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 December 31, 2023

☐ **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	**26-2634160**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
8283 Greensboro Drive, McLean, Virginia	**22102**
(Address of principal executive offices)	**(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:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
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 1/23/2024
Class A Common Stock	129,745,860

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BOOZ ALLEN HAMILTON HOLDING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

	December 31, 2023	March 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 601,813	$ 404,862
Accounts receivable, net	1,968,086	1,774,830
Prepaid expenses and other current assets	107,036	108,366
Total current assets	2,676,935	2,288,058
Property and equipment, net of accumulated depreciation	178,719	195,186
Operating lease right-of-use assets	158,567	187,798
Intangible assets, net of accumulated amortization	619,154	685,615
Goodwill	2,343,789	2,338,399
Deferred tax assets	195,826	573,780
Other long-term assets	301,738	281,816
Total assets	$ 6,474,728	$ 6,550,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 51,563	$ 41,250
Accounts payable and other accrued expenses	993,512	1,316,640
Accrued compensation and benefits	474,786	445,205
Operating lease liabilities	47,482	51,238
Other current liabilities	30,065	42,721
Total current liabilities	1,597,408	1,897,054
Long-term debt, net of current portion	3,369,543	2,770,895
Operating lease liabilities, net of current portion	165,169	198,144
Income tax reserves	106,801	552,623
Other long-term liabilities	149,564	139,934
Total liabilities	5,388,485	5,558,650
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, Class A - $0.01 par value - authorized, 600,000,000 shares; issued, 166,799,073 shares at December 31, 2023 and 165,872,332 shares at March 31, 2023; outstanding, 129,939,050 shares at December 31, 2023 and 131,637,588 shares at March 31, 2023	1,668	1,659
Treasury stock, at cost — 36,860,023 shares at December 31, 2023 and 34,234,744 shares at March 31, 2023	(2,149,734)	(1,859,905)
Additional paid-in capital	866,036	769,460
Retained earnings	2,342,770	2,051,455
Accumulated other comprehensive income	25,503	29,333
Total stockholders' equity	1,086,243	992,002
Total liabilities and stockholders' equity	$ 6,474,728	$ 6,550,652

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 2,569,801	$ 2,277,074	$ 7,890,569	$ 6,825,650
Operating costs and expenses:				
Cost of revenue	1,180,961	1,043,474	3,665,589	3,175,897
Billable expenses	799,896	710,526	2,436,988	2,069,733
General and administrative expenses	300,273	422,388	915,160	969,064
Depreciation and amortization	41,113	42,046	123,867	121,200
Total operating costs and expenses	2,322,243	2,218,434	7,141,604	6,335,894
Operating income	247,558	58,640	748,965	489,756
Interest expense	(46,582)	(32,031)	(126,812)	(85,028)
Other income, net	6,408	14,619	11,888	38,121
Income before income taxes	207,384	41,228	634,041	442,849
Income tax expense	61,740	10,539	156,291	103,286
Net income	145,644	30,689	477,750	339,563
Net loss attributable to non-controlling interest	—	308	—	650
Net income attributable to common stockholders	$ 145,644	$ 30,997	$ 477,750	$ 340,213
Earnings per common share (Note 4):				
Basic	$ 1.11	$ 0.23	$ 3.63	$ 2.55
Diluted	$ 1.11	$ 0.23	$ 3.62	$ 2.54

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)

(Amounts in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Net income	$ 145,644	$ 30,689	$ 477,750	$ 339,563
Other comprehensive income, net of tax:				
Change in unrealized gain (loss) on derivatives designated as cash flow hedges	(6,006)	(62)	(2,681)	13,498
Change in postretirement plan costs	(383)	—	(1,149)	(4)
Total other comprehensive income (loss), net of tax	(6,389)	(62)	(3,830)	13,494
Comprehensive income	139,255	30,627	473,920	353,057
Comprehensive loss attributable to non-controlling interest	—	308	—	650
Comprehensive income attributable to common stockholders	$ 139,255	$ 30,935	$ 473,920	$ 353,707

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)

(Amounts in thousands)	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Cash flows from operating activities		
Net income	$ 477,750	$ 339,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123,867	121,200
Noncash lease expense	40,558	41,632
Stock-based compensation expense	61,277	50,992
Amortization of debt issuance costs	3,580	3,329
Loss on debt extinguishment	965	10,251
Losses (gains) on dispositions, and other	2,188	(45,711)
Changes in assets and liabilities:		
Accounts receivable, net	(193,483)	(169,375)
Deferred income taxes and income taxes receivable / payable	(76,982)	(206,065)
Prepaid expenses and other current and long-term assets	(4,535)	178,383
Accrued compensation and benefits	43,758	2,815
Accounts payable and other accrued expenses	(323,730)	79,550
Other current and long-term liabilities	(40,145)	(40,890)
Net cash provided by operating activities	115,068	365,674
Cash flows from investing activities		
Purchases of property, equipment, and software	(50,532)	(51,398)
Payments for business acquisitions and dispositions	(406)	(440,069)
Payments for cost method investments	(17,316)	(2,000)
Proceeds from sale of businesses	—	53,409
Net cash used in investing activities	(68,254)	(440,058)
Cash flows from financing activities		
Proceeds from issuance of common stock	20,899	18,003
Stock option exercises	14,409	10,705
Repurchases of common stock	(303,654)	(114,075)
Cash dividends paid	(186,787)	(173,216)
Repayments on revolving credit facility, term loans, and Senior Notes	(530,937)	(406,755)
Net proceeds from debt issuance	636,207	414,751
Proceeds from revolving credit facility	500,000	—
Net cash provided by (used in) financing activities	150,137	(250,587)
Net increase (decrease) in cash and cash equivalents	196,951	(324,971)
Cash and cash equivalents—beginning of period	404,862	695,910
Cash and cash equivalents—end of period	$ 601,813	$ 370,939
Supplemental disclosures of cash flow information		
Net cash paid during the period for:		
Interest	$ 105,259	$ 67,782
Income taxes	$ 222,267	$ 123,214

