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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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)

26-2634160
(I.R.S. Employer
Identification No.)

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

22102
(Zip Code)

(703) 902-5000
Registrant's telephone number, including area code
(Former name, former address, and former fiscal year if changed since last report.)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock	BAH	New York Stock Exchange

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 or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

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

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 October 29, 2019**

Class A Common Stock

140,380,260

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2019	March 31, 2019
	(Unaudited)	
	(Amounts in thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 781,546	\$ 283,990
Accounts receivable, net of allowance	1,321,111	1,330,364
Prepaid expenses and other current assets	60,746	84,986
Total current assets	2,163,403	1,699,340
Property and equipment, net of accumulated depreciation	187,475	172,453
Operating lease right-of-use assets	250,810	—
Intangible assets, net of accumulated amortization	294,300	287,051
Goodwill	1,581,160	1,581,160
Other long-term assets	91,710	91,837
Total assets	\$ 4,568,858	\$ 3,831,841
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 77,924	\$ 57,924
Accounts payable and other accrued expenses	684,374	664,948
Accrued compensation and benefits	290,751	325,553
Operating lease liabilities	32,994	—
Other current liabilities	124,526	130,814
Total current liabilities	1,210,569	1,179,239
Long-term debt, net of current portion	2,044,821	1,701,837
Operating lease liabilities, net of current portion	282,718	—
Other long-term liabilities	190,567	275,399
Total liabilities	3,728,675	3,156,475
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 160,400,357 shares at September 30, 2019 and 159,924,825 shares at March 31, 2019; outstanding, 140,373,450 shares at September 30, 2019 and 140,027,853 shares at March 31, 2019	1,604	1,599
Treasury stock, at cost — 20,026,907 shares at September 30, 2019 and 19,896,972 shares at March 31, 2019	(719,793)	(711,450)
Additional paid-in capital	427,817	401,596
Retained earnings	1,161,674	994,811
Accumulated other comprehensive loss	(31,119)	(11,190)
Total stockholders' equity	840,183	675,366
Total liabilities and stockholders' equity	\$ 4,568,858	\$ 3,831,841

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
	(Amounts in thousands, except per share data)		(Amounts in thousands, except per share data)	
Revenue	\$ 1,819,577	\$ 1,613,997	\$ 3,644,753	\$ 3,260,845
Operating costs and expenses:				
Cost of revenue	843,942	748,570	1,684,596	1,534,382
Billable expenses	539,846	478,349	1,091,021	955,784
General and administrative expenses	244,122	226,901	478,402	432,737
Depreciation and amortization	19,632	16,426	39,653	32,579
Total operating costs and expenses	<u>1,647,542</u>	<u>1,470,246</u>	<u>3,293,672</u>	<u>2,955,482</u>
Operating income	172,035	143,751	351,081	305,363
Interest expense	(25,863)	(22,247)	(51,050)	(45,321)
Other income (expense), net	2,005	(1,617)	3,976	(2,788)
Income before income taxes	148,177	119,887	304,007	257,254
Income tax expense	33,852	27,174	72,296	60,337
Net income	<u>\$ 114,325</u>	<u>\$ 92,713</u>	<u>\$ 231,711</u>	<u>\$ 196,917</u>
Earnings per common share (Note 4):				
Basic	<u>\$ 0.81</u>	<u>\$ 0.65</u>	<u>\$ 1.64</u>	<u>\$ 1.37</u>
Diluted	<u>\$ 0.80</u>	<u>\$ 0.64</u>	<u>\$ 1.63</u>	<u>\$ 1.36</u>

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
	(Amounts in thousands)		(Amounts in thousands)	
Net income	\$ 114,325	\$ 92,713	\$ 231,711	\$ 196,917
Other comprehensive income, net of tax:				
Change in unrealized (loss) gain on derivatives designated as cash flow hedges	(5,014)	1,038	(19,979)	2,958
Change in postretirement plan costs	16	424	50	831
Total other comprehensive income (loss), net of tax	(4,998)	1,462	(19,929)	3,789
Comprehensive income	<u>\$ 109,327</u>	<u>\$ 94,175</u>	<u>\$ 211,782</u>	<u>\$ 200,706</u>

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended September 30,	
	2019	2018
(Amounts in thousands)		
Cash flows from operating activities		
Net income	\$ 231,711	\$ 196,917
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,653	32,579
Noncash lease expense	27,711	—
Stock-based compensation expense	15,808	13,265
Amortization of debt issuance costs and loss on extinguishment	2,459	6,920
Losses on dispositions	581	408
Changes in assets and liabilities:		
Accounts receivable, net of allowance	9,253	(31,621)
Deferred income taxes and income taxes receivable / payable	(30,322)	(14,677)
Prepaid expenses and other current assets	(16,696)	(17,633)
Other long-term assets	(95)	(6,217)
Accrued compensation and benefits	(28,805)	(3,154)
Accounts payable and other accrued expenses	34,623	80,703
Other current liabilities	2,311	13,803
Operating lease liabilities	(24,529)	—
Other long-term liabilities	3,016	3,274
Net cash provided by operating activities	<u>266,679</u>	<u>274,567</u>
Cash flows from investing activities		
Purchases of property, equipment, and software	(59,978)	(39,672)
Payments for business acquisitions, net of cash acquired	—	(20)
Net cash used in investing activities	<u>(59,978)</u>	<u>(39,692)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	7,049	5,227
Stock option exercises	3,687	8,541
Repurchases of common stock	(14,658)	(98,377)
Cash dividends paid	(64,848)	(54,659)
Repayment of debt	(38,962)	(101,550)
Proceeds from debt issuance	400,000	62,072
Other financing activities	(1,413)	(501)
Net cash provided by (used in) financing activities	<u>290,855</u>	<u>(179,247)</u>
Net increase in cash and cash equivalents	497,556	55,628
Cash and cash equivalents—beginning of period	283,990	286,958
Cash and cash equivalents—end of period	<u>\$ 781,546</u>	<u>\$ 342,586</u>
Supplemental disclosures of cash flow information		
Net cash paid during the period for:		
Interest	\$ 44,965	\$ 38,140
Income taxes	\$ 102,151	\$ 74,275
Supplemental disclosures of non-cash investing and financing activities		
Noncash financing activities	\$ 2,110	\$ 2,658

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(Amounts in thousands, except share data)	Class A Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2019	160,244,219	\$1,602	(20,026,100)	\$(719,736)	\$413,293	\$1,079,785	\$ (26,121)	\$ 748,823
Issuance of common stock	88,141	1	—	—	3,670	—	—	3,671
Stock options exercised	67,997	1	—	—	1,531	—	—	1,532
Repurchase of common stock	—	—	(807)	(57)	—	—	—	(57)
Recognition of liability related to future restricted stock units vesting	—	—	—	—	(41)	—	—	(41)
Net income	—	—	—	—	—	114,325	—	114,325
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(4,998)	(4,998)
Dividends paid of \$0.23 per common share	—	—	—	—	—	(32,436)	—	(32,436)
Stock-based compensation expense	—	—	—	—	9,364	—	—	9,364
Balance at September 30, 2019	160,400,357	\$1,604	(20,026,907)	\$(719,793)	\$427,817	\$1,161,674	\$ (31,119)	\$ 840,183
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	246,233	3	—	—	7,046	—	—	7,049
Stock options exercised	229,299	2	—	—	3,685	—	—	3,687
Repurchase of common stock (1)	—	—	(129,935)	(8,343)	—	—	—	(8,343)
Recognition of liability related to future restricted stock units vesting	—	—	—	—	(318)	—	—	(318)
Net income	—	—	—	—	—	231,711	—	231,711
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(19,929)	(19,929)
Dividends paid of \$0.46 per common share	—	—	—	—	—	(64,848)	—	(64,848)
Stock-based compensation expense	—	—	—	—	15,808	—	—	15,808
Balance at September 30, 2019	160,400,357	\$1,604	(20,026,907)	\$(719,793)	\$427,817	\$1,161,674	\$ (31,119)	\$ 840,183

(1) During the six months ended September 30, 2019, the Company purchased 93 thousand shares of the Company's Class A Common Stock in a series of open market transactions for \$5.9 million. Additionally, the Company repurchased shares during the first and second quarters of fiscal 2020 to cover the minimum statutory withholding taxes on restricted stock units that vested on various dates during the period.

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED) [CONTINUED]

(Amounts in thousands, except share data)	Class A Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2018	158,794,015	\$1,588	(15,672,079)	\$(509,521)	\$360,915	\$ 767,278	\$ (12,779)	\$ 607,481
Issuance of common stock	97,091	1	—	—	2,641	—	—	2,642
Stock options exercised	233,106	2	—	—	3,274	—	—	3,276
Repurchase of common stock	—	—	(901,354)	(41,167)	—	—	—	(41,167)
Net income	—	—	—	—	—	92,713	—	92,713
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	1,462	1,462
Dividends paid of \$0.19 per common share	—	—	—	—	—	(27,217)	—	(27,217)
Stock-based compensation expense	—	—	—	—	7,150	—	—	7,150
Balance at September 30, 2018	159,124,212	\$1,591	(16,573,433)	\$(550,688)	\$373,980	\$ 832,774	\$ (11,317)	\$ 646,340
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	417,366	5	—	—	5,222	—	—	5,227
Stock options exercised	678,173	6	—	—	8,535	—	—	8,541
Repurchase of common stock (2)	—	—	(1,991,299)	(89,231)	—	—	—	(89,231)
Net income	—	—	—	—	—	196,917	—	196,917
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	3,789	3,789
Dividends paid of \$.38 per common share	—	—	—	—	—	(54,659)	—	(54,659)
Stock-based compensation expense	—	—	—	—	13,265	—	—	13,265
Balance at September 30, 2018	159,124,212	\$1,591	(16,573,433)	\$(550,688)	\$373,980	\$ 832,774	\$ (11,317)	\$ 646,340

(2) During the six months ended September 30, 2018, the Company purchased 1.9 million shares of the Company's Class A Common Stock in a series of open market transactions for \$85.4 million. Additionally, the Company repurchased shares during the first quarter of fiscal 2019 to cover the minimum statutory withholding taxes on restricted stock units that vested on June 30, 2018.

