of March 31, 2021 and 2020, the unfunded status of the Officer Medical Plan was \$121.5 million and \$119.6 million, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets.

The expected future medical benefit payments and related contributions are as follows:

For the Fiscal Year Ending March 31,		
2022		\$ 4,057
2023		\$ 4,434
2024		\$ 4,790
2025		\$ 5,062
2026		\$ 5,485
2027 - 2031		\$ 32,152

Postretirement Benefit Plans

The Company also established a non-qualified defined benefit plan for all officers in May 1995, or the Retired Officers' Bonus Plan, which pays a lump-sum amount of \$10,000 per year of service as an officer, provided the officer meets retirement vesting requirements. In addition, the Company provides a fixed annual allowance after retirement to cover financial counseling, tax preparation, or other financial or wellness expenses. The Retired Officers' Bonus Plan is not salary related, but rather is based primarily on years of service. The Company also provides for a one-time lump sum retirement payment of one month's salary when a vice-president retires from the Company. This is referred to as the Retired Vice-President Bonus Plan.

Total defined benefit plan expense, consisting of service and interest cost associated with the Retired Officers' Bonus Plan was \$0.6 million, for both fiscal 2021 and 2020, and \$0.7 million for fiscal 2019. Benefits paid associated with the Retired Officers' Bonus Plan were \$1.1 million, \$0.6 million, and \$0.8 million for fiscal 2021, 2020, and 2019, respectively. The end-of-period benefit obligation of \$3.4 million and \$3.8 million as of March 31, 2021 and 2020, respectively, is included in postretirement obligations within other long-term liabilities in the accompanying consolidated balance sheets.

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Total defined benefit plan expense, consisting of service, interest, prior service cost, and net actuarial gain associated with the Retired Vice-President Bonus Plan was \$0.2 million for fiscal 2021, 2020 and 2019. There were no benefits paid associated with the Retired Vice-President Bonus Plan for fiscal 2021 and 2019. Benefits paid associated with the Retired Vice-President Bonus Plan was \$0.1 million for fiscal 2020. The end-of-period benefit obligation of \$1.1 million and \$1.0 million as of March 31, 2021 and 2020, respectively, is included in postretirement obligations within other long-term liabilities in the accompanying consolidated balance sheets.

The weighted-average discount rate used to determine the year-end benefit obligations was as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Retired Officers' Bonus Plan	3.40 %	3.60 %	4.10 %
Retired Vice Presidents' Bonus Plan	3.40 %	3.60 %	4.10 %

Other comprehensive loss for fiscal 2021 includes unrecognized gross actuarial gain and prior service cost of \$3.4 million, reduced by taxes of \$0.9 million, that has not yet been recognized in net periodic pension cost for fiscal 2021 for the Retired Officers' Bonus Plan, the Officer Medical Plan, and the Retired Vice-President Bonus Plan. Other comprehensive loss for fiscal 2020 includes unrecognized gross actuarial gain and prior service cost of \$6.6 million, reduced by taxes of \$1.7 million, that has not yet been recognized in net periodic pension cost for fiscal 2020 for the Retired Officers' Bonus Plan, the Officer Medical Plan, and the Retired Vice-President Bonus Plan.

Funded Status for Defined Benefit Plans

Generally, annual contributions are made at such times and in amounts as required by law and may, from time to time, exceed minimum funding requirements. The Retired Officers' Bonus Plan and the Retired Vice-President Bonus Plan are unfunded plans and contributions are made as benefits are paid. As of March 31, 2021 and 2020, there were no plan assets for either the Retired Officers' Bonus Plan or the Retired Vice-President Bonus Plan and therefore, the accumulated liability of \$4.5 million and \$4.8 million, respectively, is unfunded. The liability will be distributed in a lump-sum payment as each officer or vice-president retires.

Long-term Disability Benefits

The Company offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability. These benefits do not vary with an employee's years of service; therefore, the Company is required to accrue the costs of the benefits at the date the inactive employee becomes disability eligible and elects to participate in the benefit. The accrued cost for such benefits is calculated using an actuarial estimate. The accrued cost for these benefits was \$10.9 million and \$10.7 million at March 31, 2021 and 2020, respectively, and are presented in other long-term liabilities in the accompanying consolidated balance sheets.

During fiscal 2019, the long-term disability plan was amended to make Medicare the first payer of eligible medical benefits, with any excess benefits becoming the obligation of the Company. The amendment caused a re-measurement of the plan liability during the period resulting in a reduction of \$11.2 million recorded in general and administrative expenses.

Deferred Compensation Plan

The Company established a non-qualified deferred compensation plan (the "Plan") for certain executives and other highly compensated employees that was effective in fiscal 2018. Pursuant to the Plan, participants are eligible to defer up to 100% of their incentive cash compensation on a tax deferred basis in excess of the IRS limits imposed on 401(k) plans. The assets of the plan are held in a consolidated trust and are subject to the claims of the Company's general creditors under federal and state laws in the event of insolvency. Consequently, the trust qualifies as a Rabbi trust for income tax purposes.

As of March 31, 2021 and 2020, \$14.1 million and \$5.9 million of plan investments and obligations were recorded in other long term assets and in other long term liabilities, respectively, in the consolidated balance sheets, representing the fair value related to the deferred compensation plan. Adjustments to the fair value of the plan investments and obligations are recorded in operating expenses.

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15. ACCUMULATED OTHER COMPREHENSIVE LOSS

All amounts recorded in other comprehensive loss are related to the Company's post-retirement plans and interest rate swaps designated as cash flow hedges. The following table shows the changes in accumulated other comprehensive loss, net of tax:

	Fiscal Year Ended March 31, 2021		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of year	\$ (4,127)	\$ (41,874)	\$ (46,001)
Other comprehensive income (loss) before reclassifications (1)	2,481	(1,529)	952
Amounts reclassified from accumulated other comprehensive loss	84	15,194	15,278
Net current-period other comprehensive income	2,565	13,665	16,230
End of year	(1,562)	(28,209)	(29,771)

(1) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefits of \$0.5 million for the fiscal year ended March 31, 2021.

	Fiscal Year Ended March 31, 2020		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of year	\$ (9,068)	\$ (2,122)	\$ (11,190)
Other comprehensive income (loss) before reclassifications (2)	4,860	(41,300)	(36,440)
Amounts reclassified from accumulated other comprehensive loss	81	1,548	1,629
Net current-period other comprehensive income (loss)	4,941	(39,752)	(34,811)
End of year	\$ (4,127)	\$ (41,874)	\$ (46,001)

(2) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefits of \$14.6 million for the fiscal year ended March 31, 2020.

	Fiscal Year Ended March 31, 2019		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of year	\$ (20,955)	\$ 5,849	\$ (15,106)
Other comprehensive income (loss) before reclassifications (3)	10,262	(7,214)	3,048
Amounts reclassified from accumulated other comprehensive loss	1,625	(757)	868
Net current-period other comprehensive income (loss)	11,887	(7,971)	3,916
End of year	\$ (9,068)	\$ (2,122)	\$ (11,190)

(3) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax expenses of \$2.6 million for the fiscal year ended March 31, 2019

The following table presents the reclassifications out of accumulated other comprehensive loss to net income:

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	Fiscal Year Ended March 31,		
	2021	2020	2019
Amounts reclassified from accumulated other comprehensive loss:			
Post-retirement plans (Note 14):			
Amortization of net actuarial loss included in net periodic benefit cost	\$ 114	\$ 109	\$ 2,201
Tax benefit (expense)	(30)	(28)	(576)
Net of tax	<u>\$ 84</u>	<u>\$ 81</u>	<u>\$ 1,625</u>
Derivatives designated as cash flow hedges (Note 11):			
Reclassification of hedge (loss) gain	\$ 20,558	\$ 2,094	\$ (1,026)
Tax benefit (expense)	(5,364)	(546)	269
Net of tax	<u>\$ 15,194</u>	<u>\$ 1,548</u>	<u>\$ (757)</u>

16. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	March 31,	
	2021	2020
Postretirement benefit obligations	126,054	124,375
Reserves for uncertain tax positions	\$ 53,203	\$ 56,130
Other (1)	51,727	63,096
Total other long-term liabilities	<u>\$ 230,984</u>	<u>\$ 243,601</u>

(1) Balances at March 31, 2021 and March 31, 2020 primarily include the long-term liability portion of the Company's derivative instruments of \$21.0 million and \$37.8 million, respectively, the long term deferred compensation plan liability of \$14.1 million and \$5.9 million, respectively, and the Company's long term disability obligation of \$10.9 million and \$10.7 million, respectively. See Note 11 and Note 14 to our consolidated financial statements.

17. STOCKHOLDERS' EQUITY

Common Stock

Holders of Class A Common Stock are entitled to one vote for each share. Each share of Class A Common is entitled to participate equally in all dividends and other distributions declared on and payable with respect to the Class A Common Stock, subject to the preferences and rights of any preferred stock and General Corporation Law of the State of Delaware. The Company's ability to pay dividends to stockholders is limited as a practical matter by restrictions in the agreements governing the Company's indebtedness.

The authorized and unissued shares of Class A Common Stock are available for future issuance upon stock option exercises and vesting of restricted stock units without additional stockholder approval.

Share Repurchase Program

On December 21, 2011, the Board of Directors adopted a share repurchase program, which was most recently increased on January 27, 2021 to authorize the repurchase of up to \$1,710.0 million in shares of Class A Common Stock. A special committee of the Board of Directors evaluates market conditions and other relevant factors and initiates repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. During fiscal 2021, the Company purchased 3.8 million shares of Class A Common Stock in a series of open market transactions for \$293.4 million. During fiscal 2020, the Company purchased 2.5 million shares of Class A Common Stock in a series of open market transactions for \$173.4 million. As of March 31, 2021, the Company had \$591.5 million remaining under the share repurchase program.

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Dividends

The following table summarizes the cash distributions recognized in the consolidated statement of cash flows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Recurring dividends (1)	\$ 181,066	\$ 146,602	\$ 114,234
Dividend equivalents (2)	—	—	280
Total distributions	\$ 181,066	\$ 146,602	\$ 114,514

(1) Amounts represent recurring quarterly dividends that were declared and paid for during each quarter of fiscal 2021, 2020, and 2019.

(2) Dividend equivalents are distributions made to option holders equal to the special dividends declared and paid.

18. STOCK-BASED COMPENSATION

The following table summarizes stock-based compensation expense recognized in the consolidated statements of operations:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Cost of revenue	\$ 27,682	\$ 16,272	\$ 8,990
General and administrative expenses	32,162	27,018	22,285
Total	\$ 59,844	\$ 43,290	\$ 31,275

The following table summarizes the total stock-based compensation expense recognized in the consolidated statements of operations by the following types of equity awards:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Equity Incentive Plan Options	\$ 2,625	\$ 2,741	\$ 2,374
Restricted Stock Awards	57,219	40,549	28,901
Total	\$ 59,844	\$ 43,290	\$ 31,275

As of March 31, 2021 and 2020, there was \$43.3 million and \$33.5 million, respectively, of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of March 31, 2021 is expected to be fully amortized over the next 5 years. Absent the effect of forfeiture or acceleration of stock compensation cost for any departures of employees, the following tables summarize the unrecognized compensation cost, the weighted average period the cost is expected to be amortized, and the estimated annual compensation cost for the future periods indicated below (excludes any future award):

	Unrecognized Compensation Cost		Weighted Average Remaining Period to be Recognized	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Equity Incentive Plan Options	\$ 3,426	\$ 3,721	3.45	3.57
Restricted Stock Awards	39,881	29,738	1.87	1.78
Total	\$ 43,307	\$ 33,459		

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	Total Unrecognized Compensation Cost					
	Total	2022	2023	2024	2025	2026
Equity Incentive Plan Options	\$ 3,426	\$ 1,798	\$ 983	\$ 468	\$ 167	\$ 10
Restricted Stock Awards	39,881	25,925	12,894	1,062	—	—
Total	<u>\$ 43,307</u>	<u>\$ 27,723</u>	<u>\$ 13,877</u>	<u>\$ 1,530</u>	<u>\$ 167</u>	<u>\$ 10</u>

Equity Incentive Plan

The Company's Equity Incentive Plan, or EIP, was adopted in connection with the Merger Agreement for employees and directors of Holding. The EIP was amended and restated in 2010 in connection with the Company's initial public offering, and on May 22, 2014 and January 28, 2020. Awards under the EIP may be made in the form of stock options; stock purchase rights; restricted stock; restricted stock units; performance shares; performance units; stock appreciation rights; deferred share units; dividend equivalents; and other stock-based awards. As of March 31, 2021 and 2020, there were 9.3 million and 10.1 million shares, respectively, available for future grant under the EIP.