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 September 30, 2023	166,669,125	$ 1,667	(36,095,259)	$(2,054,418)	$ 834,042	$2,258,947	$ 31,892	$ 1,072,130
Issuance of common stock	106,446	1	—	—	6,951	—	—	6,952
Stock options exercised	23,502	—	—	—	1,276	—	—	1,276
Repurchase of common stock	—	—	(764,764)	(95,316)	—	—	—	(95,316)
Net income	—	—	—	—	—	145,644	—	145,644
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6,389)	(6,389)
Dividends declared of $0.47 per share of common stock	—	—	—	—	—	(61,821)	—	(61,821)
Stock-based compensation expense	—	—	—	—	23,767	—	—	23,767
Balance at December 31, 2023	166,799,073	$ 1,668	(36,860,023)	$(2,149,734)	$ 866,036	$2,342,770	$ 25,503	$ 1,086,243
Balance at March 31, 2023	165,872,332	$ 1,659	(34,234,744)	$(1,859,905)	$ 769,460	$2,051,455	$ 29,333	$ 992,002
Issuance of common stock	610,945	6	—	—	20,893	—	—	20,899
Stock options exercised	315,796	3	—	—	14,406	—	—	14,409
Repurchase of common stock [1]	—	—	(2,625,279)	(289,829)	—	—	—	(289,829)
Net income	—	—	—	—	—	477,750	—	477,750
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,830)	(3,830)
Dividends declared of $1.41 per share of common stock	—	—	—	—	—	(186,435)	—	(186,435)
Stock-based compensation expense	—	—	—	—	61,277	—	—	61,277
Balance at December 31, 2023	166,799,073	$ 1,668	(36,860,023)	$(2,149,734)	$ 866,036	$2,342,770	$ 25,503	$ 1,086,243

[1] During the nine months ended December 31, 2023, the Company purchased 2.5 million shares of the Company's Class A Common Stock in a series of open market transactions for $272.8 million. Additionally, the Company repurchased shares for $14.9 million during the nine months ended December 31, 2023 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.

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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)	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at September 30, 2022	165,110,617	$ 1,651	(32,795,658)	$(1,722,881)	$ 706,620	$2,208,952	$ 22,141	$ 2,052	$ 1,218,535
Issuance of common stock	86,802	—	—	—	5,951	—	—	—	5,951
Stock options exercised	65,429	2	—	—	2,711	—	—	—	2,713
Repurchase of common stock	—	—	(111,355)	(10,809)	—	—	—	—	(10,809)
Net income	—	—	—	—	—	30,997	—	(308)	30,689
Other comprehensive loss, net of tax	—	—	—	—	—	—	(62)	—	(62)
Dividends declared of $0.43 per share of common stock	—	—	—	—	—	(57,334)	—	—	(57,334)
Stock-based compensation expense	—	—	—	—	18,890	—	—	—	18,890
Contribution to non-controlling interest					(1,150)			1,150	—
De-consolidation of non-controlling interest	—	—	—	—	—	—	—	(2,894)	(2,894)
Balance at December 31, 2022	165,262,848	$ 1,653	(32,907,013)	$(1,733,690)	$ 733,022	$2,182,615	$ 22,079	$ —	$ 1,205,679

(Amounts in thousands, except share data)	Class A Common Stock Shares	Class A Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Stockholders' Equity
Balance at March 31, 2022	164,372,545	$ 1,646	(31,788,197)	$(1,635,454)	$ 656,222	$2,015,071	$ 8,585	$ 651	$ 1,046,721
Issuance of common stock	590,027	4	—	—	17,999	—	—	—	18,003
Stock options exercised	300,276	3	—	—	10,702	—	—	—	10,705
Repurchase of common stock [2]	—	—	(1,118,816)	(98,236)	—	—	—	—	(98,236)
Net income	—	—	—	—	—	340,213	—	(650)	339,563
Other comprehensive income, net of tax	—	—	—	—	—	—	13,494	—	13,494
Dividends declared of $1.29 per share of common stock	—	—	—	—	—	(172,669)	—	—	(172,669)
Stock-based compensation expense	—	—	—	—	50,992	—	—	—	50,992
Contribution to non-controlling interest	—	—	—	—	(2,893)	—	—	2,893	—
De-consolidation of non-controlling interest	—	—	—	—	—	—	—	(2,894)	(2,894)
Balance at December 31, 2022	165,262,848	$ 1,653	(32,907,013)	$(1,733,690)	$ 733,022	$2,182,615	$ 22,079	—	1,205,679

[2] During the nine months ended December 31, 2022, the Company purchased 1.0 million shares of the Company's Class A Common Stock in a series of open market transactions for $86.4 million. Additionally, the Company repurchased shares for $11.8 million during the nine months ended December 31, 2022 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.

1. Business Overview

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or the Company, we, us, and our, was incorporated in Delaware in May 2008. The Company provides management and technology consulting, analytics, engineering, digital solutions, mission operations, and cyber services to U.S. and international governments, major corporations, and not-for-profit organizations. The Company reports operating results and financial data in one reportable segment. The Company is headquartered in McLean, Virginia, with approximately 33,800 employees as of December 31, 2023.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “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, 2023. 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 periods 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 nine months ended December 31, 2023 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 other entities over which the Company has a controlling financial interest or where the Company is a primary beneficiary.

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

Investments in Variable Interest Entities and Other Investments

The Company invests in certain companies that advance or develop new technologies applicable to its business. Each investment is evaluated for consolidation under the variable interest entities model and/or the voting interest model. The results of these investments are not material to the unaudited condensed and consolidated financial statements for the periods presented. 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. Equity investments in entities over which the Company does not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are accounted for under the measurement alternative. As of December 31, 2023 and March 31, 2023, respectively, the total of equity and other investments related to unconsolidated entities included in other long term assets of the Company’s condensed consolidated balance sheet were $41.1 million and $23.1 million.

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 the provision for claimed indirect costs, valuation and expected lives of tangible and intangible assets, impairment of long-lived assets, accrued liabilities, revenue recognition, including the accrual of indirect costs, bonus and other incentive compensation, stock-based compensation, reserves for uncertain tax positions and valuation allowances on deferred tax assets, provisions for income taxes, postretirement obligations, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ materially from management's estimates.

Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“Topic 848”). The guidance is intended to provide relief for entities impacted by reference rate reform. Topic 848 contains provisions and optional accounting expedients designed to simplify requirements around the designation of hedging relationships, probability assessments of hedged forecasted transactions, and accounting for modifications of contracts that refer to the London Interbank Offered Rate (“LIBOR”) or other rates affected by reference rate reform. The guidance is elective and is effective on the date of issuance. Topic 848 is applied prospectively to contract modifications and as of the effective date for existing and new eligible hedging relationships. During the first quarter of fiscal 2024, the Company modified its interest rate swap agreements to transition from LIBOR-indexed to term SOFR-indexed periodic swap payments to align with interest payments in connection with its term SOFR-indexed debt. As such, the Company elected the optional expedients under Topic 848 which allows the cash flow hedge to continue being recognized under hedge accounting without de-designation upon a change in critical terms affected by the reference rate reform. The adoption of this guidance did not have a material impact on the condensed consolidated financial statements and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280), which enhances reportable segment disclosure requirements, including significant segment expenses and interim disclosures (“Topic 280”). The guidance allows for disclosure of multiple measures of a segment’s profit or loss, and it requires that public entities with a single reportable segment provide all disclosures required by the ASU and all existing disclosures in Topic 280. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The amendments are to be applied retrospectively, and early adoption is permitted. The Company is currently assessing the impact of this update and does not expect this update to have a material impact on its present or historical consolidated financial statements.