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

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

1. BUSINESS OVERVIEW

Organization

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 expertise 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 27,000 employees as of September 30, 2019.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC, and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2019. The interim period unaudited condensed consolidated financial statements are presented as described below. Certain information and disclosures normally required for annual financial statements have been condensed or omitted pursuant to GAAP and SEC rules and regulations. In the opinion of management, all adjustments considered necessary for fair presentation of the results of the interim period presented have been included. 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 results of operations for the six months ended September 30, 2019 are not necessarily indicative of results to be expected for the full fiscal year.

The condensed 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.

Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), using the modified retrospective transition approach and, as a result, comparative information for the prior fiscal year has not been retrospectively adjusted.

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

Accounting Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas of the financial statements where estimates may have the most significant effect include contractual and regulatory reserves, valuation and 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, lease incremental borrowing rates, stock-based compensation, reserves for tax benefits and valuation allowances on deferred tax assets, provisions for income taxes, postretirement obligations, certain deferred costs, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ materially from management's estimates.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability of accounting for lease transactions. The new leasing standard requires lessees to recognize lease assets and lease liabilities on their balance sheet for all leases with a lease term greater than 12 months. Topic 842 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB provided an alternative transition method of adoption through ASU 2018-11, Targeted Improvements, which permits the recognition of a cumulative-effect adjustment to retained earnings on the date of adoption.

The Company adopted the standard on April 1, 2019 using the modified retrospective transition approach provided by ASU 2018-11, and, as a result, did not recast comparative prior period information. In addition, the Company elected certain practical expedients permitted under Topic 842, including the option not to apply lease recognition for short-term leases; an

election to not separate lease from non-lease components; and a package of practical expedients such that, upon the initial adoption of Topic 842, the Company did not reassess whether expired or existing contracts contain leases, nor did the Company reassess the lease classification for expired or existing leases. The Company did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of right-of-use (ROU) assets.

Upon the adoption of Topic 842, the Company recognized ROU assets of \$268.8 million and lease liabilities of \$330.6 million on the condensed consolidated balance sheets, inclusive of required conforming balance sheet reclassifications pertaining to accounts such as deferred rent, tenant allowances, and lease receivables. As required under Topic 842 transition guidance, the lease liabilities recognized were measured at the present value of remaining minimum rental payments pursuant to Topic 840 which include executory costs.

The impact to the condensed consolidated balance sheet at April 1 for the adoption of Topic 842 is as follows:

	Balance at March 31, 2019	Adoption adjustments for Topic 842	Balance at April 1, 2019
Current assets:			
Prepaid expenses and other current assets	\$ 84,986	\$ (27,515)	\$ 57,471
Non-current assets:			
Operating lease right-of-use assets	\$ —	\$ 268,840	\$ 268,840
Other long-term assets	91,837	(4,619)	87,218
Current liabilities:			
Accounts payable and other accrued expenses	\$ 664,948	\$ (15,197)	\$ 649,751
Operating lease liabilities	—	34,645	34,645
Non-current liabilities:			
Operating lease liabilities, net of current portion	\$ —	\$ 295,915	\$ 295,915
Other long-term liabilities	275,399	(78,657)	196,742

Further, at the adoption of Topic 842, the Company recognized a deferred tax liability corresponding to the operating lease right-of-use assets of \$69 million and a deferred tax asset corresponding to the operating lease liabilities of \$93 million, inclusive of a decrease to deferred tax assets for the deferred rent and tenant allowances of \$24 million as of March 31, 2019. There was no cumulative impact to retained earnings and the April 1, 2019 adoption of Topic 842 did not have a material impact to either of the condensed consolidated statements of operations or cash flows.

In March 2019, the SEC issued Final Rule Release No. 33-10618, FAST Act Modernization and Simplification of Regulation S-K, amending certain disclosure requirements in Regulation S-K, with the intent of improving the readability of filed documents and simplifying registrants' compliance efforts. The Company adopted certain aspects of this final rule in the fourth quarter of fiscal 2019 which did not have a material impact on the condensed consolidated financial statements. Other aspects not yet adopted are still being evaluated but are not expected to be material.

In August 2018, the SEC issued Final Rule Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. This analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The amendments became effective on November 5, 2018; however the SEC allows the filer's first presentation of the changes in stockholders' equity to be included in its Form 10-Q for the quarter that begins after the effective date of the amendments. Accordingly, the Company first presented the condensed consolidated statement of stockholders' equity in the Form 10-Q in the first quarter of fiscal 2020. The Company's adoption of this final rule did not have a material effect on the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

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 reporting periods for fiscal years beginning after December 15, 2019. Early adoption is permitted. The standard may be adopted either retrospectively or prospectively. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Other accounting and reporting pronouncements effective after September 30, 2019 and issued through the filing date are not expected to have a material impact on the Company's condensed consolidated financial statements.

3. REVENUE

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-materials contracts, and fixed-price contracts.

Contract Estimates

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 on a cumulative catch-up basis in the period when such changes are determinable and reasonably estimable. 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 each of the three and six months ended September 30, 2019 and 2018, the aggregate impact of adjustments in contract estimates was not material.

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.

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

	Three Months Ended September 30,				Six Months Ended September 30,			
	2019		2018		2019		2018	
Cost-reimbursable	\$ 1,026,055	57%	\$ 851,394	53%	\$ 2,052,648	56%	\$ 1,711,278	53%
Time-and-materials	423,605	23%	390,509	24%	844,200	23%	796,093	24%
Fixed-price	369,917	20%	372,094	23%	747,905	21%	753,474	23%
Total Revenue	\$ 1,819,577	100%	\$ 1,613,997	100%	\$ 3,644,753	100%	\$ 3,260,845	100%

Revenue by Customer Type:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2019		2018		2019		2018	
U.S. government:								
Defense Clients	\$ 845,270	47%	\$ 755,570	47%	\$ 1,704,206	47%	\$ 1,513,552	47%
Intelligence Clients	405,220	22%	385,733	24%	824,287	22%	783,213	24%
Civil Clients	511,012	28%	417,636	26%	1,003,045	28%	853,162	26%
Total U.S. government	1,761,502	97%	1,558,939	97%	3,531,538	97%	3,149,927	97%
Global Commercial Clients	58,075	3%	55,058	3%	113,215	3%	110,918	3%
Total Revenue	\$ 1,819,577	100%	\$ 1,613,997	100%	\$ 3,644,753	100%	\$ 3,260,845	100%

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

	Three Months Ended September 30,				Six Months Ended September 30,			
	2019		2018		2019		2018	
Prime Contractor	\$ 1,676,522	92%	\$ 1,482,153	92%	\$ 3,349,952	92%	\$ 2,989,335	92%
Sub-contractor	143,055	8%	131,844	8%	294,801	8%	271,510	8%
Total Revenue	\$ 1,819,577	100%	\$ 1,613,997	100%	\$ 3,644,753	100%	\$ 3,260,845	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 do not include negotiated but unexercised options or the unfunded value of expired contracts.

As of September 30, 2019 and March 31, 2019, the Company had \$7.6 billion and \$5.8 billion, respectively, of remaining performance obligations and we expect to recognize more than half of the remaining performance obligations as revenue over the next 12 months, and approximately three quarters over the next 24 months. The remainder is expected to be recognized thereafter.

Contract Balances

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.

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 5 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 condensed consolidated balance sheets:

	September 30, 2019	March 31, 2019
Contract assets:		
Current	\$ 873,968	\$ 846,372
Long-term	61,503	61,391
Total	\$ 935,471	\$ 907,763
Contract liabilities:		
Advance payments, billings in excess of costs incurred and deferred revenue	\$ 22,822	\$ 21,316

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 the three months ended September 30, 2019 and 2018, we recognized revenue of \$1.7 million and \$2.1 million, respectively, and for the six months ended September 30, 2019 and 2018, we recognized revenue of \$18.4 million and \$21.9 million related to our contract liabilities on April 1, 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.

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. Unvested Class A Restricted Common Stock holders are entitled to participate in non-forfeitable dividends or other distributions. These unvested restricted shares participated in the Company's dividends declared and were paid in the first and second quarters of fiscal 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 unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Earnings for basic computations (1)	\$ 113,725	\$ 92,127	\$ 230,492	\$ 195,681
Weighted-average common shares outstanding for basic computations	140,245,038	142,443,058	140,125,779	142,861,491
Earnings for diluted computations (1)	\$ 113,728	\$ 92,130	\$ 230,499	\$ 195,690
Dilutive stock options and restricted stock	1,117,098	1,265,851	1,127,138	1,353,582
Weighted-average common shares outstanding for diluted computations	141,362,136	143,708,909	141,252,917	144,215,073
Earnings per common share				
Basic	\$ 0.81	\$ 0.65	\$ 1.64	\$ 1.37
Diluted	\$ 0.80	\$ 0.64	\$ 1.63	\$ 1.36

(1) During the three months ended September 30, 2019 and 2018, approximately 0.7 million and 0.9 million participating securities, respectively, were paid dividends totaling \$0.2 million in both periods. During the six months ended September 30, 2019 and 2018, approximately 0.7 million and 0.9 million participating securities, respectively, were paid dividends totaling \$0.3 million in both periods. For the three months ended September 30, 2019 and 2018, there were undistributed earnings of \$0.4 million allocated to the participating class of securities in both basic and diluted EPS in both periods. For the six months ended September 30, 2019 and 2018, there were undistributed earnings of \$0.9 million allocated to the participating class of securities in both basic and diluted EPS in both periods. The allocated undistributed earnings and the dividends paid comprise the difference between net income presented on the condensed consolidated

statements of operations and earnings for basic and diluted computations for the three and six months ended September 30, 2019 and 2018.

The EPS calculation for the three and six months ended September 30, 2019 and 2018 excludes 0.2 million options as their impact was anti-dilutive.

5. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net of allowance consisted of the following:

	September 30, 2019	March 31, 2019
Current assets		
Accounts receivable–billed	\$ 460,120	\$ 494,671
Accounts receivable–unbilled	873,968	846,372
Allowance for doubtful accounts	(12,977)	(10,679)
Accounts receivable, net of allowance	1,321,111	1,330,364
Other long-term assets		
Accounts receivable–unbilled	61,503	61,391
Total accounts receivable, net	<u>\$ 1,382,614</u>	<u>\$ 1,391,755</u>

Unbilled amounts represent revenues for which billings have not been presented to customers at quarter-end or year-end. These amounts are generally 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 condensed consolidated balance sheets. The Company recognized a provision for doubtful accounts (including certain unbilled reserves) of \$0.5 million and \$10.6 million for the three months ended September 30, 2019 and 2018, respectively, and \$1.3 million and \$10.7 million for the six months ended September 30, 2019 and 2018, respectively.

The primary financial instruments, other than derivatives, that potentially subject the Company to concentrations of credit risk are accounts receivable. The Company's primary customers are U.S. federal government agencies and prime contractors under contracts with the U.S. government. The Company continuously reviews its accounts receivable and records provisions for doubtful accounts as needed.

6. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

	September 30, 2019	March 31, 2019
Vendor payables	\$ 398,727	\$ 417,648
Accrued expenses	285,647	247,300
Total accounts payable and other accrued expenses	<u>\$ 684,374</u>	<u>\$ 664,948</u>

Accrued expenses consisted primarily of the Company's reserve related to potential cost disallowance in conjunction with government audits. Refer to Note 18 for further discussion of this reserve.

7. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

	September 30, 2019	March 31, 2019
Bonus	\$ 52,199	\$ 117,604
Retirement	68,902	37,678
Vacation	146,329	141,953
Other	23,321	28,318
Total accrued compensation and benefits	<u>\$ 290,751</u>	<u>\$ 325,553</u>

8. DEBT

Debt consisted of the following:

	September 30, 2019		March 31, 2019	
	Interest Rate	Outstanding Balance	Interest Rate	Outstanding Balance
Term Loan A	3.54%	\$ 1,400,726	4.00%	\$ 1,037,713
Term Loan B	4.04%	389,075	4.50%	391,050
Senior Notes	5.13%	350,000	5.13%	350,000
Less: Unamortized debt issuance costs and discount on debt		(17,056)		(19,002)
Total		<u>2,122,745</u>		<u>1,759,761</u>
Less: Current portion of long-term debt		(77,924)		(57,924)
Long-term debt, net of current portion		<u>\$ 2,044,821</u>		<u>\$ 1,701,837</u>

Term Loans and Revolving Credit Facility

On July 23, 2018 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton") and Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Sixth Amendment (the "Sixth 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, and the Fifth Amendment to the Credit Agreement, dated as of March 7, 2018). The Sixth Amendment provided for a delayed draw (the "Delayed Draw Facility") on the tranche A term loan ("Term Loan A") facility in the amount of up to \$400.0 million and extended the maturity of the Term Loan A and the revolving credit facility (the "Revolving Credit Facility") to July 2023. Additionally, the Sixth Amendment reduced the interest rate spread applicable to the Term Loan A and the Revolving Credit Facility from a range of 1.50% to 2.25% to a range of 1.25% to 2.00% based on consolidated net total leverage. The interest rate applicable to the Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans") remained unchanged.

Prior to the Sixth Amendment, approximately \$1,079.5 million was outstanding under Term Loan A. Pursuant to the Sixth Amendment, certain lenders converted their existing Term Loan A loans into a new tranche of Term Loan A loans in an aggregate amount, along with Term Loan A loans advanced by certain new lenders, of approximately \$1,479.5 million, \$400.0 million of which was available as the Delayed Draw Facility. On April 23, 2019, Booz Allen Hamilton drew down \$400 million of the Delayed Draw Facility, the proceeds of which are expected to be used for general corporate purposes and other purposes not prohibited by the Credit Agreement.

Prior to the Sixth Amendment, \$500.0 million was available under the Revolving Credit Facility. Pursuant to the Sixth Amendment, certain lenders under the Credit Agreement converted their existing revolving commitments into a new tranche of revolving commitments (the "New Revolving Commitments" and the revolving credit loans made thereunder, the "New Revolving Loans") in an aggregate amount, along with New Revolving Commitments of certain new lenders, of \$500.0 million.

As of September 30, 2019, the Credit Agreement provided Booz Allen Hamilton with a \$1,400.7 million Term Loan A, a \$389.1 million Term Loan B, and \$500.0 million in New Revolving Commitments with a sub-limit for letters of credit of \$100.0 million. As of September 30, 2019, 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 June 30, 2023. 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 2.00% for LIBOR loans and 1.00% 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 the first and second quarters of fiscal 2020, Booz Allen Hamilton accessed no amounts of its \$500.0 million Revolving Credit Facility. During the first and second quarters of fiscal 2019, Booz Allen Hamilton accessed a total of \$70.0 million of its \$500.0 million Revolving Credit Facility. As of September 30, 2019 and March 31, 2019, there were no amounts outstanding under the Revolving Credit Facility.

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.

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 September 30, 2019 and March 31, 2019, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

For the three months ended September 30, 2019 and 2018, interest payments of \$13.9 million and \$10.1 million were made for Term Loan A and \$4.4 million and \$4.0 million were made for Term Loan B, respectively. For the six months ended September 30, 2019 and 2018, interest payments of \$27.2 million and \$21.1 million were made for Term Loan A and \$8.8 million and \$8.0 million were made for Term Loan B, respectively.

Senior Notes

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes (the "Senior Notes") due 2025, under an Indenture, dated as of April 25, 2017, 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 April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Each of Booz Allen Hamilton's existing and future domestic restricted subsidiaries that guarantee its obligations under the Secured Credit Facility and certain other indebtedness guarantee the Senior Notes on a senior unsecured basis. Interest is payable semi-annually on May 1 and November 1 of each year, beginning on November 1, 2017, and principal is due at maturity on May 1, 2025. In connection with the Senior Notes, the Company recognized \$6.7 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. Booz Allen Hamilton made interest payments of \$9.0 million for the Senior Notes for each of the three and six months ended September 30, 2019 and 2018.

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 September 30, 2019, 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 floating portion of the Company's 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 9 in our condensed consolidated financial statements).

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)		(In thousands)	
Term Loan A Interest Expense	\$ 13,584	\$ 10,345	\$ 27,034	\$ 21,187
Term Loan B Interest Expense	4,232	4,115	8,652	8,032
Interest on Revolving Credit Facility	—	2	—	61
Senior Notes Interest Expense	4,298	4,485	8,969	8,969
Deferred Payment Obligation Interest ⁽¹⁾	2,011	1,993	4,022	4,015
Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) ⁽²⁾	1,425	1,258	2,459	2,618
Other	313	49	(86)	439
Total Interest Expense	\$ 25,863	\$ 22,247	\$ 51,050	\$ 45,321

⁽¹⁾ Interest payments on the deferred payment obligation are made twice a year in January and July.

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

9. 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. During the first quarter of fiscal 2020, the Company entered into eight floating-to-fixed interest rate swap agreements with six financial institutions with a start date of April 30, 2019 with an aggregate notional amount of \$400 million. The aggregate notional amount of all interest rate swap agreements increased to \$1 billion as of September 30, 2019. The swaps have staggered maturities, ranging from June 30, 2021 to June 30, 2025.

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 condensed consolidated balance sheet on a gross basis at estimated fair value. As of September 30, 2019, \$6.1 million and \$23.8 million were classified as other current liabilities and other long-term liabilities, respectively, on the condensed consolidated balance sheet. As of March 31, 2019, \$1.8 million, \$0.6 million, \$0.9 million, and \$4.3 million were classified as other current assets, other long-term assets, other current liabilities, and other long-term liabilities, respectively, on the condensed 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 Income, or AOCI, 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. The effect of derivative instruments on the accompanying condensed consolidated financial statements for the three and six months ended September 30, 2019 and 2018 is as follows:

		Three Months Ended September 30,					
Derivatives in Cash Flow Hedging Relationships	Location of Gain or Loss Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in AOCI on Derivatives		Amount of Gain or (Loss) Reclassified from AOCI into Income		Interest Expense on Condensed Consolidated Statements of Operations	
		2019	2018	2019	2018	2019	2018
		Interest rate swaps	Interest expense	\$ (6,837)	\$ 1,522	\$ 46	\$ (116)

		Six Months Ended September 30,					
Derivatives in Cash Flow Hedging Relationships	Location of Gain or Loss Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in AOCI on Derivatives		Amount of Gain or (Loss) Reclassified from AOCI into Income		Interest Expense on Condensed Consolidated Statements of Operations	
		2019	2018	2019	2018	2019	2018
		Interest rate swaps	Interest expense	\$ (26,585)	\$ 4,090	\$ (477)	\$ (83)

Over the next 12 months, the Company estimates that \$6.2 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 condensed consolidated statement of cash flows.

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.

10. LEASES

Under Topic 842, 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 leases are included in operating lease ROU assets, operating lease liabilities, and operating lease liabilities, net of current portion in our condensed consolidated balance sheets. Cash payments arising from operating leases are classified within operating activities in the condensed consolidated statement of cash flows. As of September 30, 2019, the Company had no finance leases.

The Company's leases are generally for facilities and office space and the Company recognizes operating lease ROU assets and operating lease liabilities at 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 right-of-use 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, the Company elected to not separate lease components from non-lease components, accounting for both components as a single lease component.

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

	Three Months Ended September 30, 2019	Six Months Ended September 30, 2019
Operating lease cost	\$ 17,760	\$ 35,720
Short-term lease cost	2,333	4,750
Variable lease cost	3,016	5,578
Total operating lease costs	<u>\$ 23,109</u>	<u>\$ 46,048</u>

Future minimum operating lease payments for noncancelable operating leases as of September 30, 2019 are as follows:

For the Fiscal Year Ending March 31,	Operating Lease Payments
Remainder of 2020	\$ 19,899
2021	59,993
2022	60,883
2023	55,868
2024	48,057
Thereafter	130,040
Total future lease payments	<u>374,740</u>
Less: imputed interest	(59,028)
Total lease liabilities	<u>\$ 315,712</u>

Supplemental cash flow information related to leases was as follows:

	Six Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ 32,472
Operating lease liabilities arising from obtaining ROU assets ⁽¹⁾	9,681

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

Other information related to leases was as follows:

	As of September 30, 2019
Weighted average remaining lease term (in years)	6.28
Weighted average discount rate	4.63%

11. INCOME TAXES

The Company's effective income tax rates were 22.8% and 22.7% for the three months ended September 30, 2019 and 2018, respectively, and 23.8% and 23.5% for the six months ended September 30, 2019 and 2018, respectively. The effective tax rates of 22.8% and 23.8% for the three and six months ended September 30, 2019 differ from the federal statutory rate of 21.0% primarily due to the inclusion of state and foreign income taxes and permanent rate differences, which are predominantly related to meals and entertainment and certain executive compensation, partially offset by discrete tax items.