Stock Options

Stock options under the EIP are granted at the discretion of the Board of Directors or its Compensation Committee and expire ten years from the grant date. Stock options generally vest in equal installments over a five-year period subject to the grantee's continued service on each applicable vesting. All options under the EIP are exercisable, upon vesting, for shares of Class A Common Stock of Holding. During fiscal 2021, 270,930 options were granted under the EIP.

The aggregate grant date fair value of the EIP options issued during fiscal 2021 and 2020, was \$3.6 million and \$3.7 million, respectively, and is recorded as expense over the vesting period. The total fair value of EIP options vested during both fiscal 2021 and 2020 was \$2.4 million. The total intrinsic value of EIP options exercised during fiscal 2021 and 2020 was \$28.9 million and \$30.6 million, respectively.

Annual Incentive Plans

On October 1, 2010, the Board of Directors adopted an Annual Incentive Plan, or AIP, in connection with the initial public offering to more appropriately align the Company's compensation programs with those of similarly situated companies. The amount of the annual incentive payment is determined based on performance targets established by the Board of Directors and a portion of the bonus may be paid in the form of equity (including stock and other awards under the EIP). Such equity awards vest over a three-year period subject to the employee's continued service to the Company. The related expense is recognized in the accompanying consolidated statements of operations based on grant date fair value over the vesting period of three years.

The Company maintains annual incentive programs for officers and key employees. The equity compensation would be issued in the form of restricted stock units of which a portion would vest based on the passage of time, and the other portion would vest based on specified performance conditions to be achieved over a specified time period. A restricted stock unit represents a contingent right to receive one share of Class A Common Stock upon vesting. Service-based restricted stock units vest in equal installments over a three-year period subject to the grantee's continued service on each applicable vesting date and are settled for shares of Class A Common Stock. Dividend equivalents are paid in respect of the service-based restricted stock units when dividends are paid on the Company's Class A Common Stock. Performance-based awards vest at the end of a three-year period subject to certain specified financial performance criteria and the grantee's continued service through the period. These awards are settled for Class A Common Stock and dividend equivalents. Compensation expense for performance-based awards during the performance period is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria.

The Company also maintains a program whereby certain non-officer employees would be eligible to receive a portion of their annual bonus in equity. The equity compensation would be issued in the form of restricted stock units that would vest immediately after issuance or over an applicable vesting period subject to the employee's continued service for the Company. The associated expense will be recognized in the accompanying consolidated statements of operations based on grant date fair value.

Grants of Class A Restricted Common Stock and Restricted Stock Units

During fiscal 2021, the Board of Directors granted an aggregate of 968,903 Restricted Stock Units with service-based and performance-based vesting conditions to existing officers, vice presidents, and other employees and non-employees of the

BOOZ ALLEN HAMILTON HOLDING CORPORATION
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Company, as well as to newly promoted and hired partners and vice presidents. The awards will vest based on the applicable vesting period for the specific award subject to the employees' continued employment with the Company.

The Board of Directors also granted 20,829 shares of Class A Restricted Common Stock to members of the Board of Directors during fiscal 2021. These awards generally vest over one year.

The aggregate fair value of all awards issued during fiscal 2021 was \$69.0 million and was based on the grant date stock price, which ranged from \$34.02 to \$97.84. This amount will be recognized in the accompanying consolidated statements of operations over the applicable vesting period of the awards.

The total fair value of restricted stock shares vested during fiscal 2021 and 2020 was \$49.8 million and \$27.9 million, respectively.

As permitted under the terms of the EIP, the Compensation Committee, as Administrator of the Plan, authorized the withholding of taxes not to exceed the minimum statutory withholding amount, through the surrender of shares of Class A Common Stock issuable upon the vesting or accelerated vesting of Restricted Stock. As a result of these transactions, the Company repurchased 314,956 shares and recorded them as treasury shares at a total cost of \$24.6 million in fiscal 2021.

Methodology

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value for stock option awards. The fair value of the Company's stock is based on the closing price on the New York Stock Exchange on the date of grant.

During fiscal 2021, the Company's Board of Directors authorized and declared four quarterly cash dividends: \$0.31 per share in the first, second and third quarters and \$0.37 per share in the fourth quarter. Therefore, an annualized dividend yield between 2.32% and 2.86% was used in the Black-Scholes option-pricing model for all grants issued during the fiscal year. The Company plans to continue paying recurring dividends in the near term and assessing its excess cash resources to determine the best way to utilize its excess cash flow to meet its objectives. One way the Company may utilize excess cash includes the payment of special dividends. The Company does not anticipate or forecast the payment of special dividends and therefore does not include special dividends in the annual dividend yield that the company uses to calculate the fair value of stock options, as the Company does not pay these special dividends on a regular basis.

The risk-free interest rate is determined by reference to the U.S. Treasury yield curve rates with the remaining term equal to the expected life assumed at the date of grant. The average expected life is calculated based on the Company's historical experience with respect to its stock plan activity in combination with an estimate of when vested and unexercised option shares will be exercised. Forfeitures were estimated based on the Company's historical analysis of officer and vice-president attrition levels and actual forfeiture rates by grant date. Implied volatility is calculated as of each grant date based on our historical volatility. Other than the expected life of the option, volatility is the most sensitive input to our option grants.

The weighted average assumptions used in the Black-Scholes option-pricing model for stock option awards were as follows:

	For The Fiscal Year Ended March 31,		
	2021	2020	2019
Dividend yield	2.72 %	2.17 %	2.01 %
Expected volatility	27.41 %	24.74 %	25.83 %
Risk-free interest rate	0.35 %	2.11 %	2.81 %
Expected life (in years)	5.00	5.00	5.00
Weighted-average grant date fair value	\$ 13.1	\$ 12.39	\$ 9.67

The following table summarizes unvested restricted stock activity for the periods presented:

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	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested Restricted Stock Awards		
Unvested at March 31, 2020	887,436	\$ 50.72
Granted	989,732	69.75
Vested	895,521	55.65
Forfeited	61,147	65.94
Unvested at March 31, 2021	<u>920,500</u>	<u>\$ 65.37</u>

The following table summarizes stock option activity for the periods presented:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Equity Incentive Plan Options		
Options outstanding at March 31, 2020	1,753,139	\$ 34.91
Granted	270,930	75.55
Forfeited	106,712	61.36
Expired	—	—
Exercised	504,450	23.29
Options outstanding at March 31, 2021	<u>1,412,907</u>	<u>\$ 44.86</u>

The following table summarizes unvested stock options for the periods presented:

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Value</u>
Equity Incentive Plan Options		
Unvested at March 31, 2020	580,317	\$ 10.56
Granted	270,930	13.10
Vested	229,823	10.57
Forfeited	106,712	11.81
Unvested at March 31, 2021	<u>514,712</u>	<u>\$ 11.64</u>

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The following table summarizes stock options outstanding at March 31, 2021:

Range of exercise prices ⁽¹⁾	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Intrinsic Value	Stock Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Intrinsic Value
Equity Incentive Plan								
\$9.94 - \$97.84	1,412,907	\$44.86	6.34	\$ 50,399	898,195	\$36.10	5.3	\$39,905

Employee Stock Purchase Plan

The Company offers a tax qualified Employee Stock Purchase Plan, or ESPP, which is designed to enable eligible employees to periodically purchase shares of the Class A Common Stock up to an aggregate of 10 million shares at a five percent discount from the fair market value of the Class A Common Stock. The ESPP provides for quarterly offering periods. For the year ended March 31, 2021, 249,095 shares of Class A Common Stock were purchased by employees under the ESPP. Since the program's inception, 2,908,898 shares have been purchased by employees.

19. FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurements establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The financial instruments measured at fair value in the accompanying consolidated balance sheets consist of the following:

	Recurring Fair Value Measurements as of March 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Long term deferred compensation plan asset (1)	14,142	—	—	14,142
Total Assets	\$ 14,142	\$ —	\$ —	\$ 14,142
Liabilities:				
Contingent consideration liability (2)	\$ —	\$ —	\$ 1,223	\$ 1,223
Current derivative instruments (3)	—	17,163	—	17,163
Long-term derivative instruments (3)	—	20,999	—	20,999
Long term deferred compensation plan liability (1)	14,142	—	—	14,142
Total Liabilities	\$ 14,142	\$ 38,162	\$ 1,223	\$ 53,527

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	Recurring Fair Value Measurements as of March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Long term deferred compensation plan asset (1)	\$ 5,879	\$ —	\$ —	\$ 5,879
Total Assets	\$ 5,879	\$ —	\$ —	\$ 5,879
Liabilities:				
Contingent consideration liability (2)	\$ —	\$ —	\$ 1,224	\$ 1,224
Current derivative instruments (3)	\$ —	\$ 18,831	\$ —	\$ 18,831
Long-term derivative instruments (3)	\$ —	\$ 37,819	\$ —	\$ 37,819
Long term deferred compensation plan liability (1)	\$ 5,879	\$ —	\$ —	\$ 5,879
Total liabilities	\$ 5,879	\$ 56,650	\$ 1,224	\$ 63,753

(1) Investments in this category consist of primarily of mutual funds whose fair values are determined by reference to the quoted market price per unit in active markets multiplied by the number of units held without consideration of transaction costs. These assets represent investments held in a consolidated trust to fund the Company's non-qualified deferred compensation plan and are recorded in other long-term assets and other long-term liabilities on our consolidated balance sheets.

(2) The Company recognized a contingent consideration liability of \$3.6 million in connection with the acquisition of Aquilent in fiscal 2017. As of both March 31, 2021 and 2020, the estimated fair value of the contingent consideration liability was \$1.2 million, and was valued using probability-weighted cash flows, which is based on the use of Level 3 fair value measurement inputs.

(3) The Company's interest rate swaps are considered over-the-counter derivatives and fair value is estimated based on the present value of future cash flows using a model-derived valuation that uses Level 2 observable inputs such as interest rate yield curves. See Note 11 to the consolidated financial statements for further discussion on the Company's derivative instruments designated as cash flow hedges.

The fair value of the Company's cash and cash equivalents, which are Level 1 inputs, approximated its carrying values at March 31, 2021 and 2020. The fair value of the Company's debt instruments approximated its carrying value at March 31, 2021 and 2020. The fair value of debt is determined using quoted prices or other market information obtained from recent trading activity of each debt tranche in markets that are not active (Level 2 inputs). The fair value is corroborated by prices derived from the interest rate spreads of recently completed leveraged loan transactions of a similar credit profile, industry, and terms to that of the Company. The fair value of Senior Notes is determined using quoted prices or other market information from recent trading activity in the high-yield bond market (Level 2 inputs).

20. RELATED-PARTY TRANSACTIONS

Two of our directors currently serve on the board of directors of a subcontractor to which the Company subcontracted \$85.9 million, \$79.7 million and \$55.3 million of services for fiscal 2021, 2020 and 2019, respectively.

21. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Third-Party Guarantees

As of March 31, 2021 and 2020, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$9.8 million and \$9.7 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At both March 31, 2021 and 2020, approximately \$0.9 million of these instruments reduce the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$20.0 million facility, originally established in fiscal 2015 and most recently increased to \$20.0 million in fiscal 2021, of which \$11.1 million and \$6.2 million, respectively, was available to the Company at March 31, 2021 and 2020.

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Government Contracting Matters - Provision for Claimed Indirect Costs

For fiscal 2021, 2020, and 2019, approximately 97%, 96%, and 96%, respectively, of the Company's revenue was generated from contracts where the end user was an agency or department of the U.S. government, including contracts where the Company performed either as a prime contractor or subcontractor, and regardless of the geographic location in which the work was performed. U.S. government contracts and subcontracts are subject to extensive legal and regulatory requirements. From time to time and in the ordinary course of business, agencies of the U.S. government audit our claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency (DCAA), routinely audit our claimed indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts. U.S. government audits, inquiries, or investigations of the Company, whether related to the Company's U.S. government contracts or subcontracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including withholding of payments, suspension of payments, repayments, fines, or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. government contracting. Management believes it has recorded the appropriate provision for claimed indirect costs for any audit, inquiry, or investigation of which it is aware that may be subject to any reductions and/or penalties. As of March 31, 2021 and 2020, the Company had recorded liabilities of approximately \$263.2 million and \$224.6 million, respectively, for estimated adjustments to claimed indirect costs based on its historical DCAA audit results, including the final resolution of such audits with the Defense Contract Management Agency, for claimed indirect costs incurred subsequent to fiscal 2011, and for contracts not yet closed that are subject to audit and final resolution.