3. Revenue

The Company's revenues from contracts with customers (clients) are derived from offerings that include management and technology consulting services, analytics, digital solutions, engineering, mission operations, and cyber services, substantially all 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 and generates revenue under three basic types of contracts, which include cost-reimbursable contracts, time-and-materials contracts, and fixed-price contracts.

Contract Estimates

We recognize revenue for many of our contracts 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 the completion of our 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 both the three and nine months ended December 31, 2023 and 2022, 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 and by customer type, as well as by 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.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

- 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 December 31,				Nine Months Ended December 31,			
	2023		2022		2023		2022	
Cost-reimbursable	$ 1,403,297	55 %	$ 1,211,589	53 %	$ 4,317,430	55 %	$ 3,603,824	53 %
Time-and-materials	614,339	24 %	572,491	25 %	1,888,679	24 %	1,682,831	25 %
Fixed-price	552,165	21 %	492,994	22 %	1,684,460	21 %	1,538,995	22 %
Total Revenue	$ 2,569,801	100 %	$ 2,277,074	100 %	$ 7,890,569	100 %	$ 6,825,650	100 %

Revenue by Customer Type:

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2023		2022		2023		2022	
U.S. government[(1)]:								
Defense Clients	$ 1,224,561	47 %	$ 1,046,441	46 %	$ 3,719,013	47 %	$ 3,102,528	45 %
Intelligence Clients	408,458	16 %	418,783	18 %	1,329,937	17 %	1,248,779	18 %
Civil Clients	893,202	35 %	756,010	33 %	2,714,231	34 %	2,291,949	34 %
Total U.S. government	2,526,221	98 %	2,221,234	97 %	7,763,181	98 %	6,643,256	97 %
Global Commercial Clients	43,580	2 %	55,840	3 %	127,388	2 %	182,394	3 %
Total Revenue	$ 2,569,801	100 %	$ 2,277,074	100 %	$ 7,890,569	100 %	$ 6,825,650	100 %

(1) Certain contracts were reassigned between the various verticals of our U.S. government business shown in the table above to better align our operations to the customers we serve within each market. Prior year revenue by customer type has been recast to reflect the changes.

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

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2023		2022		2023		2022	
Prime Contractor	$ 2,447,401	95 %	$ 2,151,265	94 %	$ 7,502,044	95 %	$ 6,461,935	95 %
Subcontractor	122,400	5 %	125,809	6 %	388,525	5 %	363,715	5 %
Total Revenue	$ 2,569,801	100 %	$ 2,277,074	100 %	$ 7,890,569	100 %	$ 6,825,650	100 %

Performance Obligations

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

As of December 31, 2023 and March 31, 2023, the Company had $8.8 billion and $7.9 billion of remaining performance obligations, respectively. We expect to recognize approximately 75% of the remaining performance obligations at December 31, 2023 as revenue over the next 12 months, and approximately 85% over the next 24 months. The remainder is expected to be recognized thereafter.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

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 result 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. Unbilled amounts represent revenues for which billings have not been presented to customers. 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. 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 credit losses to provide for an estimate of uncollectible receivables. Provision for credit losses recognized was not material for the three and nine months ended December 31, 2023 and 2022.

The following table summarizes the contract assets and liabilities, and accounts receivable, net of allowance recognized on the Company’s condensed consolidated balance sheets:

	December 31, 2023	March 31, 2023
Current assets		
Accounts receivable–billled	$ 737,599	$ 551,666
Accounts receivable–unbilled (contract assets)	1,230,554	1,223,482
Allowance for credit losses	(67)	(318)
Accounts receivable, net	1,968,086	1,774,830
Other long-term assets		
Accounts receivable–unbilled (contract assets)	56,953	59,455
Total accounts receivable, net	$ 2,025,039	$ 1,834,285
Other current liabilities		
Advance payments, billings in excess of costs incurred and deferred revenue (contract liabilities)	$ 19,450	$ 18,995

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 December 31, 2023 and 2022, we recognized revenue of $0.4 million and $4.2 million, respectively, and for the nine months ended December 31, 2023 and 2022, we recognized revenue of $16.6 million and $24.2 million, respectively, related to our contract liabilities on April 1, 2023 and 2022, 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 attributable to common stockholders for the periods presented. The Company uses the weighted average number of shares of common stock outstanding during the period to calculate basic earnings per share, or EPS. Diluted EPS adjusts the weighted average number of shares outstanding to include the dilutive effect of outstanding common stock options and other stock-based awards.

The Company currently has outstanding shares of Class A Common Stock. Holders of unvested Class A Restricted Common Stock are entitled to participate in non-forfeitable dividends or other distributions (“participating securities”). These unvested restricted shares participated in the Company's dividends declared and paid in the third quarter of fiscal 2024 and 2023. As such, EPS is calculated using the two-class method whereby earnings are reduced by distributed earnings as well as any available undistributed earnings allocable to holders of these unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

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)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Numerator [1]:				
Earnings for basic computations	$ 144,431	$ 30,526	$ 473,856	$ 337,607
Earnings for diluted computations	$ 144,433	$ 30,526	$ 473,864	$ 337,612
Denominator:				
Weighted-average common stock shares outstanding, basic	130,121,092	132,224,802	130,647,687	132,286,243
Dilutive stock options and restricted stock	367,958	535,075	411,067	545,326
Weighted-average common stock shares outstanding, diluted [2]	130,489,050	132,759,877	131,058,754	132,831,569
Earnings per common share:				
Basic	$ 1.11	$ 0.23	$ 3.63	$ 2.55
Diluted [2]	$ 1.11	$ 0.23	$ 3.62	$ 2.54

(1) The difference between earnings for basic and diluted computations and net income presented on the condensed consolidated statements of operations is due to undistributed earnings and dividends allocated to the participating securities. There were approximately 1.1 million of participating securities for both the three months ended December 31, 2023 and 2022, and 1.1 million and 1.0 million shares of participating securities for the nine months ended December 31, 2023 and 2022, respectively.

(2) The impact of anti-dilutive options excluded from the calculation of EPS was not material during the periods presented.

5. Acquisition, Goodwill and Intangible Assets

Acquisition

On October 14, 2022, the Company completed the acquisition of EverWatch Corp. ("EverWatch"), a leading provider of advanced solutions to the defense and intelligence communities for approximately $445.1 million, net of post-closing adjustments and incurred transaction costs as part of the acquisition. The acquisition was funded with cash on hand. As a result of the transaction, EverWatch became a wholly owned subsidiary of Booz Allen Hamilton Inc.

The Company recognized $108.6 million of intangible assets which consists primarily of contract assets and were valued using the excess earnings method discounted cash flow approach, incorporating Level 3 inputs as described under the fair value hierarchy of Topic 820. These unobservable inputs reflect the Company's own judgment about which assumptions market participants would use in pricing an asset on a non-recurring basis. The intangible assets are being amortized over the estimated useful life of 14 years. The goodwill of $330.9 million is primarily attributable to EverWatch's specialized workforce and the expected synergies between the Company and EverWatch, and is non-deductible for tax purposes.