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 \$11.4 million, net of associated tax benefits as of September 30, 2019. The Company has taken similar tax positions with respect to subsequent fiscal years, totaling in aggregate \$33.5 million. As of September 30, 2019, 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.

The Company maintained a reserve of \$10.2 million as of September 30, 2019 relating to the acquisition of eGov Holdings, Inc. (d/b/a Aquilent) in the fourth quarter of fiscal 2017 for pre-acquisition period tax return uncertain tax positions.

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	September 30, 2019	March 31, 2019
Deferred rent (1)	\$ —	\$ 78,658
Postretirement benefit obligations	127,877	124,925
Other (2)	62,690	71,816
Total other long-term liabilities	<u>\$ 190,567</u>	<u>\$ 275,399</u>

(1) Deferred rent balance was reclassified to operating lease right-of-use assets on the condensed consolidated balance sheet as a result of the adoption of Topic 842. See Notes 2 and 10, respectively to our condensed consolidated financial statements.

(2) Because of condensed financial statement presentation, components of other long-term liabilities at September 30, 2019 and March 31, 2019 primarily include the Company's long-term disability obligation, the long-term liability portion of the Company's derivative instruments, income tax reserves and deferred tax liabilities.

13. 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 international employees. ECAP provides for distributions, subject to certain vesting provisions, to participants by reason of retirement, death, disability, or termination of employment. The Company has an annual matching contribution of up to 6% of eligible annual income as determined by the Internal Revenue Code for the ECAP. Total expense recognized under ECAP was \$36.2 million and \$33.6 million for the three months ended September 30, 2019 and 2018, respectively, and \$73.1 million and \$66.2 million for the six months ended September 30, 2019 and 2018, respectively. The Company-paid contributions were \$22.1 million and \$16.9 million for the three months ended September 30, 2019 and 2018, respectively, and \$42.0 million and \$34.4 million for the six months ended September 30, 2019 and 2018, respectively.

Defined Benefit Plan and Other Postretirement Benefit Plans

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 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 and other expenses. The Retired Officers' Bonus Plan is not salary related, but rather is based primarily on years of service. During fiscal 2017, the Company adopted a new plan which will provide for a one-time, lump sum retirement payment of one month's salary when a vice-president retires from the Company, effective April 1, 2017. This is referred to as the Retired Vice-President Bonus Plan. Additionally, the Company offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Service cost	\$ 1,239	\$ 1,488	\$ 2,478	\$ 2,976
Interest cost	1,215	1,282	2,430	2,564
Net actuarial loss	—	527	—	1,054
Total postretirement medical expense	\$ 2,454	\$ 3,297	\$ 4,908	\$ 6,594

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) is included as part of other income (expense), net in the accompanying condensed consolidated statements of operations.

As of September 30, 2019 and March 31, 2019, the unfunded status of the post-retirement medical plan was \$123.3 million and \$120.3 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

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 \$11.6 million at both September 30, 2019 and March 31, 2019, and is presented in other long-term liabilities in the accompanying consolidated balance sheets.

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.

The fair values of plan investments and obligations at September 30, 2019 and March 31, 2019 were \$6.7 million and \$3.2 million, respectively, and were recorded in other long term assets and in other long term liabilities, respectively, in the condensed consolidated balance sheets. Adjustments to the fair value of the plan investments and obligations are recorded in operating expenses.

14. 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 income (loss), net of tax:

	Three Months Ended September 30, 2019			Six Months Ended September 30, 2019		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	\$ (9,034)	\$ (17,087)	\$ (26,121)	\$ (9,068)	\$ (2,122)	\$ (11,190)
Other comprehensive loss before reclassifications (1)	—	(5,048)	(5,048)	—	(19,627)	(19,627)
Amounts reclassified from accumulated other comprehensive loss	16	34	50	50	(352)	(302)
Net current-period other comprehensive income (loss)	16	(5,014)	(4,998)	50	(19,979)	(19,929)
End of period	\$ (9,018)	\$ (22,101)	\$ (31,119)	\$ (9,018)	\$ (22,101)	\$ (31,119)

(1) Changes in other comprehensive loss before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefits of \$1.8 million and \$7.0 million for the three and six months ended September 30, 2019, respectively.

	Three Months Ended September 30, 2018			Six Months Ended September 30, 2018		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	\$ (20,548)	\$ 7,769	\$ (12,779)	\$ (20,955)	\$ 5,849	\$ (15,106)
Other comprehensive income (loss) before reclassifications (2)	—	1,123	1,123	—	3,019	3,019
Amounts reclassified from accumulated other comprehensive loss	424	(85)	339	831	(61)	770
Net current-period other comprehensive income (loss)	424	1,038	1,462	831	2,958	3,789
End of period	\$ (20,124)	\$ 8,807	\$ (11,317)	\$ (20,124)	\$ 8,807	\$ (11,317)

(2) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax expenses of \$0.4 million and \$1.1 million for the three and six months ended September 30, 2018, respectively.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Amounts reclassified from accumulated other comprehensive loss:				
Post-retirement plans (Note 13):				
Amortization of net actuarial loss included in net periodic benefit cost	\$ 22	\$ 551	\$ 66	\$ 1,101
Tax benefit (expense)	(6)	(127)	(16)	(270)
Net of tax	\$ 16	\$ 424	\$ 50	\$ 831
Derivatives designated as cash flow hedges (Note 9):				
Reclassification of hedge (loss) gain	\$ 46	\$ (116)	\$ (477)	\$ (83)
Tax benefit (expense)	(12)	31	125	22
Net of tax	\$ 34	\$ (85)	\$ (352)	\$ (61)

15. STOCK-BASED COMPENSATION

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Cost of revenue	\$ 2,538	\$ 2,534	\$ 4,472	\$ 3,978
General and administrative expenses	6,826	4,616	11,336	9,287
Total	\$ 9,364	\$ 7,150	\$ 15,808	\$ 13,265

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Equity Incentive Plan Options	\$ 722	\$ 586	\$ 1,207	\$ 919
Class A Restricted Common Stock	8,642	6,564	14,601	12,346
Total	\$ 9,364	\$ 7,150	\$ 15,808	\$ 13,265

As of September 30, 2019, there was \$47.7 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of September 30, 2019 is expected to be fully amortized over the next 4.50 years. Absent the effect of accelerating stock compensation cost for any departures of employees who may continue to vest in their equity awards, the following table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized.

	September 30, 2019	
	Unrecognized Compensation Cost	Weighted Average Remaining Period to be Recognized (in years)
Equity Incentive Plan Options	\$ 4,990	3.83
Class A Restricted Common Stock	42,711	2.02
Total	<u>\$ 47,701</u>	

Equity Incentive Plan

As of September 30, 2019, there were 2,075,077 EIP options outstanding, of which 821,634 were unvested.

Grants of Restricted Stock Units and Class A Restricted Common Stock

During the three months ended September 30, 2019, the Board of Directors granted 11,271 restricted stock units to certain employees of the Company and granted 30,389 shares of Class A Restricted Common Stock to members of the Board of Directors. The aggregate value of these awards was \$2.9 million based on the grant date stock price, which ranged from \$67.80 to \$72.94.

Employee Stock Purchase Plan

For the quarterly offering period that closed on September 30, 2019, 54,408 Class A Common Stock shares were purchased by employees under the Company's Employee Stock Purchase Plan, or ESPP. Since the program's inception, 2,540,103 shares have been purchased by employees.

16. 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 condensed consolidated balance sheets consist of the following:

	Recurring Fair Value Measurements as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Long term deferred compensation costs (2)	6,725	—	—	6,725
Total Assets	<u>\$ 6,725</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,725</u>
Liabilities:				
Contingent consideration liability (3)	\$ —	\$ —	\$ 1,224	1,224
Current derivative instruments (1)	—	6,101	—	6,101
Long term derivative instruments (1)	—	23,834	—	23,834
Long term deferred compensation costs (2)	6,725	—	—	6,725
Total Liabilities	<u>\$ 6,725</u>	<u>\$ 29,935</u>	<u>\$ 1,224</u>	<u>\$ 37,884</u>

**Recurring Fair Value Measurements
as of March 31, 2019**

	Level 1	Level 2	Level 3	Total
Assets:				
Current derivative instruments (1)	\$ —	\$ 1,790	\$ —	\$ 1,790
Long term derivative instruments (1)	—	614	—	614
Long term deferred compensation costs (2)	3,169	—	—	3,169
Total Assets	\$ 3,169	\$ 2,404	\$ —	\$ 5,573
Liabilities:				
Contingent consideration liability (3)	\$ —	\$ —	\$ 1,224	\$ 1,224
Current derivative instruments (1)	—	929	—	929
Long term derivative instruments (1)	—	4,347	—	4,347
Long term deferred compensation costs (2)	3,169	—	—	3,169
Total Liabilities	\$ 3,169	\$ 5,276	\$ 1,224	\$ 9,669

(1) 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 9 for further discussion on the Company's derivative instruments designated as cash flow hedges.

(2) Investments in this category consist 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 condensed consolidated balance sheets.

(3) The Company recognized a contingent consideration liability of \$3.6 million in connection with its acquisition of Aquilent in fiscal 2017. As of both September 30, 2019 and March 31, 2019, 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.

The fair value of the Company's cash and cash equivalents, which are primarily Level 1 inputs, approximated its carrying values as of September 30, 2019 and March 31, 2019. The fair value of the Company's debt instruments approximated its carrying value at September 30, 2019 and March 31, 2019. 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 the Senior Notes is determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs).