Litigation

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government, which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of March 31, 2021 and 2020, there were no material amounts accrued in the consolidated financial statements related to these proceedings.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent the Company in connection with this matter and respond to the government's requests. As is commonly the case with this type of matter, the Company has also been in contact with other regulatory agencies and bodies, including the SEC, which notified the Company that it is conducting an investigation that the Company believes relates to the matters that are also the subject of the DOJ's investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ's investigation. In accordance with the Company's practice, the Company is cooperating with all relevant government parties. On May 12, 2021, the Company was informed that the DOJ has closed its criminal investigation. The total cost associated with these matters will depend on many factors, including the duration of these matters and any related findings. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

On June 19, 2017, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Virginia styled Langley v. Booz Allen Hamilton Holding Corp., No. 17-cv-00696

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naming the Company, its Chief Executive Officer and its Chief Financial Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. On September 5, 2017, the court named two lead plaintiffs, and on October 20, 2017, the lead plaintiffs filed a consolidated amended complaint. The complaint asserts claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company purporting to relate to matters that are the subject of the DOJ investigation described above. The plaintiffs seek to recover from the Company and the individual defendants an unspecified amount of damages. The Company believes the suit lacks merit and intends to defend against the lawsuit. Motions to dismiss were argued on January 12, 2018, and on February 8, 2018, the court dismissed the amended complaint in its entirety without prejudice. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

On November 13, 2017, a Verified Shareholder Derivative Complaint was filed in the United States District Court for the District of Delaware styled Celine Thum v. Rozanski et al., C.A. No. 17-cv-01638, naming the Company as a nominal defendant and numerous current and former officers and directors as defendants. The complaint asserts claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, and violations of Sections 14(a), 10(b) and 20(a) of the Exchange Act, purportedly relating to matters that are the subject of the DOJ investigation described above. The parties have stipulated to a stay of the proceedings pending the outcome of the securities litigation (described above), which the court so ordered on January 24, 2018. On December 12, 2019, the court ordered that the stay remain in effect and ordered the parties to submit periodic status reports. On May 27, 2020 and November 23, 2020, the parties submitted status reports stating that plaintiff believes the stay should remain in effect and defendants do not object to the stay remaining in effect. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

22. BUSINESS SEGMENT INFORMATION

The Company reports operating results and financial data in one operating and reportable segment. The Company manages its business as a single profit center in order to promote collaboration, provide comprehensive functional service offerings across its entire client base, and provide incentives to employees based on the success of the organization as a whole. Although certain information regarding served markets and functional capabilities is discussed for purposes of promoting an understanding of the Company's complex business, the Company manages its business and allocates resources at the consolidated level of a single operating segment.

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23. UNAUDITED QUARTERLY FINANCIAL DATA

	Fiscal 2021 Quarters			
	First	Second	Third	Fourth
Revenue	\$ 1,956,453	\$ 2,019,185	\$ 1,904,020	\$ 1,979,280
Operating income	191,887	207,221	184,257	171,006
Income before income taxes	170,816	175,400	165,983	150,240
Net income	129,329	136,081	144,371	199,177
Earnings per common share:				
Basic (1)	\$ 0.93	\$ 0.98	\$ 1.04	\$ 1.45
Diluted (1)	\$ 0.92	\$ 0.98	\$ 1.03	\$ 1.43

	Fiscal 2020 Quarters			
	First	Second	Third	Fourth
Revenue	\$ 1,825,176	\$ 1,819,577	\$ 1,849,441	\$ 1,969,647
Operating income	179,046	172,035	169,045	149,076
Income before income taxes	155,830	148,177	146,723	128,704
Net income	117,386	114,325	112,026	138,866
Earnings per common share:				
Basic (1)	\$ 0.83	\$ 0.81	\$ 0.79	\$ 0.99
Diluted (1)	\$ 0.83	\$ 0.80	\$ 0.79	\$ 0.98

(1) Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

24. SUPPLEMENTAL FINANCIAL INFORMATION

The following schedule summarizes valuation and qualifying accounts for the periods presented:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Allowance for doubtful accounts:			
Beginning balance	\$ 3,985	\$ 10,679	\$ 77
Cumulative effect of accounting changes (1)	496	—	—
(Benefit) provision for doubtful accounts	(2,599)	(6,454)	11,882
Charges against allowance	(425)	(240)	(1,280)
Ending balance	\$ 1,457	\$ 3,985	\$ 10,679
Tax valuation allowance			
Beginning balance	(4,296)	(2,853)	(1,373)
Other adjustments	(1,869)	(1,443)	(1,480)
Ending balance	\$ (6,165)	\$ (4,296)	\$ (2,853)

(1) Represents the adjustments to the allowance for expected credit losses for the adoption of Topic 326 in Fiscal 2021

25. SUBSEQUENT EVENTS

Shares repurchased and withheld to cover taxes

The Company paid \$15.4 million during the first quarter of fiscal 2022 for 191,327 shares of Class A Common Stock withheld to cover taxes related to Restricted Stock vesting during the fourth quarter of fiscal 2021 that had not settled in cash by March 31, 2021.

Dividend Declared

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On May 21, 2021, the Company announced that its Board of Directors had declared a quarterly cash dividend of \$0.37 per share. Payment of the dividend will be made on June 30, 2021 to stockholders of record at the close of business on June 15, 2021.

Acquisition

On May 3, 2021, the Company entered into a membership interest purchase agreement with Liberty IT Solutions, LLC ("Liberty"), pursuant to which the Company has agreed to purchase 100% of the outstanding ownership interests of Liberty for \$725 million, subject to certain adjustments. The transaction is expected to close in the first quarter of fiscal 2022, subject to regulatory approvals.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective as of March 31, 2021.

Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and the Board regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2021. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013 framework)*. Based on this assessment, management has concluded that, as of March 31, 2021, our internal control over financial reporting was effective.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting, which is below.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, that occurred in the fourth fiscal quarter of the period covered by this Annual Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Booz Allen Hamilton Holding Corporation

Opinion on Internal Control over Financial Reporting

We have audited Booz Allen Hamilton Holding Corporation's internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Booz Allen Hamilton Holding Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes and our report dated May 21, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
May 21, 2021

Item 9B. Other Information.

On May 18, 2021, the Company's compensation committee approved for fiscal 2022 increases in (and changes in the composition of) the compensation of Horacio D. Rozanski, the Company's President and Chief Executive Officer. Mr. Rozanski's pay mix for fiscal 2022 reflects an increase in the portion of his target total direct compensation provided in the form of equity to 74%. In addition, 72% of the fiscal 2022 equity granted to Mr. Rozanski will be in the form of long-term performance equity awards. As a result of these changes, effective for fiscal 2022, Mr. Rozanski's base salary, target annual cash bonus, and target annual equity grant value will equal \$1.5 million, \$1.5 million, and \$8.5 million, respectively.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information related to our directors is set forth under the caption "Election of Directors" of our Proxy Statement for our Annual Meeting of Stockholders scheduled for July 28, 2021 (the "2021 Proxy Statement"). Such information is incorporated herein by reference.

Information relating to our Executive Officers is included in Part I of this Annual Report under the caption "Information about our Executive Officers."

Information relating to compliance with Section 16(a) of the Exchange Act, to the extent required, is set forth under the caption "Delinquent Section 16(a) Reports" of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Information related to our code of ethics is set forth under the caption "Corporate Governance and General Information Concerning the Board of Directors and its Committees" of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Information relating to the Audit Committee and Board of Directors determinations concerning whether a member of the Audit Committee is a "financial expert" as that term is defined under Item 407(d)(5) of Regulation S-K is set forth under the caption "Corporate Governance and General Information Concerning the Board of Directors and its Committees" of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Item 11. Executive Compensation.

Information relating to this item is set forth under the captions "Compensation Discussion and Analysis," "Director Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report on Executive Compensation" of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**Equity Compensation Plans**

The following table presents information concerning the securities authorized for issuance pursuant to our equity compensation plans as of March 31, 2021:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by securityholders	2,318,359	(1)	\$ 44.86	9,349,207
Equity compensation plans not approved by securityholders	—		N/A	—
Total	2,318,359	(1)	\$ 44.86	9,349,207

(1) Column (a) includes: 905,452 shares that have been granted as restricted stock units (RSUs) and 1,412,907 shares granted as options under our equity compensation plans. The weighted average price in column (b) does not take into account shares issued pursuant to RSUs.

Information relating to the security ownership of certain beneficial owners and management is included in our 2021 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information relating to this item is set forth under the captions “Certain Relationships and Related Party Transactions” and “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information relating to this item is set forth under the caption “Independent Registered Public Accounting Firm Fees” of our 2021 Proxy Statement. Such information is incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report:

(1) Financial Statements

Our consolidated financial statements filed herewith are set forth in Item 8 of this Annual Report.

(2) Financial Statement Schedules

Consolidated financial statement schedules have been omitted because either they are not applicable or the required information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Agreement and Plan of Merger, dated as of May 15, 2008, by and among Booz Allen Hamilton Inc., Booz Allen Hamilton Holding Corporation (formerly known as Explorer Holding Corporation), Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation and Booz & Company Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
2.2	<u>Spin Off Agreement, dated as of May 15, 2008, by and among Booz Allen Hamilton Inc., Booz & Company Holdings, LLC, Booz & Company Inc., Booz & Company Intermediate I Inc. and Booz & Company Intermediate II Inc. (Incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
2.3	<u>Amendment to the Agreement and Plan of Merger and the Spin Off Agreement, dated as of July 30, 2008, by and among Booz Allen Hamilton Inc., Booz Allen Hamilton Holding Corporation (formerly known as Explorer Holding Corporation), Booz Allen Hamilton Investor Corporation (formerly known as Explorer Investor Corporation), Explorer Merger Sub Corporation, Booz & Company Holdings, LLC, Booz & Company Inc., Booz & Company Intermediate I Inc. and Booz & Company Intermediate II Inc. (Incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
2.4	<u>Membership Interest Purchase Agreement, dated May 3, 2021, among (i) Booz Allen Hamilton Inc., (ii) Liberty IT Solutions, LLC, (iii) William Greene, Christopher Bickell, and Jeff Denniston, and (iv) Southpaw Representative, LLC, in its capacity as Members' Representative (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on May 4, 2021 (File No. 001-34972))</u>
3.1	<u>Fifth Amended and Restated Certificate of Incorporation of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 5, 2020 (File No. 001-34972))</u>
3.2	<u>Fifth Amended and Restated Bylaws of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report for the period ended December 31, 2020 on Form 10-Q (File No. 001-34972))</u>
4.1	<u>Form of Stock Certificate (Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
4.2	<u>Indenture, dated August 24, 2020, among Booz Allen Hamilton Inc., the Subsidiary Guarantors party thereto and Wilmington Trust, National Association (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 24, 2020 (File No. 001-34972))</u>
4.3	<u>First Supplemental Indenture, dated August 24, 2020, among Booz Allen Hamilton Inc., the Subsidiary Guarantors party thereto and Wilmington Trust, National Association (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 24, 2020 (File No. 001-34972))</u>
4.4	<u>Form of 3.875% Senior Note due 2028 (included as Exhibit A to Exhibit 4.2 hereof)</u>
4.5*	<u>Description of Capital Stock*</u>
10.1†	<u>Third Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report for the period ended December 31, 2019 on Form 10-Q (File No. 001-34972))</u>
10.2†	<u>Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
10.3†	<u>Form of Stock Option Agreement under the Equity Incentive Plan of Booz Allen Hamilton Holding Corporation (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
10.4†	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-167645))</u>
10.5†	<u>Second Amended and Restated Booz Allen Hamilton Holding Corporation Annual Incentive Plan (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report for the period ended December 31, 2019 on Form 10-Q (File No. 001-34972))</u>

- 10.6† [Booz Allen Hamilton Holding Corporation Officers' Retirement Plan \(Incorporated by reference to Exhibit 10.6 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.7† [Officer's Comprehensive Medical and Dental Choice Plans \(Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.8† [Retired Officer's Comprehensive Medical and Dental Choice Plans \(Incorporated by reference to Exhibit 10.8 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.9† [Group Variable Universal Life Insurance \(Incorporated by reference to Exhibit 10.14 to the Company's Annual Report for the year ended March 31, 2015 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.10† [Group Personal Excess Liability Insurance*](#)
- 10.11† [Officer Annual Performance Bonus Policy \(Incorporated by reference to Exhibit 10.11 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.12† [Form of Booz Allen Hamilton Holding Corporation Director and Officer Indemnification Agreement \(Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 \(File No. 333-167645\)\)](#)
- 10.13† [Form of Stock Option Agreement under the Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the year ended March 31, 2011 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.14† [Officer Transition Policy \(Incorporated by reference to Exhibit 10.14 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.15† [Form of Stock Option Agreement under the Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report for the period ended December 31, 2011 on Form 10-Q \(File No. 001-34972\)\)](#)
- 10.16 [Credit Agreement among Booz Allen Hamilton Inc., as the Borrower, the several lenders from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities \(USA\) LLC, as Joint Lead Arrangers, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities \(USA\) LLC, Barclays Bank PLC, Citigroup Global Markets Inc., HSBC Securities \(USA\) Inc., J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc. and Sumimoto Mitsui Banking Corporation, as Joint Bookrunners, Credit Suisse Securities \(USA\) LLC, as Syndication Agent, Barclays Bank PLC, Citigroup Global Markets Inc., HSBC Securities \(USA\) Inc., J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc., Sumimoto Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Co-Documentation Agents, dated as of July 31, 2012 \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 1, 2012 \(File No. 001-34972\)\)](#)
- 10.17 [Guarantee and Collateral Agreement, among Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Inc., ASE, Inc. and Booz Allen Hamilton International, Inc., in favor of Bank of America, N.A., as Collateral Agent, dated as of July 31, 2012 \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 1, 2012 \(File No. 001-34972\)\)](#)
- 10.18 [First Amendment to Credit Agreement, dated as of August 16, 2013, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, and Booz Allen Hamilton International, Inc., as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent and New Refinancing Tranche B Term Lender, and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 20, 2013 \(File No. 001-34972\)\)](#)
- 10.19† [Form of Employment Agreement \(Incorporated by reference to Exhibit 10.27 to the Company's Annual Report for the year ended March 31, 2014 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.20 [Second Amendment to Credit Agreement, dated as of May 7, 2014, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, ASE, Inc. and Booz Allen Hamilton International, Inc., as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender, and the other Lenders and financial institutions from time to time party thereto \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 13, 2014 \(File No. 001-34972\)\)](#)