The following table summarizes the consideration and the allocation of the purchase price paid for EverWatch:

Cash consideration (gross of cash acquired)	$ 445,074
Purchase price allocation:	
Cash	4,779
Current assets	27,725
Operating lease right-of-use asset	7,894
Other long-term assets	5,078
Intangible assets	108,600
Deferred tax liabilities	(20,394)
Current liabilities	(11,612)
Operating lease liabilities - short-term	(1,362)
Operating lease liabilities - long-term	(6,532)
Total fair value of identifiable net assets acquired	$ 114,176
Goodwill	$ 330,898

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

The acquisition was accounted for under the acquisition method of accounting, which requires the total acquisition consideration to be allocated to the assets acquired and liabilities assumed based on an estimate of the acquisition date fair value, with the difference reflected in goodwill. During the first quarter of fiscal 2024, the Company completed the determination of fair values of the acquired assets and liabilities assumed. Pro forma results of operations for this acquisition are not presented because the acquisition is not material to the Company's consolidated results of operations.

Goodwill

As of December 31, 2023 and March 31, 2023, goodwill was $2,343.8 million and $2,338.4 million, respectively. The $5.4 million increase in the carrying amount of goodwill was attributable the Company's finalization of the accounting for the acquisition of EverWatch.

Intangible Assets

Intangible assets consisted of the following:

	December 31, 2023			March 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:						
Programs and contract assets, channel relationships, and other amortizable intangible assets	$ 591,894	$ 220,557	$ 371,337	$ 599,794	$ 169,316	$ 430,478
Software	145,613	87,996	57,617	134,152	69,215	64,937
Total amortizable intangible assets	$ 737,507	$ 308,553	$ 428,954	$ 733,946	$ 238,531	$ 495,415
Unamortizable intangible assets:						
Trade name	$ 190,200	$ —	$ 190,200	$ 190,200	$ —	$ 190,200
Total	$ 927,707	$ 308,553	$ 619,154	$ 924,146	$ 238,531	$ 685,615

The decrease in the gross carrying value of amortizable intangible assets (excluding software) was primarily attributable to a $7.9 million adjustment related to the Company's finalization of the accounting for the acquisition of EverWatch in the first quarter of fiscal 2024.

6. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses consisted of the following:

	December 31, 2023	March 31, 2023
Vendor payables	$ 564,948	$ 597,808
Accrued expenses	428,564	718,832
Total accounts payable and other accrued expenses	$ 993,512	$ 1,316,640

Accrued expenses consisted primarily of the Company’s provision for claimed indirect costs (approximately $339.9 million and $326.7 million as of December 31, 2023 and March 31, 2023, respectively). Accrued expenses at March 31, 2023 also included a $350.0 million reserve associated with the settlement of the U.S. Department of Justice's investigation of the Company which was subsequently settled and paid in the second quarter of fiscal 2024. See Note 15, “Commitments and Contingencies,” to the condensed consolidated financial statements for further discussion of these items.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

7. Accrued Compensation and Benefits

Accrued compensation and benefits consisted of the following:

	December 31, 2023	March 31, 2023
Bonus	$ 106,993	$ 120,023
Retirement	126,495	52,480
Vacation	190,295	203,627
Other	51,003	69,075
Total accrued compensation and benefits	$ 474,786	$ 445,205

8. Debt

Debt consisted of the following:

	December 31, 2023		March 31, 2023	
	Interest Rate	Outstanding Balance	Interest Rate	Outstanding Balance
Term Loan A	6.71 %	$ 1,598,438	5.97 %	$ 1,629,375
Senior Notes due 2028	3.88 %	700,000	3.88 %	700,000
Senior Notes due 2029	4.00 %	500,000	4.00 %	500,000
Senior Notes due 2033	5.95 %	650,000		—
Less: Unamortized debt issuance costs and discount on debt		(27,332)		(17,230)
Total		3,421,106		2,812,145
Less: Current portion of long-term debt		(51,563)		(41,250)
Long-term debt, net of current portion		$ 3,369,543		$ 2,770,895

Credit Agreement

Booz Allen Hamilton Inc. (“Booz Allen Hamilton”), Booz Allen Hamilton Investor Corporation (“Investor”), and certain wholly owned subsidiaries of Booz Allen Hamilton are parties to a Credit Agreement dated as of July 31, 2012, as amended (the “Credit Agreement”), with certain institutional lenders and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender. As of December 31, 2023, the Credit Agreement provided Booz Allen Hamilton with a $1,598.4 million Term Loan A (“Term Loan A”) and a $1.0 billion revolving credit facility (the “Revolving Credit Facility”), with a sub-limit for letters of credit of $200.0 million. As of December 31, 2023, the maturity date of the Term Loan A and the Revolving Commitments is September 7, 2027. Voluntary prepayments of the Term Loan A and the Revolving Loans are permitted at any time, in minimum principal amounts, without premium or penalty. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement were 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; such security was released in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P. On September 7, 2022 (the “Ninth Amendment Effective Date”), the previously outstanding Term Loan B loans under the Credit Agreement were prepaid in full.

On July 27, 2023 (the “Tenth Amendment Effective Date”), Booz Allen Hamilton entered into a Tenth Amendment (the “Amendment”) to the Credit Agreement (as amended prior to the Tenth Amendment Effective Date, the “Existing Credit Agreement” and, as amended by the Amendment, the “Amended Credit Agreement”) with Bank of America, N.A., as administrative agent (in such capacity, the “Administrative Agent”), and the lenders and other financial institutions party thereto, in order to make permanent certain changes to the Existing Credit Agreement in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P and prepaying the Term Loan B loans in full and to make certain additional changes in connection therewith, including, among other things, (i) removing the requirements for the obligations under the Amended Credit Agreement to be secured, (ii) removing the requirement for any subsidiary or other affiliate of Booz Allen Hamilton (other than the Company) to provide any guarantee of the obligations under the Amended Credit Agreement, and (iii) removing or modifying certain covenants applicable to Booz Allen Hamilton. Pursuant to the Amendment, all guarantees in respect of the Existing Credit Agreement have been released. The Amendment did not impact any of the terms of the Credit Agreement related to amortization or payments.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

On the Tenth Amendment Effective Date in connection with the Amendment, the Company entered into a Guarantee Agreement (the "Guarantee Agreement") in favor of the Administrative Agent, pursuant to which the Company guarantees on an unsecured basis the obligations of Booz Allen Hamilton under the Amended Credit Agreement subject to certain conditions. Pursuant to the Amended Credit Agreement Booz Allen Hamilton has the option, though not any obligation, to join one or more of its domestic subsidiaries as a guarantor under the Guarantee Agreement.