17. RELATED-PARTY TRANSACTIONS

Two of our directors currently serve on the board of directors of a subcontractor to which the Company subcontracted \$15.6 million and \$39.8 million of services for the three and six months ended September 30, 2019, respectively.

18. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Third-Party Guarantees

As of September 30, 2019 and March 31, 2019, 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 \$9.2 million and \$9.5 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At September 30, 2019 and March 31, 2019, approximately \$0.9 million and \$1.0 million, respectively, of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$15.0 million facility established in fiscal 2015 of which \$6.7 million and \$6.5 million were available to the Company at September 30, 2019 and March 31, 2019, respectively.

Government Contracting Matters

For the three months ended September 30, 2019 and 2018, approximately 97% and 96% of the Company's revenue, respectively, 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. For both the six months ended September 30, 2019 and 2018, approximately 97% of the Company's revenue was generated from such contracts. 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 contract 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, routinely audit our contract costs, including allocated 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 any audit, inquiry, or investigation of which it is aware. Management believes it has recorded the appropriate provision for the estimated losses that may be experienced from any such reductions and/or penalties. As of September 30, 2019 and March 31, 2019, the Company had recorded liabilities of approximately \$207.9 million and \$195.3 million, respectively, for its current best estimate of amounts to be refunded to customers for potential adjustments from audits or reviews of contract costs incurred subsequent to fiscal 2011, and for contracts not yet closed that are impacted by settlement of audits or reviews of contract costs incurred in prior fiscal years.

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 September 30, 2019 and March 31, 2019, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the Company prior to the acquisition of the Company by the Carlyle Group (the "Carlyle Acquisition") have filed a total of nine suits in various jurisdictions, with original filing dates ranging from July 3, 2008 through December 15, 2009, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. Each of the suits arises out of the Carlyle Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Carlyle Acquisition. Some of the suits also allege that the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and were on appeal before the United States Court of Appeals for the Second Circuit. On July 13, 2017, the United States Court of Appeals for the Second Circuit

affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim, which was remanded to the United States District Court for the Southern District of New York to give the plaintiff, Paul Kocourek, leave to file another amended complaint to attempt to plead a securities fraud claim. On April 6, 2018, the plaintiff filed an amended complaint in which Mr. Kocourek, individually, as Trustee of the Paul Kocourek Trust and on behalf of a putative class, alleges that the Company and certain former officers and directors violated Sections 10(b), 20(a) and 14(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. On June 2, 2019, the United States District Court for the Southern District of New York granted defendants' motion to dismiss the amended complaint in its entirety. On July 11, 2019, the plaintiff filed a notice to appeal the ruling. On October 17, 2019, the plaintiff and the defendants reached an agreement to settle this matter. Pursuant to that agreement, the plaintiff is obligated to dismiss his appeal.

On June 7, 2017, Booz Allen Hamilton 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 Securities and Exchange Commission, 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. 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 *Langlely 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. At a status conference on October 31, 2019, the court ordered the parties to meet and confer and submit a status report by November 29, 2019. 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 2. 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 our condensed consolidated financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q, or Quarterly 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 our Annual Report on Form 10-K for the fiscal year ended March 31, 2019 filed with the Securities and Exchange Commission on May 28, 2019, or Annual Report, and under Part II, "Item 1A. Risk Factors," and "— Special Note Regarding

Forward Looking Statements” of this Quarterly Report. 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, digital solutions, engineering, mission operations, and cyber expertise 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 27,000 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 client needs, we have longstanding relationships with our clients, some more than 75 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 transportation to solve the hardest and most consequential challenges, including through our cybersecurity products and services. Our international clients are primarily in the Middle East and Southeast Asia.

Financial and Other Highlights

Effective April 1, 2019, the Company 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 year has not been retrospectively adjusted. See Note 2 to our accompanying condensed consolidated financial statements for more information on the impact of the adoption of this accounting standard.

During the second quarter of fiscal 2020, the Company generated year over year revenue growth, delivered improved earnings over the prior year period, increased client staff headcount, and achieved record backlog for a second quarter.

Revenue increased 12.7% from the three months ended September 30, 2018 to the three months ended September 30, 2019 and increased 11.8% from the six months ended September 30, 2018 to the six months ended September 30, 2019 primarily driven by sustained strength in client demand and headcount growth. Revenue also benefited from higher billable expenses as compared to the prior year period.

Operating income increased 19.7% to \$172.0 million in the three months ended September 30, 2019 from \$143.8 million in the three months ended September 30, 2018, while operating margin increased to 9.5% from 8.9% in the comparable period. Operating income increased \$45.7 million to \$351.1 million in the six months ended September 30, 2019 from \$305.4 million in the six months ended September 30, 2018, while operating margin increased to 9.6% from 9.4% in the comparable period. The increase in the current quarter operating income was primarily driven by the same factors as growth in revenue as well as improved contract performance compared to the prior year period. The Company also incurred incremental legal costs during the three and six months ended September 30, 2019 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.

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 EPS, 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. 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 before certain other items, including transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. "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) amortization or write-off of debt issuance costs and write-off of original issue discount, (iii) release of income tax reserves, and (iv) re-measurement of deferred tax assets and liabilities as a result of the Tax Cuts and Jobs Act (the "2017 Tax Act") 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 a result of the 2017 Tax Act 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 condensed 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.

(In thousands, except share and per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Revenue, Excluding Billable Expenses				
Revenue	\$ 1,819,577	\$ 1,613,997	\$ 3,644,753	\$ 3,260,845
Billable expenses	539,846	478,349	1,091,021	955,784
Revenue, Excluding Billable Expenses	\$ 1,279,731	\$ 1,135,648	\$ 2,553,732	\$ 2,305,061
Adjusted Operating Income				
Operating Income	\$ 172,035	\$ 143,751	\$ 351,081	\$ 305,363
Transaction expenses (a)	—	3,660	—	3,660
Adjusted Operating Income	\$ 172,035	\$ 147,411	\$ 351,081	\$ 309,023
EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue & Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses				
Net income	\$ 114,325	\$ 92,713	\$ 231,711	\$ 196,917
Income tax expense	33,852	27,174	72,296	60,337
Interest and other, net (b)	23,858	23,864	47,074	48,109
Depreciation and amortization	19,632	16,426	39,653	32,579
EBITDA	191,667	160,177	390,734	337,942
Transaction expenses (a)	—	3,660	—	3,660
Adjusted EBITDA	\$ 191,667	\$ 163,837	\$ 390,734	\$ 341,602
Adjusted EBITDA Margin on Revenue	10.5%	10.2%	10.7%	10.5%
Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses	15.0%	14.4%	15.3%	14.8%
Adjusted Net Income				
Net income	\$ 114,325	\$ 92,713	\$ 231,711	\$ 196,917
Transaction expenses (a)	—	3,660	—	3,660
Re-measurement of deferred tax assets/liabilities (c)	—	1,064	—	1,064
Amortization or write-off of debt issuance costs and write-off of original issue discount	602	1,205	1,059	1,868
Adjustments for tax effect (d)	(156)	(1,265)	(275)	(1,437)
Adjusted Net Income	\$ 114,771	\$ 97,377	\$ 232,495	\$ 202,072
Adjusted Diluted Earnings Per Share				
Weighted-average number of diluted shares outstanding	141,362,136	143,708,909	141,252,917	144,215,073
Adjusted Net Income Per Diluted Share (e)	\$ 0.81	\$ 0.68	\$ 1.65	\$ 1.40
Free Cash Flow				
Net cash provided by (used in) operating activities	\$ 215,696	\$ 301,604	\$ 266,679	\$ 274,567
Less: Purchases of property, equipment and software	(32,642)	(19,207)	(59,978)	(39,672)
Free Cash Flow	\$ 183,054	\$ 282,397	\$ 206,701	\$ 234,895

(a) Reflects debt refinancing costs incurred in connection with the refinancing transaction consummated on July 23, 2018.

(b) Reflects the combination of Interest expense and Other income (expense), net from the condensed consolidated statement of operations.

- (c) Reflects the adjustments made to the provisional income tax benefit associated with the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act.
- (d) Reflects the tax effect of adjustments at an assumed effective tax rate of 26%, which approximates the blended federal and state tax rate and consistently excludes the impact of other tax credits and incentive benefits realized.
- (e) Excludes adjustments of approximately \$0.6 million and \$1.2 million of net earnings for the three and six months ended September 30, 2019 and 2018, 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 Tax Payer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, and the Bipartisan Budget Act of 2018, 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;
- 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, whereby 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, and the Bipartisan Budget Act of 2018), 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 2018 raised BCA spending caps on defense spending by \$80 billion for government fiscal 2018, and \$85 billion for government fiscal 2019. For non-defense funding, the Bipartisan Budget Act of 2018 raised BCA spending caps by \$63 billion for government fiscal 2018 and \$67 billion for government fiscal 2019. While the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, and the Bipartisan Budget Act of 2018 all negated and raised budget limits put in place by the BCA for both defense and non-defense spending, those spending limits are due to return in fiscal 2020, and absent another budget deal, could result in significant cuts to the budget levels allowed by the Bipartisan Budget Act of 2018. 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-compete 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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Cost-reimbursable	57%	53%	56%	53%
Time-and-materials	23%	24%	23%	24%
Fixed-price	20%	23%	21%	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 compete 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.

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. 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 September 30, 2019 and 2018, we employed approximately 27,000 and 25,300 people, respectively, of which approximately 24,100 and 22,800, 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:

	As of September 30,	
	2019	2018
	(In millions)	
Backlog:		
Funded	\$ 4,383	\$ 4,183
Unfunded	5,365	4,777
Priced options	13,163	12,412
Total backlog	\$ 22,911	\$ 21,372

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the period of performance has expired, and unexercised option periods and other unexercised optional orders. As of September 30, 2019, the Company had \$7.6 billion of remaining performance obligations and we expect to recognize more than half of the remaining performance obligations as revenue over the next 12 months, and approximately three quarters 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" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, 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 7.2% from September 30, 2018 to September 30, 2019. Additions to funded backlog during the twelve months ended September 30, 2019 totaled \$7.3 billion in comparison to \$7.0 billion for the comparable period, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options. 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 5.2% of total backlog as of September 30, 2019 and any of the four preceding fiscal quarters.