- 10.21 [Third Amendment to Credit Agreement, dated as of July 13, 2016, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, ASE, Inc. and Booz Allen Hamilton International, Inc., as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent and New Refinancing Tranche B Term Lender, and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 18, 2016 \(File No. 001-34972\)\)](#)
- 10.22 [Fourth Amendment to Credit Agreement, dated as of February 6, 2017, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC and SDI Technology Corporation, as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent and New Refinancing Tranche B Term Lender, and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 7, 2017 \(File No. 001-34972\)\)](#)
- 10.23 [Fifth Amendment to Credit Agreement, dated as of March 7, 2018, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, eGov Holdings, Inc. and Aquilent, Inc., as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent, Exchanging Lender and New Refinancing Tranche B Term Lender, and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 7, 2018 \(File No. 001-34972\)\)](#)
- 10.24 [Sixth Amendment to Credit Agreement, dated as of July 23, 2018, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, eGov Holdings, Inc. and Aquilent, Inc. as Guarantors, Bank of America, N.A., as Administrative Agent and Collateral Agent and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 24, 2018 \(File No. 001-34972\)\)](#)
- 10.25 [Seventh Amendment to the Credit Agreement, dated as of November 26, 2019, among Booz Allen Hamilton Inc., as Borrower, Booz Allen Hamilton Investor Corporation, Booz Allen Hamilton Engineering Holding Co., LLC, Booz Allen Hamilton Engineering Services, LLC, SDI Technology Corporation, eGov Holdings, Inc. and Aquilent, Inc., as Guarantors, Bank of America, N.A., as Administrative Agent, Collateral Agent, Exchanging Lender and New Refinancing Tranche B Term Lender and the other Lenders and financial institutions from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 26, 2019 \(File No. 001-34972\)\)](#)
- 10.26 [ISDA 2002 Master Agreement, by and between Booz Allen Hamilton Inc. and Bank of America, N.A., dated as of December 17, 2014 \(the "Bank of America Master Agreement"\), and the Amended and Restated Schedule to the Bank of America Master Agreement, dated as of February 6, 2017. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.27 [ISDA 2002 Master Agreement, by and between Booz Allen Hamilton Inc. and JPMorgan Chase Bank, N.A., dated as of December 17, 2014 \(the "JPM Master Agreement"\), and the Amended and Restated Schedule to the JPM Master Agreement, dated as of February 8, 2017. \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.28 [ISDA 2002 Master Agreement, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of December 16, 2014 \(the "Fifth Third Master Agreement"\), and the Amended and Restated Schedule to the Fifth Third Master Agreement, dated as of February 7, 2017. \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.29 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. dated as of January 13, 2015 \(the "Bank of Tokyo-Mitsubishi Master Agreement"\), and the Amendment to the Bank of Tokyo-Mitsubishi Master Agreement, dated as of April 18, 2017. \(including the Schedule thereto\). \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)
- 10.30 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and Barclays Bank Plc, dated as of December 11, 2014 \(the "Barclays Master Agreement"\), and the Amendment to the Barclays Master Agreement, dated as of May 18, 2017. \(including the Amended and Restated Schedule thereto\). \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)
- 10.31 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and Wells Fargo Bank, N.A., dated as of February 13, 2017 \(the "Wells Fargo Master Agreement"\), including the Schedule thereto. \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)

- 10.32 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and SMBC Capital Markets, Inc., dated as of December 11, 2014, and the Amended and Restated Schedule thereto, dated as of February 6, 2017 \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 1, 2018 \(File No. 001-34972\)\)](#)
- 10.33 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and SunTrust Bank, dated as of April 10, 2017, including the Schedule thereto \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 1, 2018 \(File No. 001-34972\)\)](#)
- 10.34 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and U.S. Bank National Association, dated as of September 26, 2018, including the Schedule thereto \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 1, 2018 \(File No. 001-34972\)\)](#)
- 10.35 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and Capital One, National Association, dated as of March 27, 2019, including the Schedule thereto \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.36 [ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and PNC Bank, National Association, dated as of December 11, 2018, including the Schedule thereto \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.37 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Bank of America, N.A., dated as of April 6, 2017 \(Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.38 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and JPMorgan Chase Bank, N.A., dated as of April 6, 2017 \(Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.39 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 6, 2017 \(Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 11, 2017 \(File No. 001-34972\)\)](#)
- 10.40 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., dated as of May 26, 2017 \(Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)
- 10.41 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Barclays Bank Plc, dated as of May 30, 2017 \(Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)
- 10.42 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Wells Fargo Bank, N.A., dated as of May 25, 2017 \(Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on May 31, 2017 \(File No. 001-34972\)\)](#)
- 10.43 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and SunTrust Bank, dated as of October 29, 2018 \(Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on November 1, 2018 \(File No. 001-34972\)\)](#)
- 10.44 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and U.S. Bank National Association, dated as of October 29, 2018 \(Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on November 1, 2018 \(File No. 001-34972\)\)](#)
- 10.45 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Capital One, National Association, dated as of April 4, 2019 \(Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.46 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 2, 2019 \(Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.47 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Capital One, National Association, dated as of April 4, 2019 \(Incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.48 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and PNC Bank, National Association, dated as of April 2, 2019 \(Incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)

- 10.49 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and SMBC Capital Markets, Inc., dated as of April 2, 2019 \(Incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.50 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Bank of America, N.A., dated as of April 3, 2019 \(Incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.51 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and U.S. Bank National Association, dated as of April 2, 2019 \(Incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.52 [Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 2, 2019 \(Incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K filed on April 8, 2019 \(File No. 001-34972\)\)](#)
- 10.53 [Assumption Agreement, dated as of April 14, 2017, by eGov Holdings, Inc. and Aquilent, Inc. in favor of Bank of America, N.A., as collateral agent for the banks and other financial institutions or entities party to the Credit Agreement, as amended \(Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report for the period ended June 30, 2017 on Form 10-Q \(File No. 001-34972\)\)](#)
- 10.54† [Booz Allen Hamilton Inc. Nonqualified Deferred Compensation Plan \(Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report for the period ended December 31, 2018 on Form 10-Q \(File No. 001-34972\)\)](#)
- 10.55† [First Amendment to the Nonqualified Deferred Compensation Plan \(Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2019 on Form 10-Q \(File No. 001-34972\)\)](#)
- 10.56† [Form of Restricted Stock Unit Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.39 to the Company's Annual Report for the year ended March 31, 2017 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.57† [Form of Restricted Stock Unit Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.58 to the Company's Annual Report for the year ended March 31, 2019 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.58† [Form of Restricted Stock Unit Agreement under the Third Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.58 to the Company's Annual Report for the year ended March 31, 2020 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.59† [Form of Stock Option Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.36 to the Company's Annual Report for the year ended March 31, 2017 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.60† [Form of Stock Option Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.59 to the Company's Annual Report for the year ended March 31, 2019 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.61† [Form of Stock Option Agreement under the Third Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.61 to the Company's Annual Report for the year ended March 31, 2020 on Form 10-K \(file No. 001-34972\)\)](#)
- 10.62† [Form of Performance Restricted Stock Unit Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.37 to the Company's Annual Report for the year ended March 31, 2017 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.63† [Form of Performance Restricted Stock Unit Agreement under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.60 to the Company's Annual Report for the year ended March 31, 2019 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.64† [Form of Restricted Stock Agreement for Directors under the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.44 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.65† [Officer Perquisites Policy \(Incorporated by reference to Exhibit 10.45 to the Company's Annual Report for the year ended March 31, 2018 on Form 10-K \(File No. 001-34972\)\)](#)
- 10.66† [Form of Performance Restricted Stock Unit Agreement under the Third Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2020 on Form 10-Q \(File No. 001-34972\)\)](#)

- 10.67† [Form of Restricted Stock Unit Agreement for Directors under the Third Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report for the period ended September 30, 2020 on Form 10-Q \(File No. 001-34972\)\)](#)
- 21 [Subsidiaries of the registrant*](#)
- 23 [Consent of Independent Registered Public Accounting Firm*](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of the Chief Executive Officer*](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of the Chief Financial Officer*](#)
- 32.1 [Certification of the Chief Executive Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) and Section 1350 of Chapter 63 of Title 18 of the United States Code \(18 U.S.C. 1350\)*](#)
- 32.2 [Certification of the Chief Financial Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) and Section 1350 of Chapter 63 of Title 18 of the United States Code \(18 U.S.C. 1350\)*](#)
- 101 The following materials from Booz Allen Hamilton Holding Corporation's Annual Report on Form 10-K for the fiscal year ended March 31, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2021 and 2020; (ii) Consolidated Statements of Operations for the fiscal years ended March 31, 2021, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income for the fiscal years ended March 31, 2021, 2020 and 2019; (iv) Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2021, 2020 and 2019; (v) Consolidated Statements of Stockholders' Equity for the fiscal years ended March 31, 2021, 2020 and 2019; and (vi) Notes to Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed electronically herewith.

† Management contract or compensatory arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on this 21st day of May, 2021.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
(Registrant)

By: /s/ Horacio D. Rozanski
Name: Horacio D. Rozanski
Title: President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Horacio D. Rozanski</u> Horacio D. Rozanski	President, Chief Executive Officer and Director (Principal Executive Officer)	May 21, 2021
<u>/s/ Lloyd W. Howell, Jr.</u> Lloyd W. Howell, Jr.	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	May 21, 2021
<u>/s/ Laura S. Adams</u> Laura S. Adams	Vice President and Chief Accounting Officer (Principal Accounting Officer)	May 21, 2021
<u>/s/ Ralph W. Shrader</u> Ralph W. Shrader	Chairman of the Board	May 21, 2021
<u>/s/ Joan Lordi C. Amble</u> Joan Lordi C. Amble	Director	May 21, 2021
<u>/s/ Melody C. Barnes</u> Melody C. Barnes	Director	May 21, 2021
<u>/s/ Michèle A. Flournoy</u> Michèle A. Flournoy	Director	May 21, 2021
<u>/s/ Ian Fujiyama</u> Ian Fujiyama	Director	May 21, 2021
<u>/s/ Mark E. Gaumond</u> Mark E. Gaumond	Director	May 21, 2021

/s/ Ellen Jewett

Ellen Jewett

Director

May 21, 2021

/s/ Arthur E. Johnson

Arthur E. Johnson

Director

May 21, 2021

/s/ Gretchen W. McClain

Gretchen W. McClain

Director

May 21, 2021

/s/ Charles O. Rossotti

Charles O. Rossotti

Director

May 21, 2021

DESCRIPTION OF CAPITAL STOCK

The following descriptions of our capital stock and provisions of our fifth amended and restated certificate of incorporation, which we refer to as our amended and restated certificate of incorporation, and fifth amended and restated bylaws, which we refer to as our amended and restated bylaws, are summaries of their material terms and provisions. For a complete description of our capital stock, amended and restated certificate of incorporation and amended and restated bylaws, please refer to our amended and restated certificate of incorporation, amended and restated bylaws and the applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”).

All references to “Company”, “we”, “us”, and “our” refer to Booz Allen Hamilton Holding Corporation.

Common Stock

Our amended and restated certificate of incorporation authorizes the issuance of 600,000,000 shares of Class A common stock, par value \$0.01 per share. The rights and privileges of holders of our Class A common stock are subject to any series of preferred stock that we may issue in the future.

Our Class A common stock is registered on the New York Stock Exchange under the symbol “BAH”.

Voting Rights. Holders of Class A common stock are entitled to one vote for each share on all matters to be voted on by stockholders. Except as otherwise provided by the DGCL, the entire voting power of the shares of the Company for the election of directors and for all other purposes is vested exclusively in the Class A common stock.