The Term Loan A amortizes in consecutive quarterly installments in an amount equal to (i) on the last business day of each full fiscal quarter that begins after the Ninth Amendment Effective Date but on or before the two year anniversary of the Ninth Amendment Effective Date, 0.625% of the stated principal amount of the Term Loan A and (ii) on the last business day of each full fiscal quarter that begins after the two year anniversary of the Ninth Amendment Effective Date but before the five year anniversary of the Ninth Amendment Effective Date, 1.25% of the stated principal amount of the Term Loan A. The remaining balance of the Term Loan A will be payable upon maturity.

The rate at which the Term Loan A and the Revolving Loans bear interest is based, at Booz Allen Hamilton's option, either on Term SOFR (subject to a 0.10% adjustment and a floor of zero) for the applicable interest period or a base rate (equal to the highest of (i) the administrative agent's prime corporate rate, (ii) the overnight federal funds rate plus 0.50% and (iii) three-month Term SOFR (subject to a 0.10% adjustment and 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 the Term Loan A and the Revolving Loans ranges from 1.00% to 2.00% for Term SOFR loans and zero to 1.00% for base rate loans, in each case based on the lower of (i) the applicable rate per annum determined pursuant to a consolidated total net leverage ratio grid and (ii) the applicable rate per annum determined pursuant to a ratings grid. Unused Revolving Commitments are subject to a quarterly fee ranging from 0.10% to 0.35% based on the lower of (i) the applicable fee rate per annum determined pursuant to a consolidated total net leverage ratio grid and (ii) the applicable fee rate per annum determined pursuant to a ratings grid. Booz Allen Hamilton has also agreed to pay customary letter of credit and agency fees.

The Company occasionally borrows under the Revolving Credit Facility for our working capital needs. During the first and second quarters of fiscal 2024, we borrowed $500.0 million on our Revolving Credit Facility for our working capital needs, which was subsequently repaid in the second quarter of fiscal 2024. As of March 31, 2023 and December 31, 2023, respectively, there was no outstanding balance on the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. In addition, Booz Allen Hamilton is required to meet a financial covenant at each quarter end based on a consolidated net total leverage ratio. As of December 31, 2023 and March 31, 2023, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments. In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, activities restricted by certain negative covenants are permitted subject to pro forma compliance with the financial covenants and no events of default having occurred and continuing.

The following table summarizes interest payments made on the Company's term loans:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Term Loan A	$ 27,161	$ 24,845	$ 80,259	$ 39,010
Term Loan B	$ —	$ —	$ —	$ 5,209
Total	$ 27,161	$ 24,845	$ 80,259	$ 44,219

Borrowings under the Term Loan A, and if used, the Revolving Credit Facility, incur interest at a variable rate. As of December 31, 2023, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of $550.0 million. These instruments hedge the variability of cash outflows for interest payments on the Term Loans and Revolving Credit Facility. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9, "Derivatives," to our condensed consolidated financial statements).

Senior Notes

For information on the terms, conditions, and restrictions of Booz Allen Hamilton's 4.000% Senior Notes due July 1, 2029 (the "Senior Notes due 2029") and 3.875% Senior Notes due September 1, 2028 (the "Senior Notes due 2028"), see Note 10, "Debt," of the Company's consolidated financial statements included in the fiscal 2023 Annual Report on Form 10-K.

In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, certain negative covenants in the indentures governing the Senior Notes were suspended, and guarantees of the Senior Notes were released.

On August 4, 2023, Booz Allen Hamilton completed an offering of $650.0 million aggregate principal amount of its 5.950% senior unsecured notes due August 4, 2033 (the "Senior Notes due 2033", and, together with the Senior Notes due 2028 and Senior Notes due 2029, the "Senior Notes"). The Senior Notes due 2033 were issued pursuant to an Indenture, dated as of August 4, 2023 (the "Base Indenture"), among Booz Allen Hamilton, Booz Allen Hamilton Holding Corporation, and U.S. Bank Trust Company, National Association, as trustee, as supplemented by the First Supplemental Indenture, dated as of August 4, 2023 (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"). The Indenture contains certain covenants, events of default, and other customary provisions. The Senior Notes due 2033 are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Booz Allen Hamilton Holding Corporation, pursuant to the Indenture.

Interest Expense

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
	(In thousands)		(In thousands)	
Term Loan A Interest Expense	27,459	20,733	80,874	39,210
Term Loan B Interest Expense	—	—	—	5,186
Revolving Credit Facility Interest Expense	—	—	1,438	—
Senior Notes Interest Expense	21,451	11,781	51,243	35,344
Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) [1]	1,335	1,042	3,580	3,329
Interest Swap (Income) Expense	(3,846)	(1,648)	(11,117)	1,571
Other	183	123	794	388
Total Interest Expense	$ 46,582	$ 32,031	$ 126,812	$ 85,028

[1] 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.

The following table summarizes the material terms of the Company's outstanding interest rate swap derivative contracts as of December 31, 2023:

Effective Date	Maturity Date	Terms	Notional Amount
April 28, 2023 [1]	June 30, 2024	Variable to Fixed	$ 200,000
April 28, 2023 [1]	June 30, 2025	Variable to Fixed	200,000
June 30, 2023	June 30, 2026	Variable to Fixed	150,000
		Total	$ 550,000

[1] Swap agreements were originally effective on April 30, 2019 and were amended during the first quarter of fiscal 2024 to transition from LIBOR-indexed to term SOFR-indexed periodic swap payments to align with interest payments in connection with its term SOFR-indexed debt. See Note 2, "Basis of Presentation," to the condensed consolidated financial statements for further information on the transition.

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 convert 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 December 31, 2023, $9.2 million, $1.3 million and $0.6 million were classified as other current assets, other long-term assets and other long-term liabilities, respectively, on the condensed consolidated balance sheet. As of March 31, 2023, $11.2

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million, $3.5 million and $1.4 million were classified as other current assets, other long-term assets 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 are recorded in Accumulated Other Comprehensive Income, or AOCI, net of taxes, and is subsequently reclassified into interest expense, net 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 nine months ended December 31, 2023 and 2022 is as follows:

		Amount of Pre-Tax Gain or (Loss) Recognized in AOCI/(AOCL) on Derivatives				Amount of Pre-Tax Gain or (Loss) Reclassified from AOCI/(AOCL) into Income [1]			
		Three Months Ended December 31,		Nine Months Ended December 31,		Three Months Ended December 31,		Nine Months Ended December 31,	
Derivatives in Cash Flow Hedging Relationships	**Location of Gain or (Loss) Recognized in Income on Derivatives**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Interest rate swaps	Interest income (expense)	$ (4,283)	$ 1,565	$ 7,489	$ 16,704	$ 3,846	$ 1,648	$ 11,117	$ (1,571)

(1) The reclassifications from accumulated other comprehensive income (loss) to net income were reduced by tax (expense) benefit of $1.0 million and ($0.4 million), respectively, for the three months ended December 31, 2023 and 2022, and $2.9 million and $(0.4) million, respectively, for the nine months ended December 31, 2023 and 2022.