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. It is also common for the expiration of periods of performance under U.S. government contracts to correspond to the end of the U.S. government's fiscal year, which may result in us not recognizing revenue for such associated backlog thereafter. 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.

Critical Accounting Estimates and Policies

Our critical accounting estimates and policies are disclosed in the Critical Accounting Estimates and Policies section in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended March 31, 2019. Effective April 1, 2019, we adopted Topic 842 using the modified retrospective transition approach. Refer to Note 2 and Note 10 to our accompanying condensed consolidated financial statements for information related to our adoption of new accounting standards and for additional information related to leases. There were no other material changes to our critical accounting policies, estimates or judgments that occurred in the quarterly period covered by this report.

Recent Accounting Pronouncements

See Note 2 to our accompanying condensed 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.

Results of Operations

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

	Three Months Ended September 30,		Percent Change	Six Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	(In thousands)			(In thousands)		
Revenue	\$ 1,819,577	\$ 1,613,997	12.7%	\$ 3,644,753	\$ 3,260,845	11.8%
Operating costs and expenses:						
Cost of revenue	843,942	748,570	12.7%	1,684,596	1,534,382	9.8%
Billable expenses	539,846	478,349	12.9%	1,091,021	955,784	14.1%
General and administrative expenses	244,122	226,901	7.6%	478,402	432,737	10.6%
Depreciation and amortization	19,632	16,426	19.5%	39,653	32,579	21.7%
Total operating costs and expenses	1,647,542	1,470,246	12.1%	3,293,672	2,955,482	11.4%
Operating income	172,035	143,751	19.7%	351,081	305,363	15.0%
Interest expense	(25,863)	(22,247)	16.3%	(51,050)	(45,321)	12.6%
Other income (expense), net	2,005	(1,617)	NM	3,976	(2,788)	NM
Income before income taxes	148,177	119,887	23.6%	304,007	257,254	18.2%
Income tax expense	33,852	27,174	24.6%	72,296	60,337	19.8%
Net income	\$ 114,325	\$ 92,713	23.3%	\$ 231,711	\$ 196,917	17.7%

NM - Not meaningful

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Revenue

Revenue increased to \$1,819.6 million from \$1,614.0 million, or a 12.7% increase, primarily driven by sustained strength in client demand, headcount growth, and an extra workday compared to the prior year period. Revenue also benefited from higher billable expenses as compared to the prior year period. Total headcount as of September 30, 2019 increased approximately 1,600 compared to September 30, 2018.

Cost of Revenue

Cost of revenue increased to \$843.9 million from \$748.6 million, or a 12.7% increase. The increase was primarily due to increases in salaries and salary-related benefits of \$67.0 million and higher incentive compensation of \$5.0 million. The increase

in salaries and salary-related benefits was driven by increased headcount and annual base salary increases. Cost of revenue as a percentage of revenue was 46.4% for both the three months ended September 30, 2019 and 2018.

Billable Expenses

Billable expenses increased to \$539.8 million from \$478.3 million, or a 12.9% increase, primarily attributable to an increase in the use of subcontractors in the current quarter driven by client demand and an increase in contracts which require the Company to incur direct expenses on behalf of clients over the prior year period. Billable expenses as a percentage of revenue were 29.7% and 29.6% for the three months ended September 30, 2019 and 2018, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$244.1 million from \$226.9 million, or a 7.6% increase, primarily due to increases in salaries and salary-related benefits of \$11.5 million, driven by an increase in headcount growth as well as annual base salary increases and an increase in other business expenses and professional fees of \$3.1 million. General and administrative expenses as a percentage of revenue were 13.4% and 14.1% for the three months ended September 30, 2019 and 2018, respectively.

Depreciation and Amortization

Depreciation and amortization increased to \$19.6 million from \$16.4 million, or a 19.5% 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 \$25.9 million from \$22.2 million, or a 16.3% increase, primarily as a result of increases in interest expense related to the \$400 million Delayed Draw Facility (as defined below) which the Company drew down in April 2019.

Income Tax Expense

Income tax expense increased to \$33.9 million from \$27.2 million, or a 24.6% increase, primarily due to an increase in pre-tax income as compared to the prior year period. The effective tax rate increased to 22.8% for the three months ended September 30, 2019 from 22.7% for the three months ended September 30, 2018.

Six Months Ended September 30, 2019 Compared to Six Months Ended September 30, 2018

Revenue

Revenue increased to \$3,644.8 million from \$3,260.8 million, or an 11.8% increase, primarily driven by sustained strength in client demand and headcount growth. Revenue also benefited from higher billable expenses as compared to the prior year period.

Cost of Revenue

Cost of revenue increased to \$1,684.6 million from \$1,534.4 million or a 9.8% increase. The increase was primarily due to increases in salaries and salary-related benefits of \$122.2 million driven by increased headcount and annual base salary increases, and higher incentive compensation of \$10.9 million. Cost of revenue as a percentage of revenue was 46.2% and 47.1% for the six months ended September 30, 2019 and 2018, respectively.

Billable Expenses

Billable expenses increased to \$1,091.0 million from \$955.8 million or a 14.1% increase, primarily attributable to an increase in the use of subcontractors in the current year driven by client demand and an increase in contracts which require the Company to incur direct expenses on behalf of clients over the prior year period. Billable expenses as a percentage of revenue were 29.9% and 29.3% for the six months ended September 30, 2019 and 2018, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$478.4 million from \$432.7 million, or a 10.6% increase, primarily due to increases in salaries and salary-related benefits of \$28.6 million, driven by an increase in headcount growth as well as annual base salary increases, and an increase in other business expenses and professional fees of \$14.4 million. General and administrative expenses as a percentage of revenue were 13.1% and 13.3% for the six months ended September 30, 2019 and 2018, respectively.

Depreciation and Amortization

Depreciation and amortization increased to \$39.7 million from \$32.6 million, or a 21.7% 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 \$51.1 million from \$45.3 million, or a 12.6% increase, primarily as a result of increases in interest expense related to the \$400 million Delayed Draw Facility which the Company drew down in April 2019.

Income Tax Expense

Income tax expense increased to \$72.3 million from \$60.3 million, or a 19.8% increase, primarily due to an increase in pre-tax income as compared to the prior year period. The effective tax rate increased to 23.8% from 23.5% for the six months ended September 30, 2019 and 2018, respectively.

Liquidity and Indebtedness

The following table presents selected financial information as of September 30, 2019 and March 31, 2019 and for the first six months of fiscal 2020 and 2019:

	September 30, 2019	March 31, 2019
	(Unaudited)	
	(In thousands)	
Cash and cash equivalents	\$ 781,546	\$ 283,990
Total debt	2,122,745	1,759,761

	Six Months Ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	(In thousands)	
Net cash provided by operating activities	\$ 266,679	\$ 274,567
Net cash used in investing activities	(59,978)	(39,692)
Net cash provided by (used in) financing activities	290,855	(179,247)
Total increase in cash and cash equivalents	\$ 497,556	\$ 55,628

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 the 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 potential 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.

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 \$266.7 million in the six months ended September 30, 2019 compared to \$274.6 million in the prior year period, or a 2.9% decrease. The decrease in operating cash flows was primarily due to a decrease in accounts payable associated with the timing of vendor payments and increased tax payments, partially offset by collection of our revenue and net income growth.

Investing Cash Flow

Net cash used in investing activities was \$60.0 million in the six months ended September 30, 2019 compared to \$39.7 million in the prior year period, or a 51.1% increase. The increase in net cash used in investing activities was primarily due to an increase in capital expenditures over the prior period primarily related to investments in our facilities and infrastructure and information technology.

Financing Cash Flow

Net cash provided by financing activities was \$290.9 million in the six months ended September 30, 2019 compared to \$179.2 million net cash used in financing activities in the prior year period. The increase in net cash provided by financing activities was primarily due to proceeds of \$400 million from drawing down on our Delayed Draw Facility and an \$83.7 million decrease in share repurchases compared to the prior year period.

Dividends and Share Repurchases

On November 1, 2019, the Company announced a regular quarterly cash dividend in the amount of \$0.27 per share. The quarterly dividend is payable on December 2, 2019 to stockholders of record on November 14, 2019.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Quarterly dividends (1)	\$ 32,436	\$ 27,217	\$ 64,848	\$ 54,659
Dividend equivalents (2)	—	—	—	267
Total distributions	\$ 32,436	\$ 27,217	\$ 64,848	\$ 54,926

(1) Amounts represent quarterly dividends of \$0.23 per share and \$0.19 per share that were declared and paid during fiscal 2020 and fiscal 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, and (v) May 23, 2019 to \$1,310.0 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 the first quarter of fiscal 2020, the Company purchased 93 thousand shares of the Company's Class A Common Stock for an aggregate of \$5.9 million. Following the aforementioned repurchases, as of September 30, 2019, the Company had \$652.3 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

On July 23, 2018 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton") and Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Sixth Amendment (the "Sixth 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, and the Fifth Amendment to the Credit Agreement, dated as of March 7, 2018). The Sixth Amendment provided for a delayed draw (the "Delayed Draw Facility") on the tranche A term loan ("Term Loan A") facility in the amount of up to \$400.0 million and extended the maturity of the Term Loan A and the revolving credit facility (the "Revolving Credit Facility") to July 2023. Additionally, the Sixth Amendment reduced the interest rate spread applicable to the Term Loan A and the Revolving Credit Facility from a range of 1.50% to 2.25% to a range of 1.25% to 2.00% based on consolidated net total leverage. The interest rate applicable to the Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans") remained unchanged.

Prior to the Sixth Amendment, approximately \$1,079.5 million was outstanding under Term Loan A. Pursuant to the Sixth Amendment, certain lenders converted their existing Term Loan A loans into a new tranche of Term Loan A loans in an aggregate amount, along with Term Loan A loans advanced by certain new lenders, of approximately, \$1,479.5 million, \$400.0 million of which was available as the Delayed Draw Facility. On April 23, 2019, Booz Allen Hamilton drew down \$400 million of the Delayed Draw Facility, the proceeds of which are expected to be used for general corporate purposes and other purposes not prohibited by the Credit Agreement.