Election of Directors. Directors are elected by the vote of the majority of the votes cast (as defined in Section 2.02 of the amended and restated bylaws) with respect to such director’s election; unless the director has been duly nominated by a stockholder in accordance with the amended and restated bylaws. Where a director has been duly nominated by a stockholder in accordance with the amended and restated bylaws, such directors shall be elected by the vote of a plurality of votes cast in connection with the election of directors at any meeting of stockholders. Any nominee who is an incumbent director and does not receive a majority of the votes cast in an election where the director was not duly nominated by a stockholder in accordance with the amended and restated bylaws must promptly tender his or her resignation contingent on the acceptance of that resignation by the Board of Directors (the “Board”) pursuant to the procedure established in the amended and restated bylaws.

Dividend Rights. Each share of Class A common stock is entitled to participate equally, when and if declared by the Board from time to time, in such dividends and other distributions in cash, stock, or property from the Company’s assets or funds as may become legally available for such purposes subject to any dividend preferences that may be attributable to preferred stock that may be authorized and outstanding.

Right to Receive Liquidation Distributions. In the event of our liquidation, dissolution or winding up, holders of our Class A common stock will be entitled to receive proportionately any of our assets remaining after the payment of liabilities and subject to the prior rights of any outstanding preferred stock. Because we are a holding company, our ability to pay dividends is subject to our subsidiaries’ ability to pay dividends to us, which is in turn subject to the restrictions set forth in our debt agreements.

Other Rights. Holders of Class A common stock have no preemptive, subscription, redemption, sinking fund, or conversion rights. All outstanding shares of Class A common stock are fully paid and non-assessable.

Preferred Stock

Our amended and restated certificate of incorporation authorizes the issuance of 54,000,000 shares of preferred stock, par value \$0.01 per share, the terms and conditions of which are determined by the Board upon issuance. The

rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of any shares of preferred stock that we may designate and issue in the future. As of May 17, 2021, there were no shares of preferred stock outstanding. We have no present plans to issue any shares of preferred stock.

Change of Control Related Provisions of Our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware Law

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, and in the DGCL, may make it difficult, expensive, and time-consuming for a third party to pursue a takeover attempt even if a change in control of the Company would be beneficial to the interests of our stockholders. Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. These provisions are intended to:

- enhance the likelihood of continuity and stability in the composition of our Board;
- discourage some types of transactions that may involve an actual or threatened change in control of the Company;
- discourage certain tactics that may be used in proxy fights;
- ensure that our Board will have sufficient time to act in what our Board believes to be the best interests of us and our stockholders; and
- encourage persons seeking to acquire control of our company to first consult with our Board to negotiate the terms of any proposed business combination or offer.

Unissued Shares of Capital Stock

As of May 17, 2021, 135,407,562 shares of our Class A common stock were issued and outstanding. The remaining shares of authorized and unissued Class A common stock are available for future issuance without additional stockholder approval, subject to the requirements of applicable law or regulation, including any listing requirement of the principal stock exchange on which our Class A common stock is then listed. While the additional shares are not designed to deter or prevent a change of control, under some circumstances we could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with our Board in opposing a hostile takeover bid.

In addition, our amended and restated certificate of incorporation provides our Board with the authority, without any further vote or action by our stockholders, to designate and issue one or more series of preferred stock at their sole discretion and to fix the number of shares and the preferences, limitations and relative rights of the shares constituting any series. This provision makes it possible for our Board to issue preferred stock with super voting, special approval, dividend or other rights or preferences which could impede any attempt to acquire us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control or management of our company, discouraging bids for the Class A common stock at a premium over the market price of the common stock and may adversely affect the market price of, and the voting and other rights of the holder of, Class A common stock.

Classified Board; Vacancies and Removal of Directors

Our amended and restated certificate of incorporation and amended and restated bylaws provide that, prior to the annual meeting of the stockholders to be held in 2023, each director elected to the Board shall serve the remainder of the term for which such director was elected, such that: (i) each director elected at the annual meeting of stockholders held in 2020 was elected for a term expiring at the annual meeting of stockholders to be held in 2023; (ii) each director whose term expires at the annual meeting of stockholders to be held in 2021 will be elected for a

term expiring at the annual meeting of stockholders to be held in 2022; and (iii) each director whose term expires at the annual meeting of stockholders to be held in 2022 will be elected for a term expiring at the annual meeting of stockholders to be held in 2023. Commencing with the annual meeting of stockholders to be held in 2023, the Board will no longer be classified under Section 141(d) of the DGCL and directors will be elected for one-year terms expiring at the next succeeding annual meeting of stockholders. Each director shall hold office until his or her term expires and his or her successor is duly elected and qualified, or until such director's earlier death, resignation, retirement, disqualification or removal.

Our amended and restated certificate of incorporation and amended and restated bylaws provide (i) until the election of directors at the annual meeting of stockholders to be held in 2023, a director may be removed from office only for cause and only by the affirmative vote of holders of at least a majority of the votes to which all the stockholders of the Company would be entitled to cast in any election of directors and (ii) thereafter, a director may be removed from office at any time, either for or without cause, by the affirmative vote of holders of at least a majority of the votes to which all the stockholders of the Company would be entitled to cast in any election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws also provide that vacancies in our Board may be filled only by our Board. Any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred (including a vacancy created by increasing the size of the Board) and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors will shorten the term of any incumbent director. The number of directors shall be fixed and modified, but not reduced to less than three, from time to time by resolution of our Board.

Advance Notice Provisions for Stockholder Nominations of Directors and Stockholder Proposals

Our amended and restated bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as director or to bring other business before an annual meeting of our stockholders. This procedure provides that, except as otherwise required by applicable law, only persons who are nominated by the Board, a committee appointed by the Board, or by a stockholder who (i) is entitled to vote at the meeting, (ii) has given timely written notice to our secretary prior to the meeting and (iii) is a stockholder of record when the required notice is delivered and at the date of the meeting, will be eligible for election as directors, and only business that has been brought before an annual meeting by the Board, any committee appointed by the Board, or by a stockholder who has given timely written notice to our secretary prior to the meeting, may be conducted. Under the procedure, to be timely, notice must be received by the secretary at our principal executive offices not less than 90 days and not more than 120 days prior to the first anniversary date of the annual meeting of the preceding year. In addition, a stockholder's notice proposing to nominate a person for election as director must, among other things, contain specific information about the nominating stockholder and the proposed nominee as well as the proposed nominee's written consent to be named in the proxy statement as a nominee and to serving as a director if elected. A stockholder's notice relating to the conduct of business other than the nomination of directors must contain, among other things, specific information about the proposing stockholder, the text of the proposal, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and beneficial owner, if any, on whose behalf the proposal is made.

Requiring advance notice of nominations by stockholders allows our Board an opportunity to consider the qualifications of the proposed nominees and also provides a more orderly procedure for conducting annual meetings of stockholders. It also provides the Board with the opportunity to inform stockholders of proposed business prior to the meeting, so that stockholders can better decide whether to attend the meeting or to grant a proxy regarding the disposition of the business. These provisions may also have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of the nominees or proposals might be harmful or beneficial to us or our stockholders.

Calling Special Stockholder Meetings; Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and amended and restated bylaws provide that a special meeting of stockholders may only be called by our Board. Our amended and restated bylaws provide that any action taken by the stockholders must be effected at a duly called annual or special meeting, which may be called only by the Board.

These provisions make it procedurally more difficult for a stockholder to take action without a meeting and therefore may reduce the likelihood that a stockholder will seek to take independent action with respect to matters that are not supported by management.

Limitation of Liability of Directors; Indemnification of Directors and Officers

Our amended and restated certificate of incorporation contains provisions permitted under the DGCL relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in circumstances involving or related to:

- any breach of the director's duty of loyalty;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law;
- any violation of Section 174 of the DGCL (including, among other things, unlawful payment of dividends); or
- any transaction from which the director derives an improper personal benefit.

The principal effect of the limitation on liability provision is that a stockholder will be unable to prosecute an action for monetary damages against a director unless the stockholder can demonstrate a basis for liability for which indemnification is not available under the DGCL. These provisions, however, should not limit or eliminate our rights or any stockholder's rights to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of director's fiduciary duty. These provisions will not alter a director's liability under federal securities laws. The inclusion of this provision in our certificate of incorporation may discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited us and our stockholders.

Our amended and restated bylaws require us to indemnify and advance expenses to our directors and officers to the fullest extent not prohibited by the DGCL and other applicable law, except in the case of a proceeding instituted by the director without the approval of our Board. Our amended and restated bylaws also provide that we are required to indemnify our directors and officers, to the fullest extent permitted by law, for all judgments, fines, settlements, legal fees and other expenses incurred in connection with pending or threatened legal proceedings because of the director's or officer's positions with us or another entity that the director or officer serves at our request, subject to various conditions, and to advance funds to our directors and officers to enable them to defend against such proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in our best interest and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

We have entered into an indemnification agreement with each of our directors and certain of our officers. The indemnification agreements provide our directors and certain of our officers with contractual rights to the indemnification and expense advancement rights provided under our amended and restated bylaws, as well as contractual rights to additional indemnification as provided in the indemnification agreement.

Transfer Agent and Registrar

Mellon Investor Services LLC (operating with the service name BNY Mellon Shareowner Services) serves as transfer agent and registrar for our Class A common stock.

Required Primary Underlying Insurance

(continued)

Unregistered vehicles in the minimum amount of \$300,000 bodily injury and property damage each occurrence.

Registered vehicles with less than four wheels and motorhomes in the minimum amount \$250,000 / \$500,000 bodily injury and \$100,000 property damage; or \$300,000 single limit each occurrence.

Watercraft less than 26 feet and 50 engine rated horsepower or less for bodily and property damage in the minimum amount of \$300,000 each occurrence.

Watercraft 26 feet or longer or more than 50 engine rated horsepower for bodily injury and property damage in the minimum amount of \$500,000 each occurrence.

Uninsured motorists/underinsured motorists protection in the minimum amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage; or \$300,000 single limit occurrence.

FAILURE TO COMPLY WITH THE REQUIRED PRIMARY UNDERLYING INSURANCE WILL RESULT IN A GAP IN COVERAGE.



Schedule of Forms

Policy Number:
Insured: Booz Allen Hamilton Inc.
 Group Personal Excess Program
Policy Period From: JANUARY 01, 2021 to JANUARY 01, 2022

The following is a schedule of forms issued with the policy at inception:

Form Name	Form Number
PRIVACY NOTICE - GROUP MASTER POLICY	10-02-1058 (10/16)
IMPORTANT NOTICE - OFAC	99-10-0796 (09/04)
AOD POLICYHOLDER NOTICE	99-10-0872 (06/07)
COVERAGE SUMMARY/DECLARATIONS	10-02-0690 (08/07)
GROUP PERSONAL EXCESS - CONTRACT/POLICY TERMS	10-02-0691 (07/16)
ANNUAL PREMIUM ADJUSTMENT CLAUSE	10-02-0692 (08/96)
NAMED INSURED ENDORSEMENT	10-02-0692 (08/96)
UNDERLYING LIMITS ENDORSEMENT	10-02-0692 (08/96)

Last page

CHUBB®

**GROUP PERSONAL
EXCESS LIABILITY
POLICY**

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GROUP PERSONAL EXCESS LIABILITY POLICY**INTRODUCTION**

This is your Chubb Group Personal Excess Liability Policy. Together with your Coverage Summary, it explains your coverages and other conditions of your insurance in detail.

This policy is a contract between you and us. **READ YOUR POLICY CAREFULLY** and keep it in a safe place.

Agreement

We agree to provide the insurance described in this policy in return for the premium paid by you or the Sponsoring Organization and your compliance with the policy conditions.

Definitions

In this policy, we use words in their plain English meaning. Words with special meanings are defined in the part of the policy where they are used. The few defined terms used throughout the policy are defined here:

You means the individual who is a member of the Defined Group shown as the Insured named in the Coverage Summary.

Spouse means a partner in marriage or a partner in a civil union recognized under state law and who lives with you.

We and us mean the insurance company named in the Coverage Summary.

Family member means your spouse or domestic partner or other relative who lives with you, or any other person under 25 in your care or your relative's care who lives with you.

Domestic partner means a person in a legal or personal relationship with you, who lives with you and shares a common domestic life with you, and meeting all of the benefits eligibility criteria as defined by the Sponsoring Organization.

Sponsoring Organization means the entity, corporation, partnership or sole proprietorship sponsoring and defining the criteria for qualification as an Insured.

Policy means your entire Group Personal Excess Liability Policy, including the Coverage Summary.

Coverage Summary means the most recent Coverage Summary we issued to you, including any endorsements.

Occurrence means an accident or offense to which this insurance applies and which begins within the policy period. Continuous or repeated exposure to substantially the same general conditions unless excluded is considered to be one occurrence.

Business means any employment, trade, occupation, profession, or farm operation including the raising or care of animals or any activities intended to realize a benefit or financial gain engaged in on a full-time, part-time or occasional basis.