Over the next 12 months, the Company estimates that $9.1 million will be reclassified as a decrease 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. Income Taxes

The Company’s effective income tax rates were 29.8% and 25.6% for the three months ended December 31, 2023 and 2022, respectively, and 24.7% and 23.3% for the nine months ended December 31, 2023 and 2022, respectively. Our effective tax rates for these periods 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 certain executive compensation and the accrual of reserves for uncertain tax positions, offset by research and development tax credits, excess tax benefits for employee share-based compensation, and the Foreign Derived Intangible Income deduction.

The Company is currently contesting tax assessments from the District of Columbia Office of Tax and Revenue (“DC OTR”) for fiscal years 2013 through 2015. The assessment relates to $11.8 million of taxes, net of federal tax benefits, as of December 31, 2023.

During fiscal 2022, the Company received notification that the District of Columbia Office of Administrative Hearings ruled in favor of the DC OTR. The Company is currently appealing the decision with the District of Columbia Court of Appeals. The Company intends to continue to vigorously defend this matter. Oral arguments occurred on September 26, 2023 and the Company continues to wait on further developments from the court.

The Company has taken similar tax positions with respect to subsequent fiscal years. As of December 31, 2023, the Company does not maintain reserves for any uncertain tax positions related to the contested tax benefits related to 2013 through 2015, nor does it maintain reserves for the similar tax positions taken in the subsequent fiscal years. Management continues to evaluate this position quarterly to determine if a change in estimate is needed. If an adverse final resolution were to occur with respect to the contested tax benefits or the similar tax positions taken for fiscal years 2013 through 2020, the total potential future tax expense that would arise would be approximately $40.4 million to $64.9 million, net of federal benefit.

During fiscal 2023 and through the first and second quarters of fiscal 2024, the Company recognized an increase in reserves for uncertain tax positions related to an increase in research and development tax credits available, as in prior years, and the required capitalization of research and development expenditures, which became effective in fiscal 2023. The uncertain tax positions related to the capitalization of research and development expenditures were offset by a deferred tax asset. As of December 31, 2023, September 30, 2023, and March 31, 2023 the Company recorded $106.8 million, $769.8 million and $552.6 million, respectively, of reserves for uncertain tax positions.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

During the third quarter of fiscal 2024, the Company completed a detailed study of its research and development expenditures and confirmed management's position that only certain contracts and activities are required to be capitalized and amortized under the rules enacted as part of the Tax Cuts and Jobs Act of 2017, specifically Section 174. This was further supported by guidance issued by the Internal Revenue Service in September and December 2023. As a result, during the third quarter of fiscal 2024, the Company reversed (i) its uncertain tax position reserve related to Section 174 of $656.2 million, with a corresponding decrease to deferred tax assets, and (ii) the accrued interest on the uncertain tax position related to Section 174 of $5.3 million, which resulted in a decrease in both income tax expense and the uncertain tax position reserve. The Company also adjusted its uncertain tax position reserve related to fiscal 2024 and prior research and development tax credits.

In addition, during the three months ended December 31, 2023, the Company reversed a deferred tax asset of approximately $31.7 million related to the indirect tax benefits of the prior uncertainty around the application of Section 174 of the Tax Cuts and Jobs Act of 2017 (of which approximately $22.0 million was previously recorded in fiscal 2023 and $9.7 million was previously recorded during the six months ended September 30, 2023), which resulted in an increase to income tax expense.

Tax Receivables and Payables

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

	December 31, 2023	March 31, 2023
Current income tax receivable	16,635	23,633
Long term income tax receivable	167,821	167,821
Current income tax payable	6,524	14,523

Current income tax payable represents current liabilities associated with the Company’s current tax returns that the Company intends to file in fiscal 2024 and fiscal 2025. This amount is classified as other current liabilities on the condensed consolidated balance sheets.

The long-term income tax receivable primarily represents the amended U.S. federal return refund claims for research and development tax credits and the carryback claim for the fiscal 2021 net operating loss which is classified as other long-term assets on the condensed consolidated balance sheet. The Company is currently under federal audit by the IRS for fiscal years 2016, 2017 and 2019-2021 and the receipt of our U.S federal return refund claims is contingent upon the completion of the ongoing IRS audits.

11. Employee Benefit Plans

The Company sponsors the Employees’ Capital Accumulation Plan (the “ECAP”) which is a qualified defined contribution plan that covers eligible U.S. and certain international employees. The ECAP provides for distributions to participants by reason of retirement, death, disability, or termination of employment. The Company provides an annual matching contribution of up to 6% of eligible annual compensation. Total expenses recognized for matching contributions under the ECAP were $55.5 million and $47.0 million for the three months ended December 31, 2023 and 2022, respectively, and $163.7 million and $139.1 million for the nine months ended December 31, 2023 and 2022, respectively.

The Company also provides post-retirement healthcare benefits to former officers under a medical indemnity insurance plan, with premiums paid by the Company. As of December 31, 2023 and March 31, 2023, the unfunded status of the post-retirement medical plan was $108.4 million and $105.6 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets. Balance sheet and income statement impacts of any remaining benefit plans are immaterial for all periods presented in these condensed consolidated financial statements.

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

12. Accumulated Other Comprehensive Income

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

	Three Months Ended December 31, 2023			Nine Months Ended December 31, 2023		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	$ 18,684	$ 13,208	$ 31,892	$ 19,450	$ 9,883	$ 29,333
Other comprehensive income (loss) before reclassifications[1]	—	(3,165)	(3,165)	—	5,535	5,535
Amounts reclassified from accumulated other comprehensive income	(383)	(2,841)	(3,224)	(1,149)	(8,216)	(9,365)
Net current-period other comprehensive loss	(383)	(6,006)	(6,389)	(1,149)	(2,681)	(3,830)
End of period	$ 18,301	$ 7,202	$ 25,503	$ 18,301	$ 7,202	$ 25,503

[1] Changes in other comprehensive income before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefit (expense) of $1.1 million and $(2.0) million for the three and nine months ended December 31, 2023, respectively. The tax impact of other comprehensive income before reclassification for post-retirement plans for the three and nine months ended December 31, 2023 was immaterial.

	Three Months Ended December 31, 2022			Nine Months Ended December 31, 2022		
	Post-retirement plans	Derivatives designated as cash flow hedges	Totals	Post-retirement plans	Derivatives designated as cash flow hedges	Totals
Beginning of period	$ 8,807	$ 13,334	$ 22,141	$ 8,811	$ (226)	$ 8,585
Other comprehensive income before reclassifications[2]	2	1,155	1,157	—	12,337	12,337
Amounts reclassified from accumulated other comprehensive income (loss)	(2)	(1,217)	(1,219)	(4)	1,161	1,157
Net current-period other comprehensive (loss) income	—	(62)	(62)	(4)	13,498	13,494
End of period	$ 8,807	$ 13,272	$ 22,079	$ 8,807	$ 13,272	$ 22,079

[2] Changes in other comprehensive income before reclassification for derivatives designated as cash flow hedges are recorded net of tax expense of $0.4 million and $4.4 million for the three and nine months ended December 31, 2022. The tax impact of other comprehensive income before reclassification for post-retirement plans for the three and nine months ended December 31, 2022 was immaterial.