Prior to the Sixth Amendment, \$500.0 million was available under the Revolving Credit Facility. Pursuant to the Sixth Amendment, certain lenders under the Credit Agreement converted their existing revolving commitments into a new tranche of revolving commitments (the "New Revolving Commitments" and the revolving credit loans made thereunder, the "New Revolving Loans") in an aggregate amount, along with the New Revolving Commitments of certain new lenders, of \$500.0 million.

As of September 30, 2019, the Credit Agreement provided Booz Allen Hamilton with a \$1,400.7 million Term Loan A, a \$389.1 million Term Loan B, and \$500.0 million in New Revolving Commitments with a sub-limit for letters of credit of \$100.0 million. As of September 30, 2019, 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 June 30, 2023. 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 2.00% for LIBOR loans and 1.00% 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 the first and second quarters of fiscal 2020, Booz Allen Hamilton accessed no amounts of its \$500.0 million Revolving Credit Facility. During the first and second quarters of fiscal 2019, Booz Allen Hamilton accessed a total of \$70.0 million of its \$500.0 million Revolving Credit Facility. As of September 30, 2019 and March 31, 2019, there were no amounts outstanding under the Revolving Credit Facility.

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 September 30, 2019 and March 31, 2019, 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 \$9.2 million and \$9.5 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At September 30, 2019 and March 31, 2019, approximately \$0.9 million and \$1.0 million, respectively, of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$15.0 million facility established in fiscal 2015 of which \$6.7 million and \$6.5 million, respectively, was available to Booz Allen Hamilton at September 30, 2019 and March 31, 2019. As of September 30, 2019, Booz Allen Hamilton had \$499.0 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. 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 September 30, 2019 and March 31, 2019, we were compliant with these covenants. In addition, from time to time we evaluate, and we currently are evaluating, conditions in the financing markets for opportunities to improve the terms of indebtedness, including indebtedness under the Credit Agreement. Such improvements could include a reduction of the effective interest, an extension of our maturity, or improvements to the covenants and other provisions governing our outstanding indebtedness.

For the three months ended September 30, 2019 and 2018, interest payments of \$13.9 million and \$10.1 million were made for Term Loan A and \$4.4 million and \$4.0 million were made for Term Loan B, respectively. For the six months ended September 30, 2019 and 2018, interest payments of \$27.2 million and \$21.1 million were made for Term Loan A and \$8.8 million and \$8.0 million were made for Term Loan B, respectively.

Senior Notes

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes (the Senior Notes) due 2025 under an Indenture, dated as of April 25, 2017, 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 April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Booz Allen Hamilton made interest payments of \$9.0 million for the Senior Notes for each of the three and six months ended September 30, 2019 and 2018, 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 September 30, 2019, 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 floating portion of the Company's 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 9 in our condensed consolidated financial statements).

Capital Structure and Resources

Our stockholders' equity amounted to \$840.2 million as of September 30, 2019, an increase of \$164.8 million compared to stockholders' equity of \$675.4 million as of March 31, 2019. The increase was primarily due to net income of \$231.7 million for the six months ended September 30, 2019, stock-based compensation expense of \$15.8 million, and issuance of common stock of \$7.0 million, partially offset by \$64.8 million in quarterly dividend payments and \$8.3 million in treasury stock resulting from the repurchase of shares of our Class A Common Stock during the six months ended September 30, 2019.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any material off-balance sheet arrangements.

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 the six months ended September 30, 2019 and 2018 were \$60.0 million and \$39.7 million, respectively. The increase in capital expenditures over the prior year primarily relates to investments in our facilities and infrastructure, and information technology. We expect capital expenditures for fiscal 2020 to increase from fiscal 2019 as a result of continuing investments in these areas.

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 18 to our condensed consolidated financial statements.

Special Note Regarding Forward Looking Statements

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q, or Quarterly 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:

- efforts by Congress and other U.S. government bodies to reduce U.S. government spending and address budgetary constraints, including automatic sequestration required by the Budget Control Act of 2011 (as subsequently amended) 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 (including those resulting from or related to cuts associated with sequestration);

- 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;
- U.S. government shutdowns, as a result of the failure by elected officials to fund the government beyond November 21, 2019;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- 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;
- 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 General Services Administration Multiple Award schedule contracts, or 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;
- 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 unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- 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;
- changes in estimates used in recognizing revenue;
- 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 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;
- 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;
- 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 potential implementation and operation of new financial management systems;
- risks inherent in the government contracting environment;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business or respond to market developments;

- risks associated with increased competition, new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- 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;
- an inability to utilize existing or future tax benefits for any reason, including as a result of a change in laws or regulations;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or IDIQ, contracts;
- 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 Quarterly 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the information disclosed in the Quantitative and Qualitative Disclosures About Market Risk section in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019 filed with the Securities and Exchange Commission on May 28, 2019.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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 amended, or Exchange Act, as of the end of the period covered by this Quarterly 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 Quarterly Report, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 September 30, 2019 and March 31, 2019, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the Company prior to the acquisition of the Company by the Carlyle Group (the "Carlyle Acquisition") have filed a total of nine suits in various jurisdictions, with original filing dates ranging from July 3, 2008 through December 15, 2009, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. Each of the suits arises out of the Carlyle Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Carlyle Acquisition. Some of the suits also allege that the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and were on appeal before the United States Court of Appeals for the Second Circuit. On July 13, 2017, the United States Court of Appeals for the Second Circuit affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim, which was remanded to the United States District Court for the Southern District of New York to give the plaintiff, Paul Kocourek leave to file another amended complaint to attempt to plead a securities fraud claim. On April 6, 2018, the plaintiff filed an amended complaint in which Mr. Kocourek, individually, as Trustee of the Paul Kocourek Trust and on behalf of a putative class, alleges that the Company and certain former officers and directors violated Sections 10(b), 20(a) and 14(e) of the Exchange Act. On June 2, 2019, the United States District Court for the Southern District of New York granted defendants' motion to dismiss the amended complaint in its entirety. On July 11, 2019, the plaintiff filed a notice to appeal the ruling. On October 17, 2019, the plaintiff and the defendants reached an agreement to settle this matter. Pursuant to that agreement, the plaintiff is obligated to dismiss his appeal.

On June 7, 2017, Booz Allen Hamilton 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 Securities and Exchange Commission, 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. 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. At a status conference on October 31, 2019, the court ordered the parties to meet and confer and submit a status report by November 29, 2019. 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 1A. Risk Factors

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019 filed with the Securities and Exchange Commission on May 28, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Fourth Amended and Restated Certificate of Incorporation of Booz Allen Hamilton Holding Corporation*
10.1 †	First Amendment to the Booz Allen Hamilton Inc. Nonqualified Deferred Compensation Plan*
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 Quarterly Report on Form 10-Q for the three and six months ended September 30, 2019 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2019 and March 31, 2019; (ii) Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2019 and 2018; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended September 30, 2019 and 2018; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2019 and 2018; and (v) Notes to Condensed Consolidated Financial Statements.

* Filed electronically herewith.

† Management contract or compensatory arrangement.

SIGNATURES

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

Booz Allen Hamilton Holding Corporation
Registrant

Date: November 1, 2019

By: /s/ Lloyd W. Howell, Jr.
Lloyd W. Howell, Jr.
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BOOZ ALLEN HAMILTON HOLDING CORPORATION

Booz Allen Hamilton Holding Corporation, a corporation organized and existing under the laws of the State of Delaware (the “Corporation”), hereby certifies as follows:

1. The name of the Corporation is Booz Allen Hamilton Holding Corporation.
2. The Corporation was incorporated under the name Explorer Holding Corporation by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware (the “Secretary of State”) on May 12, 2008. An Amended and Restated Certificate of Incorporation was filed with the Secretary of State on July 30, 2008. A Certificate of Amendment, changing the name of the Corporation from Explorer Holding Corporation to Booz Allen Hamilton Holding Corporation, was filed with the Secretary of State on September 25, 2009. A Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State on November 8, 2010. A Third Amended and Restated Certificate of Incorporation was filed with the Secretary of State on August 13, 2014.
3. The Corporation’s Third Amended and Restated Certificate of Incorporation is hereby amended and restated pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, so as to read in its entirety in the form attached hereto as Exhibit A and incorporated herein by this reference (Exhibit A and this Certificate collectively constituting the Corporation’s Fourth Amended and Restated Certificate of Incorporation).
4. The amendment and restatement of the Third Amended and Restated Certificate of Incorporation of the Corporation has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation having adopted resolutions setting forth such amendment and restatement, declaring its advisability, and directing that it be submitted to the stockholders of the Corporation for their approval; and the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted having consented in writing to the adoption of such amendment and restatement.

IN WITNESS WHEREOF, the undersigned officer of the Corporation has executed this Fourth Amended and Restated Certificate of Incorporation of the Corporation on the 26th day of July, 2019.

BOOZ ALLEN HAMILTON HOLDING
CORPORATION

By: /s/ Nancy J. Laben
Name: Nancy J. Laben
Title: Executive Vice President,
Chief Legal Officer and Secretary

FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BOOZ ALLEN HAMILTON HOLDING CORPORATION

FIRST. *Name*. The name of the Corporation is Booz Allen Hamilton Holding Corporation (the “Corporation”).

SECOND. *Registered Office*. The Corporation’s registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. *Purpose*. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. *Capital Stock*. Upon this Fourth Amended and Restated Certificate of Incorporation of the Corporation becoming effective pursuant to the General Corporation Law of the State of Delaware, the total number of shares of capital stock which the Corporation shall have authority to issue is 654,000,000, consisting of:

- (a) 600,000,000 shares of Class A Common Stock, par value \$0.01 per share; and
- (b) 54,000,000 shares of Preferred Stock, par value \$0.01 per share.

The stock described in subparagraph (a) above is hereinafter referred to as the “Common Stock” and the stock described in subparagraph (b) above is hereinafter referred to as the “Preferred Stock”.