Defined Group means those individuals meeting the criteria for qualification as an Insured as defined by the Sponsoring Organization and accepted by us.

Follow form means we cover damages to the extent they are both covered under the Required Primary Underlying Insurance and, not excluded under this policy. Also, the amount of coverage, defense coverages, cancellation and "other insurance" provisions of this policy supersede and replace the similar provisions contained in such other policies. When this policy is called upon to pay losses in excess of required primary underlying policies exhausted by payment of claims, we do not provide broader coverage than provided by such policies. When no primary underlying coverage exists, the extent of coverage provided on a follow form basis will be determined as if the required primary underlying insurance had been purchased from us.

Covered person means:

- you or a family member;
- any person using a vehicle or watercraft covered under this policy with permission from you or a family member with respect to their legal responsibility arising out of its use;
- any other person who is a covered person under your Required Primary Underlying Insurance;
- any person or organization with respect to their legal responsibility for covered acts or omissions of you or a family member; or
- any combination of the above.

Definitions

(continued)

Damages mean the sum that is paid or is payable to satisfy a claim settled by us or resolved by judicial procedure or by a compromise we agree to in writing.

Personal injury means the following injuries, and resulting death:

- bodily injury;
- shock, mental anguish, or mental injury;
- false arrest, false imprisonment, or wrongful detention;
- wrongful entry or eviction;
- malicious prosecution or humiliation; and
- libel, slander, defamation of character, or invasion of privacy.

Bodily injury means physical bodily harm, including sickness or disease that results from it, and required care, loss of services and resulting death.

Property damage means physical injury to or destruction of tangible property and the resulting loss of its use. Tangible property includes the cost of recreating or replacing stocks, bonds, deeds, mortgages, bank deposits, and similar instruments, but does not include the value represented by such instruments. Tangible property does not include the cost of recreating or replacing any software, data or other information that is in electronic form.

Registered vehicle means any motorized land vehicle not described in "unregistered vehicle."

Unregistered vehicle means:

- any motorized land vehicle not designed for or required to be registered for use on public roads;
- any motorized land vehicle which is in dead storage at your residence;
- any motorized land vehicle used solely on and to service your residence premises;
- any motorized land vehicle used to assist the disabled that is not designed for or required to be registered for use on public roads; or
- golf carts.

GROUP PERSONAL EXCESS COVERAGE

This part of your Group Personal Excess Liability Policy provides you or a family member with liability coverage in excess of your underlying insurance anywhere in the world unless stated otherwise or an exclusion applies.

Payment for a Loss

Amount of coverage

The amount of coverage for liability is shown in the Coverage Summary. We will pay on your behalf up to that amount for covered damages from any one occurrence, regardless of how many claims, homes, vehicles, watercraft, or people are involved in the occurrence.

Any costs we pay for legal expenses (see **Defense coverages**) are in addition to the amount of coverage.

Underlying Insurance

We will pay only for covered damages in excess of all underlying insurance covering those damages, even if the underlying coverage is for more than the minimum amount.

"Underlying insurance" includes all liability coverage that applies to the covered damages, except for other insurance purchased in excess of this policy.

Required primary underlying insurance

Regardless of whatever other primary underlying insurance may be available in the event of a claim or loss, it is a condition of your policy that you and your family members must maintain in full effect primary underlying liability insurance of the types and in at least the amounts set forth below unless a different amount is shown in your Coverage Summary, covering your personal liability and to the extent you or a family member have such liability exposures, all vehicles and watercraft you or your family members own, or rent for longer than 60 days, or have furnished for longer than 60 days, as follows:

Personal liability (homeowners) for personal injury and property damage in the minimum amount of \$300,000 each occurrence.

Payment for a Loss
(continued)

Registered vehicles in the minimum amount of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

Unregistered vehicles in the minimum amount of \$300,000 bodily injury and property damage each occurrence.

Registered vehicles with less than four wheels and motorhomes in the minimum amount of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

Watercraft less than 26 feet and 50 engine rated horsepower or less for bodily injury and property damage in the minimum amount of \$300,000 each occurrence.

Watercraft 26 feet or longer or more than 50 engine rated horsepower for bodily injury and property damage in the minimum amount of \$500,000 each occurrence.

Uninsured motorists/underinsured motorist protection in the minimum amounts of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

With respect to you and your family members residing outside of the United States, the required primary underlying insurance limits of liability shall be the same limits of liability as shown above, unless you and your family members reside in a country where the minimum required primary underlying insurance limits of liability are not available. In these countries, you and your family members must maintain in full effect primary underlying liability insurance limits equal to the maximum limits of liability available in that country for all coverages up to the minimum required primary underlying limits shown in the Coverage Summary under Required Primary Underlying Insurance.

Failure by you or your family members to comply with this condition, or failure of any of your primary underlying insurers due to insolvency or bankruptcy, shall not invalidate this policy. In the event of any such failure, we shall only be liable in excess of the foregoing minimum amounts and to no greater extent with respect to coverages, amounts and defense costs than we would have been had this failure not occurred.

You must also give notice of losses and otherwise cooperate and comply with the terms and conditions of such primary underlying insurance.

Group Personal Excess Liability Coverage

We cover damages a covered person is legally obligated to pay for personal injury or property damage, caused by an occurrence:

- in excess of damages covered by the underlying insurance; or
- from the first dollar of damage where no underlying insurance is required under this policy and no underlying insurance exists; or
- from the first dollar of damage where underlying insurance is required under this policy but no coverage is provided by the underlying insurance for a particular occurrence;

unless stated otherwise or an exclusion applies.

Exclusions to this coverage are described in **Exclusions**.

Excess uninsured motorists/underinsured motorist protection

This coverage is in effect only if excess uninsured motorists/underinsured motorists protection is shown in the Coverage Summary.

Group Personal Excess Liability Coverage (continued)

We cover damages for bodily injury and property damage a covered person is legally entitled to receive from the owner or operator of an uninsured motorized/underinsured motorized land vehicle. We cover these damages in excess of the underlying insurance or the Required Primary Underlying Insurance, whichever is greater, if they are caused by an occurrence during the policy period, unless otherwise stated.

Amount of coverage. The maximum amount of excess uninsured motorists/underinsured motorists protection available for any one occurrence is the excess uninsured motorists/underinsured motorists protection amount shown in the Coverage Summary regardless of the number of vehicles covered by the Required Primary Underlying Insurance. We will not pay more than this amount in any one occurrence for covered damages regardless of how many claims, vehicles or people are involved in the occurrence. This coverage will follow form.

Uninsured motorists/underinsured motorists protection arbitration

If we and a covered person disagree whether that person is legally entitled to recover damages from the owner or operator of an uninsured motor vehicle/underinsured motor vehicle, or do not agree as to the amount of damages, either party may make a written demand for arbitration. In this event, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree on a third arbitrator within 45 days, either may request that the arbitration be submitted to the American Arbitration Association. When the covered person's recovery exceeds the minimum limit specified in the applicable jurisdiction's financial responsibility law, each party will pay the expenses it incurs, and bear the expenses of the third arbitrator equally. Otherwise, we will bear all the expenses of the arbitration.

Unless both parties agree otherwise, arbitration will take place in the county and state in which the covered person lives. Local rules of law as to procedure and evidence will apply. A decision agreed to by two arbitrators will be binding unless the recovery amount for bodily injury exceeds the minimum limit specified by the applicable jurisdiction's financial responsibility law. If the amount exceeds that limit, either party may demand the right to a trial. This demand must be made within 60 days of the arbitrator's decision. If this demand is not made, the amount of damages agreed to by the arbitrators will be binding.

Uninsured/underinsured liability coverage

This coverage is in effect only if excess uninsured motorists/underinsured motorists protection is shown in the Coverage Summary.

We cover up to a maximum of \$1 million for bodily injury and personal injury you or a family member are legally entitled to receive from an uninsured or underinsured negligent person caused by an occurrence, unless stated otherwise or an exclusion applies. We will not pay more than this amount for covered damages from any one occurrence, regardless of how many claims or people are involved in the occurrence. This coverage is excess over the total of any other collectible insurance that covers damages from the occurrence.

All the exclusions under the Group Personal Excess Liability Coverage are applicable to this Uninsured/underinsured liability coverage, and where used, the definition of you or a family member is extended to include negligent person. This coverage also does not apply to damages from an occurrence arising out of any business activities; any activities involving business property or the sale or transfer of property; or the ownership, maintenance, use, loading, unloading, or towing of any motor vehicle, watercraft, or aircraft. In addition, this coverage does not apply to damages from an occurrence arising from any employment related harassment, termination, demotion, breach of an oral or written employment contract or agreement or violation of any state or federal wrongful employment practices act or similar law.

We also do not cover any fines, penalties, taxes, punitive, exemplary or multiplied damages, or any claim or suit seeking non-monetary relief, including but not limited to, injunctive relief, declaratory relief or other equitable remedies.

"Negligent person" means an identifiable natural person by legal name who is not a family member, and who is legally responsible for damages sustained by you or a family member caused by an occurrence.

Duplication of coverage. We will not make a duplicate payment for any portion of damages for which payment has been made by or on behalf of persons who may be legally responsible, or otherwise covered by any other collectible insurance. Nor will we pay for any portion of damages if you or a family member is entitled to receive payment for the same portion of damages under any workers' compensation law, disability benefits law or similar law.

Group Personal Excess Liability Coverage
(continued)

Defense coverages

We will defend a covered person against any suit seeking covered damages for personal injury or property damage that is either:

- not covered by any underlying insurance; or
- covered by an underlying policy. This will apply to each Defense Coverage as it has been exhausted by payment of claims.

We provide this defense at our expense, with counsel of our choice, even if the suit is groundless, false, or fraudulent. We may investigate, negotiate, and settle any such claim or suit at our discretion.

As part of our investigation, defense, negotiation, or settlement, we will pay:

- all premiums on appeal bonds required in any suit we defend;
- all premiums on bonds to release attachments for any amount up to the amount of coverage (but we are not obligated to apply for or furnish any bond);
- all expenses incurred by us;
- all costs taxed against a covered person;
- all interest accruing after a judgment is entered in a suit we defend on only that part of the judgment we are responsible for paying. We will not pay interest accruing after we have paid the judgment up to the amount of coverage;
- all prejudgment interest awarded against a covered person on that part of the judgment we pay or offer to pay.

We will not pay any prejudgment interest based on that period of time after we make an offer to pay the amount of coverage;

- all earnings lost by each covered person at our request, up to \$25,000;
- other reasonable expenses incurred by a covered person at our request; and
- the cost of bail bonds required of a covered person because of a covered loss.

In jurisdictions where we may be prevented by local law from carrying out these Defense Coverages, we will pay only those defense expenses that we agree in writing to pay and that are incurred by you.

Extra Coverages

In addition to covering damages and defense costs, we also provide other related coverages. These coverages are in addition to the amount of coverage for damages and defense costs unless stated otherwise.

Shadow defense coverage

If we are defending you or a family member in a suit seeking covered damages, we will pay reasonable expenses you or a family member incur up to \$10,000 or the amount shown in the Coverage Summary for a law firm of your choice to review and monitor the defense. However any recommendation by your personal attorney is not binding on us. We will pay these costs provided that you obtain prior approval from us before incurring any fees or expenses.

Identity fraud

We will pay for your or a family member's identity fraud expenses, up to a maximum of \$25,000, for each identity fraud occurrence.

"Identity fraud" means the act of knowingly transferring or using, without lawful authority, your or a family member's means of identity which constitutes a violation of federal law or a crime under any applicable state or local law.

"Identity fraud occurrence" means any act or series of acts of identity fraud by a person or group commencing in the policy period.

"Identity fraud expenses" means:

- the costs for notarizing affidavits or similar documents for law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;
- the costs for sending certified mail to law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;

Extra Coverages (continued)

- the loan application fees for reapplying for loan(s) due to the rejection of the original application because the lender received incorrect credit information;
- the telephone expenses for calls to businesses, law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;
- earnings lost by you or a family member as a result of time off from work to complete fraud affidavits, meet with law enforcement agencies, credit agencies, merchants, or legal counsel;
- the reasonable attorney fees incurred with prior notice to us for:
- the defense of you or a family member against any suit(s) by businesses or their collection agencies;
- the removal of any criminal or civil judgements wrongly entered against you or a family member;
- any challenge to the information in your or a family member's consumer credit report; and
- the reasonable fees incurred with prior notice to us by an identity fraud mitigation entity to:
- provide services for the activities described above;
- restore accounts or credit standing with financial institutions or similar credit grantors and credit agencies; and
- monitor for up to one year the effectiveness of the fraud mitigation and to detect additional identity fraud activity after the first identify fraud occurrence.

However, such monitoring must begin no later than one year after you or a family member first report an identity fraud occurrence to us.

However, "identity fraud expenses" does not include expenses incurred due to any fraudulent, dishonest or criminal act by a covered person or any person acting with a covered person, or by any authorized representative of a covered person, whether acting alone or in collusion with others.