13. Stock-Based Compensation

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Cost of revenue	$ 9,348	$ 9,091	$ 26,300	$ 26,227
General and administrative expenses	14,419	9,679	34,977	24,765
Total	$ 23,767	$ 18,770	$ 61,277	$ 50,992

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

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, including stock options, time-based and performance-based restricted stock awards. Compensation expense for performance-based awards is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria of each tranche during the respective performance periods:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Equity Incentive Plan Options	$ 297	$ 772	$ 991	$ 2,005
Restricted Stock and other awards	23,470	17,998	60,286	48,987
Total	$ 23,767	$ 18,770	$ 61,277	$ 50,992

As of December 31, 2023, there was $79.2 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of December 31, 2023 is expected to be fully amortized over the next 3.75 years. Absent the effect of forfeiture or acceleration of stock compensation cost for any departures of employees, the following table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized:

	December 31, 2023	
	Unrecognized Compensation Cost	Weighted Average Remaining Period to be Recognized (in years)
Equity Incentive Plan Options	$ 1,923	2.95
Restricted Stock Awards	77,267	1.77
Total	$ 79,190	

Equity Incentive Plan

As of December 31, 2023, there were 0.8 million EIP options outstanding, of which 0.3 million were unvested.

During the nine months ended December 31, 2023, the Board of Directors granted 0.9 million time-based and performance-based restricted stock units to certain employees of the Company. The aggregate value of these awards was $82.0 million based on the grant date fair value. The performance-based awards granted during the nine months ended December 31, 2023 included additional market conditions related to the Company's total shareholder return relative to its peer group over the three-year performance period. The Company recognizes compensation expense for these performance-based awards with market conditions based on the grant-date fair value calculated using a Monte Carlo model.

14. 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:

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

	Recurring Fair Value Measurements as of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Current derivative instruments [2]	$ —	$ 9,154	$ —	$ 9,154
Long-term derivative instruments [2]	—	1,252	—	1,252
Long-term deferred compensation plan asset [1]	27,749	—	—	27,749
Total Assets	$ 27,749	$ 10,406	$ —	$ 38,155
Liabilities:				
Long-term derivative instruments [2]	—	626	—	626
Long-term deferred compensation plan liability [1]	27,749	—	—	27,749
Total Liabilities	$ 27,749	$ 626	$ —	$ 28,375

	Recurring Fair Value Measurements as of March 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Current derivative instruments [2]	$ —	$ 11,245	$ —	$ 11,245
Long-term derivative instruments [2]	—	3,530	—	3,530
Long-term deferred compensation plan asset [1]	20,090	—	—	20,090
Total Assets	$ 20,090	$ 14,775	$ —	$ 34,865
Liabilities:				
Long-term derivative instruments [2]	—	1,369	—	1,369
Long-term deferred compensation plan liability [1]	20,090	—	—	20,090
Total Liabilities	$ 20,090	$ 1,369	$ —	$ 21,459

[1] 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 and liabilities 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.

[2] 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, “Derivatives,” to the condensed consolidated financial statements for further discussion on the Company’s derivative instruments designated as cash flow hedges.

We did not have any material items that were measured at fair value on a non-recurring basis as of December 31, 2023, with the exception of the assets and liabilities acquired through our acquisitions (see Note 5, “Acquisition, Goodwill and Intangible Assets,” to the condensed consolidated financial statements).

The fair value of the Company's cash and cash equivalents, which are Level 1 inputs, approximated its carrying value at December 31, 2023 and March 31, 2023. The Company’s cash and cash equivalent balances presented on the accompanying condensed consolidated balance sheets include $296.6 million and $237.8 million of marketable securities in money market funds as of December 31, 2023 and March 31, 2023, respectively.

The Company's long-term debt is carried at amortized cost and is measured at fair value quarterly for disclosure purposes. The estimated fair values are determined using quoted prices or other market information obtained from recent trading activity of the debt 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 are determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs). The carrying amount and estimated fair value of long-term debt consists of the following:

(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

	December 31, 2023		March 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Term Loan A	$ 1,598,438	$ 1,594,442	$ 1,629,375	$ 1,600,861
3.88% Senior Notes due 2028	700,000	660,807	700,000	638,540
4.00% Senior Notes due 2029	500,000	468,680	500,000	451,930
5.95% Senior Notes due 2033	650,000	686,576	—	—

15. Commitments and Contingencies

Letters of Credit and Third-Party Guarantees

As of December 31, 2023 and March 31, 2023, 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 $4.5 million and $6.1 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At December 31, 2023 and March 31, 2023, approximately $1.4 million and $1.3 million of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate $7.5 million facility of which $4.4 million and $2.7 million were available to the Company at December 31, 2023 and March 31, 2023, respectively.

Government Contracting Matters - Provision for Claimed Indirect Costs

For the three months ended December 31, 2023 and 2022, approximately 98% and 97%, respectively, of the Company's revenue was generated from contracts where the end user was an agency or department of the U.S. government, including contracts where the Company performed either as a prime contractor or subcontractor, and regardless of the geographic location in which the work was performed. For the nine months ended December 31, 2023 and 2022, approximately 98% and 97%, respectively, of the Company's revenue was generated from such contracts. As noted in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023, in the ordinary course of business, agencies of the U.S. government, including the Defense Contract Audit Agency (“DCAA”), audit the Company’s claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts. During the second quarter of fiscal 2024, DCAA issued their findings related to the audit of the Company’s claimed indirect costs for fiscal 2022. Based upon DCAA’s audit findings, the Company reduced a portion of its provision for claimed indirect costs related to fiscal 2022 by approximately $18.3 million during the second quarter of fiscal 2024, which resulted in a corresponding increase to revenue, to reflect our best estimate of the final indirect cost rates for fiscal 2022. Operating income for the nine months ended December 31, 2023 was accordingly increased by $18.3 million and net income was increased by $13.5 million (or $0.10 of basic and diluted earnings per common share for the nine months ended December 31, 2023.). Our final indirect cost rates for fiscal 2022 remain subject to negotiation with the Defense Contract Management Agency (“DCMA”) Administrative Contracting Officer. Management believes it has recorded the appropriate provision for claimed indirect costs for any audit, inquiry, or investigation of which it is aware that may be subject to any reductions and/or penalties. As of December 31, 2023 and March 31, 2023, the Company had recorded liabilities of approximately $339.9 million and $326.7 million, respectively, for estimated adjustments to claimed indirect costs based on its historical DCAA audit results, including the final resolution of such audits with DCMA, for claimed indirect costs incurred subsequent to fiscal 2011, and for contracts not yet closed that are subject to audit and final resolution.