FIFTH. Common Stock. The Common Stock shall have the following rights, powers and preferences:

(a) Voting Rights of Common Stock. Except as otherwise provided by (i) the General Corporation Law of the State of Delaware, or (ii) Article Sixth or any resolution of the Board of Directors fixing the relative powers (including voting powers, if any), preferences and rights of any series of Preferred Stock, and the qualifications, limitations or restrictions thereof, the entire voting power of the shares of the Corporation for the election of directors and for all other purposes shall be vested exclusively in the Common Stock.

(b) Dividend and Liquidation Rights of Common Stock. Except as otherwise provided by (x) the General Corporation Law of the State of Delaware, or (y) Article Sixth or any resolution of the Board of Directors fixing the relative powers (including voting powers, if any), preferences and rights of any series of Preferred Stock, and the qualifications, limitations or restrictions thereof, (i) each share of Common Stock shall be entitled to participate equally in all dividends or other distributions declared on and payable with respect to the Common Stock, (ii) each share of Common Stock shall be entitled to share ratably, in proportion to its par value, until such time as there shall have been distributed an amount equal to each share's par value, in the distribution of assets of the Corporation in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, or upon any distribution of all or substantially all of the assets of the Corporation, and (iii) each share of Common Stock shall be entitled to share equally in the distribution of assets of the Corporation remaining after the distribution described in clause (ii) above in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, or upon any distribution of all or substantially all of the assets of the Corporation. Upon any merger, recapitalization or like transaction, each share of Common Stock shall receive either the same consideration as each other such share.

SIXTH. Preferred Stock. The Preferred Stock may be issued, from time to time, in one or more series as authorized by the Board of Directors. Prior to issuance of a series of Preferred

Stock, the Board of Directors by resolution shall designate that series to distinguish it from other series and classes of stock of the Corporation, shall specify the number of shares to be included in the series, and shall fix the voting powers (full, limited or no voting powers) and the designations, preferences and relative participating, optional or other special rights of that series, and the qualifications limitations or restrictions thereof, including, without limitation any dividend rights and redemption, sinking fund and conversion rights. Subject to the express terms of any other series of Preferred Stock outstanding at the time, the Board of Directors may increase or decrease the number of shares or alter the designation or classify or reclassify any unissued shares of a particular series of Preferred Stock by fixing or altering in any one or more respects from time to time before issuing the shares any terms, rights, restrictions and qualifications of the shares.

SEVENTH. Management of Corporation. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(a) The directors of the Corporation, subject to any rights of the holders of shares of any class or series of Preferred Stock to elect directors, shall be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible. One class's initial term will expire at the first annual meeting of the stockholders following the effectiveness of this Fourth Amended and Restated Certificate of Incorporation, another class's initial term will expire at the second annual meeting of the stockholders following the effectiveness of this Fourth Amended and Restated Certificate of Incorporation and another class's initial term will expire at the third annual meeting of stockholders following the effectiveness of this Fourth Amended and Restated Certificate of Incorporation, with directors of each class to hold office until their successors are duly elected and qualified, provided that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal. At each annual meeting of stockholders of the Corporation beginning with the first annual meeting of stockholders following the filing of this Fourth Amended and Restated Certificate of Incorporation, subject to any

rights of the holders of shares of any class or series of Preferred Stock, the successors of the directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. In the case of any increase or decrease, from time to time, in the number of directors of the Corporation, the number of directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of directors shall shorten the term of any incumbent director.

(b) Subject to any special rights of any holders of any class or series of Preferred Stock to elect directors, the precise number of directors of the Corporation shall be fixed, and may be altered from time to time, only by resolution of the Board of Directors.

(c) Subject to this Article Seventh, the election of directors may be conducted in any manner approved by the person presiding at a meeting of the stockholders or the directors, as the case may be, at the time when the election is held and need not be by written ballot.

(d) Subject to any rights of the holders of shares of any class or series of Preferred Stock, if any, to elect additional directors under specified circumstances, (i) until the first date (such date, the "Effective Date") that a "group" (as defined under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) no longer beneficially owns more than 50.0% of the outstanding shares of Common Stock, a director may be removed at any time, either for or without cause, upon affirmative vote of holders of at least a majority of the votes to which all the stockholders of the Corporation would be entitled to cast in any election of directors or class of directors and (ii) from and after the Effective Date, 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 Corporation would be entitled to cast in any election of directors or class of directors.

(e) Subject to any rights of the holders of shares of any class or series of Preferred Stock, if any, to elect additional directors under specified circumstances, and

except as otherwise provided by law, any vacancy in the Board of Directors that results from an increase in the number of directors, from the death, disability, resignation, disqualification, removal of any director or from any other cause shall be filled solely by a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director.

(f) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Fourth Amended and Restated Certificate of Incorporation or by the Bylaws of the Corporation) shall be vested in and exercised by the Board of Directors.

(g) The Board of Directors shall have the power without the consent or vote of the stockholders to adopt, amend, alter or repeal the Bylaws of the Corporation, except to the extent that this Fourth Amended and Restated Certificate of Incorporation otherwise provide.

(h) No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director, provided that nothing contained in this Article Seventh shall eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is amended after the filing of this Fourth Amended and Restated Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

(i) The Corporation shall, through its Bylaws or otherwise, indemnify to the fullest extent permitted under the General Corporation Law of the State of Delaware, as it now exists or as amended from time to time, any person who is or was a director or

officer of the Corporation or its subsidiaries. The Corporation may, by action of its Board of Directors, provide rights to indemnification and to advancement of expenses to such other employees or agents of the Corporation or its subsidiaries to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware Law.

EIGHTH. *Stockholder Action by Written Consent*. From and after the Effective Date, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders. The Bylaws may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

NINTH. *Special Meetings*. A special meeting of the stockholders of the Corporation for any purpose or purposes may be called only by or at the direction of the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors then in office and any right of the stockholders of the Corporation to call a special meeting of the stockholders is specifically denied.

TENTH. *Business Opportunities*. To the fullest extent permitted by Section 122(17) of the General Corporation Law of the State of Delaware and except as may be otherwise expressly agreed in writing by the Corporation and Explorer Coinvest LLC, a Delaware limited liability company (“Explorer Coinvest”), the Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities, that are from time to time presented to Explorer Coinvest or any of its respective officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than the Corporation and its subsidiaries), even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so and no such person shall be liable to the Corporation or any of its subsidiaries for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another

person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries unless, in the case of any such person who is a director or officer of the Corporation, such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer of the Corporation. Any person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article Tenth. Neither the alteration, amendment or repeal of this Article Tenth nor the adoption of any provision of this Fourth Amended and Restated Certificate of Incorporation inconsistent with this Article Tenth shall eliminate or reduce the effect of this Article Tenth in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article Tenth, would accrue or arise, prior to such alteration, amendment, repeal or adoption.

ELEVENTH. *Section 203 of the General Corporation Law*. The Corporation elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware, “Business Combinations With Interested Stockholders” (“Section 203”), as permitted under and pursuant to subsection (b)(3) of Section 203, until the first date that Explorer Coinvest and its affiliates no longer beneficially own at least 20% of the outstanding shares of Common Stock. From and after such date, the Corporation shall be governed by Section 203 so long as Section 203 by its terms would apply to the Corporation.

TWELFTH. *Forum*. The Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the General Corporation Law of the State of Delaware or the Corporation’s Fourth Amended and Restated Certificate of Incorporation or Bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine.

THIRTEENTH. *Amendment*. The Corporation reserves the right to amend, alter or repeal any provision contained in this Fourth Amended and Restated Certificate of Incorporation

in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or directors are granted subject to this reservation, provided, however, that any amendment, alteration or repeal of Article Seventh, Section (h) shall not adversely affect any right or protection existing under this Fourth Amended and Restated Certificate of Incorporation immediately prior to such amendment, alteration or repeal, including any right or protection of a director or officer thereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

**FIRST AMENDMENT
TO THE BOOZ ALLEN HAMILTON INC. NONQUALIFIED DEFERRED COMPENSATION PLAN**

WHEREAS, Booz Allen Hamilton Inc. (“BAH”) has adopted and maintains the Booz Allen Hamilton Inc. Nonqualified Deferred Compensation Plan (the “Plan”), which is intended to provide a select group of senior management and highly compensated employees of BAH and its “Affiliates” (as such term is defined in the Plan) with an opportunity to defer certain compensation;

WHEREAS, pursuant to Article IX of the Plan, the compensation committee of the board of directors of the Company (the ‘Compensation Committee’) has the authority to amend the Plan at any time; provided that, any such amendment does not decrease the amounts credited to any participant’s account under the Plan;

WHEREAS, the Compensation Committee has determined that it is advisable to amend the Plan to clarify the manner in which wage garnishments are processed under the Plan; and

WHEREAS, such amendment will not decrease the amounts credited to any participant’s account under the Plan.

NOW, THEREFORE, BE IT RESOLVED, that effective July 24, 2019, Section 5.1(a) of the Plan is hereby amended to add the following as a new sentence at the end of the paragraph:

A Participant’s deferral election will be applied with respect to the gross amount of such Participant’s Eligible Compensation; provided that, the amount by which a Participant’s Eligible Compensation may be reduced for crediting to a Participant’s Account shall not exceed the amount of a Participant’s Eligible Compensation that would be paid directly to the Participant by his or her employer after taking into account any and all other applicable withholdings and deductions.

IN WITNESS WHEREOF, this First Amendment is hereby executed by the Chief People Officer of the Company on behalf of the Compensation Committee on July 24, 2019.

Booz Allen Hamilton Inc.

By: /s/ Elizabeth Thompson _____

Name: Elizabeth Thompson

Title: EVP & Chief People Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Horacio Rozanski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 1, 2019

By: /s/ Horacio Rozanski
Horacio 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 Quarterly Report on Form 10-Q 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: November 1, 2019

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-Q of Booz Allen Hamilton Holding Corporation (the “Company”) for the fiscal quarter ended September 30, 2019, 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: November 1, 2019

By: /s/ Horacio Rozanski

Horacio Rozanski
President and Chief Executive Officer
(Principal Executive Officer)

A signed original 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-Q of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal quarter ended September 30, 2019, 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: November 1, 2019

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 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.