"Identity fraud mitigation entity" means a company that principally provides professional, specialized services to counter identity fraud for individuals or groups of individuals, or a financial institution that provides similar services.

In addition to the duties described in Policy Terms, Liability Conditions, Your duties after a loss, you shall notify an applicable law enforcement agency.

Kidnap expenses

We will pay up to a maximum of \$100,000 for kidnap expenses you or a family member incurs solely and directly as a result of a kidnap and ransom occurrence. In addition, we also will pay up to \$25,000 to any person for information not otherwise available leading to the arrest and conviction of any person(s) who kidnaps you, a family member or a covered relative. The following are not eligible to receive this reward payment:

- you or a family member; or
- a covered relative who witnessed the occurrence.

"Kidnap and ransom occurrence" means the actual or alleged wrongful taking of:

- you;
- one or more family members; or
- one or more covered relatives while visiting or legally traveling with you or a family member;
- from anywhere in the world except those places listed on the United States State Department Bureau of Consular Affairs Travel Warnings list at the time of the occurrence. The occurrence must include a demand for ransom payment which would be paid by you or a family member in exchange for the release of the kidnapped person(s).

"Kidnap expenses" means the reasonable costs for:

- a professional negotiator;
- a professional security consultant;
- professional security guard services;
- a professional public relations consultant;
- travel, meals, lodging and phone expenses incurred by you or a family member;
- advertising, communications and recording equipment;
- related medical, cosmetic, psychiatric and dental expenses incurred by a kidnapped person within 12 months from that person's release;
- attorneys fees;
- a professional forensic analyst;
- earnings lost by you or a family member, up to \$25,000.

Extra Coverages*(continued)*

However, "kidnap expenses" does not include expenses incurred due to any kidnap and ransom occurrence caused by:

- you or a family member;
- a covered relative;
- any guardian, or former guardian of you, a family member or covered relative;
- any estranged spouse or domestic partner, or former spouse or domestic partner of you or a family member;
- any person unrelated to you or a family member who lives with you or a family member or has ever lived with you or a family member for 6 or more months, other than a domestic employee, residential staff, or a person employed by you or a family member for farm work; or
- a civil authority,

or any person acting on behalf of any of the above, whether acting alone or in collusion with others.

"Covered relative" means the following relatives of you, or a spouse or domestic partner who lives with you, or any family member:

- children, their children or other descendants of theirs;
- parents, grandparents or other ancestors of theirs; or
- siblings, their children or other descendants of theirs;

who do not live with you, including spouses or domestic partners of all of the above. Parents, grandparents and other ancestors include adoptive parents, stepparents and stepgrandparents.

Reputational injury. If we are defending you or a family member in a suit seeking covered damages, we will pay reasonable and necessary fees or expenses that you or a family member incur for services provided by a reputation management firm to minimize potential injury to the reputation of you or a family member solely as a result of personal injury or property damage, caused by an occurrence if:

- the reputational injury is reported to us as soon as reasonably possible but not later than 30 days after the personal injury or property damage occurrence; and
- you obtain approval of the reputation management firm from us before incurring any fees or expenses, unless stated otherwise or an exclusion applies. There is no deductible for this coverage.

A Reputation management firm means a professional public relations consulting firm, a professional security consulting firm or a professional media management consulting firm.

The maximum amount of coverage for Reputational injury available for any one occurrence is \$25,000 or the amount shown in the Coverage Summary. We will not pay more than this amount in any one occurrence for covered damages regardless of how many claims or people are involved in the occurrence.

The maximum annual amount of coverage for Reputational injury shown in the Coverage Summary is the most we will pay for the sum of all covered damages you or a family member incur during the policy period regardless of the number of claims, people, or occurrences.

This coverage does not apply to loss caused by a wrongful employment act covered by Employment Practices Liability Insurance.

Exclusions

These exclusions apply to your Group Personal Excess Liability Coverage, unless stated otherwise.

Aircraft. We do not cover any damages arising out of the ownership, maintenance, use, loading, unloading, or towing of any aircraft, except aircraft chartered with crew by you. We do not cover any property damages to aircraft rented to, owned by, or in the care, custody or control of a covered person.

Hovercraft. We do not cover any damages arising out of the ownership, maintenance, use, loading, unloading or towing of any hovercraft. We do not cover any property damages to hovercraft rented to, owned by, or in the care, custody or control of a covered person.

Exclusions (continued)

Motorized land vehicle racing or track usage. We do not cover any damages arising out of the ownership, maintenance or use of any motorized land vehicle:

- during any instruction, practice, preparation for, or participation in, any competitive, prearranged or organized racing, speed contest, rally, gymkhana, sports event, stunting activity, or timed event of any kind; or
- on a racetrack, test track or other course of any kind.

Watercraft and aircraft racing or track usage. We do not cover any damages arising out of the ownership, maintenance or use of any watercraft or aircraft during any instruction, practice, preparation for, or participation in, any competitive, prearranged or organized racing, speed contest, rally, sports event, stunting activity or timed event of any kind. This exclusion does not apply to you or a family member for sailboat racing even if the sailboat is equipped with an auxiliary motor.

Motorized land vehicle-related jobs. We do not cover any damages arising out of the ownership, maintenance, or use of a motorized land vehicle by any person who is employed or otherwise engaged in the business of selling, repairing, servicing, storing, parking, testing, or delivering motorized land vehicles. This exclusion does not apply to you, a family member, or your employee or an employee of a family member for damages arising out of the ownership, maintenance or use of a motorized land vehicle owned by, rented to, or furnished to you or a family member.

Watercraft related jobs. We do not cover any damages arising out of the ownership, maintenance, or use of a watercraft by any person who is engaged by or employed by, or is operating a marina, boat repair yard, shipyard, yacht club, boat sales agency, boat service station, or other similar organization. This exclusion does not apply to damages arising out of the ownership, maintenance, or use of a watercraft by you, a family member, or your or a family member's captain or full time paid crew member maintaining or using this watercraft with permission from you or a family member.

Motorized land vehicle and watercraft loading. We do not cover any person or organization, other than you or a family member or your or a family member's employees, with respect to the loading or unloading of motorized land vehicles or watercraft.

Workers' compensation or disability. We do not cover any damages a covered person is legally:

- required to provide; or
 - voluntarily provides
- under any:
- workers' compensation;
 - disability benefits;
 - unemployment compensation; or
 - other similar laws.

But we do provide coverage in excess over any other insurance for damages you or a family member is legally required to pay for bodily injury to a domestic employee of a residence covered under the Required Primary Underlying Insurance which are not compensable under workers' compensation, unless another exclusion applies.

Director's liability. We do not cover any damages for any covered person's actions or failure to act as an officer or member of a board of directors of any corporation or organization. However, we do cover such damages if you are or a family member is an officer or member of a board of directors of a:

- homeowner, condominium or cooperative association; or
 - not for profit corporation or organization for which he or she is not compensated;
- unless another exclusion applies.

Damage to covered person's property. We do not cover any person for property damage to property owned by any covered person.

Damage to property in your care. We do not cover any person for property damage to property rented to, occupied by, used by, or in the care of any covered person, to the extent that the covered person is required by contract to provide insurance. But we do cover such damages for loss caused by fire, smoke, or explosion unless another exclusion applies.

Wrongful employment act. We do not cover any damages arising out of a wrongful employment act. A wrongful employment act means any employment discrimination, sexual harassment, or wrongful termination of any residential staff actually or allegedly committed or attempted by a covered person while acting in the capacity as an employer, that violates applicable employment law of any federal, state, or local statute, regulation, ordinance, or common law of the United States of America, its territories or possessions, or Puerto Rico.

GROUP PERSONAL EXCESS LIABILITY POLICY

CHUBB®

Exclusions (continued)

Employment discrimination as it relates solely to a wrongful employment act means a violation of applicable employment discrimination law protecting any residential staff based on his or her race, color, religion, creed, age, sex, disability, national origin or other status according to any federal, state, or local statute, regulation, ordinance, or common law of the United States of America, its territories or possessions, or Puerto Rico.

Sexual harassment as it relates solely to a wrongful employment act means unwelcome sexual advances, requests for sexual favors, or other conduct of a sexual nature that:

- is made a condition of employment of any residential staff;
- is used as a basis for employment decisions;
- interferes with performance of any residential staff's duties; or
- creates an intimidating, hostile, or offensive working environment.

Wrongful termination as it relates solely to a wrongful employment act means:

- the actual or constructive termination of employment of any residential staff by you or a family member in violation of applicable employment law; or
- breach of duty and care when you or a family member terminates an employment relationship with any residential staff.

Residential staff as it relates solely to a wrongful employment act means your or a family member's employee who is:

- employed by you or a family member, or through a firm under an agreement with you or a family member, to perform duties related only to a covered person's domestic, personal, or business pursuits covered under this part of your policy;
- compensated for labor or services directed by you or a family member; and
- employed regularly to work 15 or more hours per week.

Residential staff includes a temporary worker. Residential staff does not include an independent contractor or any covered person.

Temporary worker as it relates solely to a wrongful employment act means your or a family member's employee who is:

- employed by you or a family member, or through a firm under an agreement with you or a family member, to perform duties related only to a covered person's domestic, personal, or business pursuits covered under this part of your policy;
- compensated for labor or services directed by you or a family member; and
- employed to work 15 or more hours per week to substitute for any residential staff on leave or to meet seasonal or short-term workload demands for 30 consecutive days or longer during a 6 month period.

Temporary worker does not include an independent contractor or any covered person.

Discrimination. We do not cover any damages arising out of discrimination due to age, race, color, sex, creed, national origin, or any other discrimination.

Intentional acts. We do not cover any damages arising out of a willful, malicious, fraudulent or dishonest act or any act intended by any covered person to cause personal injury or property damage, even if the injury or damage is of a different degree or type than actually intended or expected. But we do cover such damages if the act was intended to protect people or property unless another exclusion applies. An intentional act is one whose consequences could have been foreseen by a reasonable person.

Molestation, misconduct or abuse. We do not cover any damages arising out of any actual, alleged or threatened:

- sexual molestation;
- sexual misconduct or harassment; or
- abuse.

Nonpermissive use. We do not cover any person who uses a motorized land vehicle or watercraft without permission from you or a family member.

Exclusions (continued)

Business pursuits. We do not cover any damages arising out of a covered person's business pursuits, investment or other for-profit activities, for the account of a covered person or others, or business property except on a follow form basis.

But we do cover damages arising out of volunteer work for an organized charitable, religious or community group, an incidental business away from home, incidental business at home, incidental business property, incidental farming, or residence premises conditional business liability unless another exclusion applies. We also cover damages arising out of your or a family member's ownership, maintenance, or use of a private passenger motor vehicle in business activities other than selling, repairing, servicing, storing, parking, testing, or delivering motorized land vehicles.

Unless stated otherwise in your Coverage Summary:

"Incidental business away from home" is a self-employed sales activity, or a self-employed business activity normally undertaken by person under the age of 18 such as newspaper delivery, babysitting, caddying, and lawn care. Either of these activities must:

- not yield gross revenues in excess of \$15,000 in any year;
- have no employees subject to worker's compensation or other similar disability laws;
- conform to local, state, and federal laws.

"Incidental business at home" is a business activity, other than farming, conducted on your residence premises which must:

- not yield gross revenues in excess of \$15,000, in any year, except for the business activity of managing one's own personal investments;
- have no employees subject to worker's compensation or other similar disability laws;
- conform to local, state, and federal laws.

"Incidental business property" is limited to the rental or holding for rental, to be used as a residence, of a condominium or cooperative unit owned by you or a family member, an apartment unit rented to you or a family member, a one or two family dwelling owned by you or a family member, or a three or four family dwelling owned and occupied by you or a family member. We provide this coverage only for premises covered under the Required Primary Underlying Insurance unless the rental or holding for rental is for:

- a residence of yours or a family member's that is occasionally rented and that is used exclusively as a residence; or
- part of a residence of yours or a family member's by one or two roomers or boarders; or
- part of a residence of yours or a family member's as an office, school, studio, or private garage.

"Incidental farming" is a farming activity which meets all of the following requirements:

- is incidental to your or a family member's use of the premises as a residence;
- does not involve employment of others for more than 1,500 hours of farm work during the policy period;
- does not produce more than \$25,000 in gross annual revenue from agricultural operations;
- and with respect to the raising or care of animals:
- does not produce more than \$50,000 in gross annual revenues;
- does not involve more than 25 sales transactions during the policy period;
- does not involve the sale of more than 50 animals during the policy period.

"Residence premises conditional business liability" is limited to business or professional activities when legally conducted by you or a family member at your residence. We provide coverage only for personal injury or property damage arising out of the physical condition of that residence if:

- you or a family member do not have any employees involved in your business or professional activities who are subject to workers' compensation or other similar disability laws; or, if you or a family member are a doctor or dentist, you do not have more than two employees subject to such laws;
- you or a family member do not earn annual gross revenues in excess of \$5,000, if you or a family member are a home day care provider.

We do not cover damages or consequences resulting from business or professional care or services performed or not performed.

Exclusions
(continued)

The following additional exclusion applies only to "incidental farming" as described under the exclusion, Business pursuits.

Contamination. We do not cover any actual or alleged damages arising out of the discharge, dispersal, seepage, migration or release or escape of pollutants. Nor do we cover any cost or expense arising out of any request, demand or order to:

- extract pollutants from land or water;
- remove, restore or replace polluted or contaminated land or water; or
- test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants, or in any way respond to or assess the effects of pollutants.

However, this exclusion does not apply if the discharge, dispersal, seepage, migration, release or escape is sudden and accidental. A "pollutant" is any solid, liquid, gaseous or thermal irritant or contaminant, including smoke (except smoke from a hostile fire), vapor, soot, fumes, acids, alkalis, chemicals and waste. A "contaminant" is an impurity resulting from the mixture of or contact of a substance with a foreign substance. "Waste" includes materials to be disposed of, recycled, reconditioned or reclaimed.

Financial guarantees. We do not cover any damages for any covered person's financial guarantee of the financial performance of any covered person, other individual or organization.

Professional services. We do not cover any damages for any covered person's performing or failure to perform professional services, or for professional services for which any covered person is legally responsible or licensed.

Acts of war. We do not cover any damages caused directly or indirectly by war, undeclared war, civil war, insurrection, rebellion, revolution, warlike acts by military forces or personnel, the destruction or seizure of property for a military purpose, or the consequences of any of these actions.

Contractual liability. We do not cover any assessments charged against a covered person as a member of a homeowners, condominium or cooperative association. We also do not cover any damages arising from contracts or agreements made in connection with any covered person's business. Nor do we cover any liability for unwritten contracts, or contracts in which the liability of others is assumed after a covered loss.

Covered person's or dependent's personal injury. We do not cover any damages for personal injury for any covered person or their dependents where the ultimate beneficiary is the offending party or defendant. We also do not cover any damages for personal injury for which you can be held legally liable, in any way, to a family member, your spouse or domestic partner or for which a family member, your spouse or domestic partner can be held legally liable, in any way, to you.

However, we do cover damages for bodily injury arising out of the use of a motorized land vehicle for which you can be held legally liable to a family member, your spouse or domestic partner or for which a family member, your spouse or domestic partner can be held legally liable to you to the extent that coverage is provided under this policy. This coverage applies only to the extent such damages are covered by primary underlying insurance and exceed the limits of insurance required for that motorized land vehicle under the Required Primary Underlying Insurance provisions of this policy.

Liability for dependent care. We do not cover any damages for personal injury for which a covered person's only legal liability is by virtue of a contract or other responsibility for a dependent's care.

Illness. We do not cover personal injury or property damage resulting from any illness, sickness or disease transmitted intentionally or unintentionally by a covered person to anyone, or any consequence resulting from that illness, sickness or disease. We also do not cover any damages for personal injury resulting from the fear of contracting any illness, sickness or disease, or any consequence resulting from the fear of contracting any illness, sickness or disease.

Fungi and mold. We do not cover any actual or alleged damages or medical expenses arising out of mold, the fear of mold, or any consequences resulting from mold or the fear of mold. "Mold" means fungi, mold, mold spores, mycotoxins, and the scents and other byproducts of any of these.

Exclusions
(continued)

Nuclear or radiation hazard. We do not cover any damages caused directly or indirectly by nuclear reaction, radiation, or radioactive contamination, regardless of how it was caused.

POLICY TERMS

This part of your Group Personal Excess Liability Policy explains the conditions that apply to your policy.

General Conditions

These conditions apply to your policy in general, and to each coverage provided in the policy.

Policy period

The effective dates of your policy are shown in the Coverage Summary. Those dates begin at 12:01 a.m. standard time at the mailing address shown.

All coverages on this policy apply only to occurrences that take place while this policy is in effect.

Transfer of rights

If we make a payment under this policy, we will assume any recovery rights a covered person has in connection with that loss, to the extent we have paid for the loss.

All of your rights of recovery will become our rights to the extent of any payment we make under this policy. A covered person will do everything necessary to secure such rights; and do nothing after a loss to prejudice such rights. However, you may waive any rights of recovery from another person or organization for a covered loss in writing before the loss occurs.

Concealment or fraud

We do not provide coverage if you or any covered person has intentionally concealed or misrepresented any material fact relating to this policy before or after a loss.

Application of coverage

Coverage applies separately to each covered person. However, this provision does not increase the amount of coverage for any one occurrence.

Assignment

You cannot transfer your interest in this policy to anyone else unless we agree in writing to the transfer.

Policy changes

This policy can be changed only by a written amendment we issue.

Bankruptcy or insolvency

We will meet all our obligations under this policy regardless of whether you, your estate, or anyone else or their estate becomes bankrupt or insolvent.

In case of death

In the event of your death, coverage will be provided until the end of the policy period or policy anniversary date, whichever occurs first, for any surviving member of your household who is a covered person at the time of death. We will also cover your legal representative or any person having proper temporary custody of your property.

Liberalization

We may extend or broaden the coverage provided by this policy. If we do this during the policy period or within 60 days before it begins, without increasing the premium, then the extended or broadened coverage will apply to occurrences after the effective date of the extended or broadened coverage.

Conforming to state law

If any provision of this policy conflicts with any applicable laws of the state you live in, this policy is amended to conform to those laws.

Conforming to trade sanction laws

This policy does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance.

Liability Conditions

These conditions apply to all liability coverages in this policy.

Other Insurance

This insurance is excess over any other insurance except for those policies that:

- are written specifically to cover excess over the amount of coverage that applies in this policy; and
- schedule this policy as underlying insurance.

Your duties after a loss

In case of an accident or occurrence, the covered person shall perform the following duties that apply:

Notification. You must notify us or your agent or broker as soon as possible.

Assistance. You must provide us with all available information. This includes any suit papers or other documents which help us in the event that we defend you.

Cooperation. You must cooperate with us fully in any legal defense. This may include any association by us with the covered person in defense of a claim reasonably likely to involve us.

Examination. A person making a claim under this policy must submit as often as we reasonably require:

- to physical exams by physicians we select, which we will pay for; and
- to examination under oath and subscribe the same; and

authorize us to obtain:

- medical reports; and
- other pertinent records.

Appeals

If a covered person, or any primary insurer, does not appeal a judgment for covered damages, we may choose to do so. We will then become responsible for all expenses, taxable costs, and interest arising out of the appeal. However, the amount of coverage for damages will not be increased.

Special Conditions

In the event of conflict with any other conditions of your policy, these conditions supersede.

Legal action against us

You agree not to bring action against us unless you have first complied with all conditions of this policy.

You also agree not to bring any action against us until the amount of damages you are legally obligated to pay has been finally determined after an actual trial or appeal, if any, or by a written agreement between you, us and the claimant. No person or organization has any right under this policy to bring us into any action to determine the liability of a covered person.

Notice of cancellation and coverage termination conditions

The Sponsoring Organization may cancel this policy by returning it to us or notifying us in writing at any time subject to the following:

- the Sponsoring Organization must notify us in advance of the requested cancellation date; and
- the Sponsoring Organization must provide proof of notification to each member of the Defined Group covered under this policy.

We may cancel this policy or any part of it subject to the following conditions. Our right to cancel applies to each coverage or limit in this policy. In the event we cancel this policy, we are under no obligation to provide you with an opportunity to purchase equivalent coverage.

Special Conditions
(continued)

Within 60 days. When this policy or any part of it has been in effect for less than 60 days, we may cancel with 30 days notice for any reason.

Non payment of premium. We may cancel this policy or any part of it with 10 days notice if the Sponsoring Organization or you fail to pay the premium by the due date, regardless of whether the premium is payable to us, to our agent, or under any financial credit.

Misrepresentation. We may cancel this policy or any part of it with 30 days notice if the coverage was obtained through misrepresentation, fraudulent statements, or omissions or concealment of a fact that is relevant to the acceptance of the risk or to the hazard we assumed.

Increase in hazard. We may cancel this policy or any part of it with 30 days notice if there has been a substantial change in the risk which increases the chance of loss after insurance coverage has been issued or renewed, including but not limited to an increase in exposure due to rules, legislation, or court decision.

Procedure. To cancel this policy or any part of it, we must notify you in writing. This notice will be mailed to the Sponsoring Organization at the mailing address shown in the Coverage Summary and we will obtain a certificate of mailing. This notice will include the date the cancellation is to take effect.

Termination. Should an individual for any reason no longer qualify as a member of the Defined Group, coverage will cease sixty (60) days from the date that individual no longer qualifies as a member of the Defined Group, or the policy expiration or cancellation date, whichever comes first.

Refund. In the event of cancellation by the Sponsoring Organization or us, we will refund any unearned premium on the effective date of cancellation, or as soon as possible afterwards to the Sponsoring Organization. The unearned premium will be computed short rate for the unexpired term of the policy.

\$300,000 single limit each occurrence.

FAILURE TO COMPLY WITH THE REQUIRED PRIMARY UNDERLYING
INSURANCE WILL RESULT IN A GAP IN COVERAGE.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative

A handwritten signature in black ink, appearing to be "P. M. Q.", written over a horizontal line.

List of Subsidiaries of Booz Allen Hamilton Holding Corporation

Name	Jurisdiction of Organization
Booz Allen Cyber Solutions, LLC	Delaware
Booz Allen Hamilton Consulting Pte. Ltd.	Singapore
Booz Allen Hamilton (Dubai) Limited	Dubai, UAE
Booz Allen Hamilton Egypt, LLC	Egypt
Booz Allen Hamilton Engineering Holding Co., LLC	Delaware
Booz Allen Hamilton Engineering Services, LLC	Lebanon
Booz Allen Hamilton Lebanon S.a.r.l.	Lebanon
Booz Allen Hamilton Inc.	Delaware
Booz Allen Hamilton Intellectual Property Holdings, LLC	Delaware
Booz Allen Hamilton International, Inc.	Delaware
Booz Allen Hamilton International Pte. Ltd.	Singapore
Booz Allen Hamilton International (U.K.) Ltd.	United Kingdom
Booz Allen Hamilton Investor Corporation	Delaware
Booz Allen Hamilton Netherlands B.V.	Netherlands
Booz Allen Hamilton Philippines Inc.	Philippines
Booz Allen Hamilton Saudi	Saudi Arabia
Booz Allen Hamilton Singapore Holding Company Pte. Ltd.	Singapore
Booz Allen Hamilton Singapore LLP	Singapore
Booz Allen Hamilton Tanzania Limited	Tanzania
Epidemico, Inc.	Delaware
Booz Allen Hamilton (Ireland) Limited	Ireland
PT Booz Allen Hamilton Indonesia	Indonesia
SDI Technology Corporation	Virginia
Morphick, Inc.	Delaware
eGov Holdings, Inc.	Delaware
Aquilent, Inc.	Delaware
Cloud Solutions Group, Inc.	Delaware
Epic Acquisition Software, Inc.	Delaware
Middle Bay Solutions, LLC	Delaware
Middle Bay Solutions II, LLC	Delaware
Nextgen-H Integration Services, LLC	Delaware
Riverside Engineering, LLC	Delaware
Shore Systems and Solutions, LLC	Delaware
Tracepoint Holdings, LLC	Delaware

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Form S-8 (No 333-205956) pertaining to the Second Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation
- Form S-8 (No 333-171288) pertaining to the Amended and Restated Equity Incentive Plan of Booz Allen Hamilton Holding Corporation, Booz Allen Hamilton Holding Corporation Officers' Rollover Stock Plan, and Booz Allen Hamilton Holding Corporation Employee Stock Purchase Plan

of our reports dated May 21, 2021, with respect to the consolidated financial statements of Booz Allen Hamilton Holding Corporation and the effectiveness of internal control over financial reporting of Booz Allen Hamilton Holding Corporation, included in this Annual Report (Form 10-K) of Booz Allen Hamilton Holding Corporation for the year ended March 31, 2021.

/s/ Ernst & Young LLP

Tysons, Virginia
May 21, 2021

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Horacio D. Rozanski, certify that:

1. I have reviewed this Annual Report on Form 10-K of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2021

By: /s/ Horacio D. Rozanski
Horacio D. Rozanski
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Lloyd W. Howell, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2021

By: /s/ Lloyd W. Howell, Jr.
Lloyd W. Howell, Jr.
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the report on Form 10-K of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal year ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 21, 2021

By: /s/ Horacio D. Rozanski

Horacio D. Rozanski
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the report on Form 10-K of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal year ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Executive Vice President, Chief Financial Officer and Treasurer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 21, 2021

By: /s/ Lloyd W. Howell, Jr.

Lloyd W. Howell, Jr.

Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.