Litigation

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government, which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of December 31, 2023 and March 31, 2023, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings. As previously disclosed in Note 20, "Commitments and Contingencies," to the consolidated financial statements of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

On June 7, 2017, Booz Allen Hamilton was informed that the U.S. Department of Justice ("DOJ") was conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ 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. The investigation resulted from a *qui tam* lawsuit filed on or about September 26, 2016 in the United States District Court for the District of Columbia pursuant to the *qui tam* provisions of the civil False Claims Act (the "Civil Action"), which lawsuit was under judicial seal until July 21, 2023. After learning of the investigation, the Company 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 was also contacted by other regulatory agencies and bodies, including the SEC, which notified the Company that it was conducting an investigation that the Company believes related to the matters that were also the subject of the DOJ's investigation.

On May 12, 2021, the Company was informed that the DOJ closed its criminal investigation.

On July 21, 2023, the Company entered into a Settlement Agreement (the "Settlement Agreement") with the United States of America, acting through the DOJ and on behalf of the Department of Defense and Defense Contract Management Agency (collectively the "United States"), and Relator Sarah A. Feinberg, to resolve the DOJ's civil investigation and the Civil Action. The Company entered into the Settlement Agreement to avoid the delay, uncertainty and expense of protracted litigation. The Settlement Agreement contains no admission of liability by the Company.

Under the terms of the Settlement Agreement, the Company agreed to pay to the United States $377.5 million (the "Settlement Amount"). The Company paid the Settlement Amount with cash on hand and by drawing on its revolving credit facility. As of June 30, 2023, the Company had recorded a $377.5 million reserve relating to this investigation and had previously disclosed that it believed the range of reasonably possible loss in connection with the investigation to be between $350 million and $378 million. Following the United States' receipt of the Settlement Amount, the Company was released from any civil or administrative monetary claims under the civil False Claims Act and other specified civil statutes and common law theories of liability for certain elements of the Company's cost accounting and indirect cost charging practices from April 1, 2011 through March 31, 2021, and the claim brought in the Civil Action was dismissed with prejudice.

On July 27, 2023, the Company was informed that the SEC concluded its investigation without recommending an enforcement action.

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, 2023 filed with the Securities and Exchange Commission on May 26, 2023, 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

Trusted to transform missions with the power of tomorrow's technologies, Booz Allen advances the nation's most critical civil, defense, and national security priorities. 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 33,800 employees work to solve hard problems by making clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber, all fostered by a culture of innovation that extends to all reaches of the Company.

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

Financial and Other Highlights

During the third quarter of fiscal 2024, the Company generated year over year revenue growth and increased client staff headcount.

Revenue increased 12.9% in the three months ended December 31, 2023 from the three months ended December 31, 2022 and increased 15.6% in the nine months ended December 31, 2023 from the nine months ended December 31, 2022. The increase was primarily driven by strong demand for our services and solutions as well as continued headcount growth. The increase in revenue over the year-to-date period also includes an increase of $18.3 million representing the reduction to our provision for claimed indirect costs recorded during the second quarter of fiscal 2024. See Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements for further information.

Operating income increased 322.2% to $247.6 million in the three months ended December 31, 2023 from $58.6 million in the three months ended December 31, 2022 and operating margin increased from 2.6% in the prior year period to 9.6%. Operating income increased 52.9% to $749.0 million in the nine months ended December 31, 2023 from $489.8 million in the nine months ended December 31, 2022, and operating margin increased from 7.2% to 9.5%. Operating income was primarily driven by the same drivers benefiting revenue growth, coupled with ongoing cost management efforts. Margins were impacted by a $124.0 million reserve booked in the third quarter of fiscal 2023 and a $27.5 million reserve booked in the first quarter of fiscal 2024, associated with the U.S. Department of Justice's investigation of the company (see Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements for further information).

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 client staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations. We also utilize and discuss Free Cash Flow because management uses this measure for business planning purposes, measuring the cash generating ability of the operating business, and measuring liquidity generally. We present these supplemental measures because we believe that these measures provide investors and securities analysts with important supplemental information with which to evaluate our performance, long-term earnings potential, or liquidity, as applicable, and to enable them to assess our performance on the same basis as management. These supplemental performance measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance or liquidity, as applicable, investors should (i) evaluate each adjustment in our reconciliation of revenue to Revenue, Excluding Billable Expenses, operating income to Adjusted Operating Income, net income to Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income and Adjusted Diluted Earnings Per Share, and net cash provided by operating activities to Free Cash Flow, (ii) use Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income, and Adjusted Diluted EPS in addition to, and not as an alternative to, revenue, operating income, net income or diluted EPS, as measures of operating results, each as defined under GAAP and (iii) use Free Cash Flow in addition to, and not as an alternative to, net cash provided by operating activities as a measure of liquidity, each as defined under GAAP. We have defined the aforementioned non-GAAP measures as follows:

- “Revenue, Excluding Billable Expenses” represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our client 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 the change in provision for claimed indirect costs, acquisition and divestiture costs, financing transaction costs, significant acquisition amortization, and the reserve associated with the U.S. Department of Justice investigation disclosed in Note 15, “Commitments and Contingencies,” to the condensed consolidated financial statements. 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 attributable to common stockholders before income taxes, net interest and other expense and depreciation and amortization and before certain other items, including the change in provision for claimed indirect costs, acquisition and divestiture costs, financing transaction costs, and the reserve associated with the U.S. Department of Justice investigation disclosed in Note 15, “Commitments and Contingencies,” to the condensed consolidated financial statements. “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 attributable to common stockholders before: (i) the change in provision for claimed indirect costs (ii) acquisition and divestiture costs, (iii) financing transaction costs, (iv) significant acquisition amortization, (v) the reserve associated with the U.S. Department of Justice investigation disclosed in Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements, (vi) gains associated with divestitures or deconsolidation, and (vii) amortization and write-off of debt issuance costs and debt discount, in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view Adjusted Net Income 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.

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands, except share and per share data)	**2023**	**2022**	**2023**	**2022**
	(Unaudited)		**(Unaudited)**	
Revenue, Excluding Billable Expenses				
Revenue	$ 2,569,801	$ 2,277,074	$ 7,890,569	$ 6,825,650
Less: Billable expenses	799,896	710,526	2,436,988	2,069,733
Revenue, Excluding Billable Expenses*	$ 1,769,905	$ 1,566,548	$ 5,453,581	$ 4,755,917
Adjusted Operating Income				
Operating income	$ 247,558	$ 58,640	$ 748,965	$ 489,756
Change in provision for claimed indirect costs (a)	—	—	(18,345)	—
Acquisition and divestiture costs (b)	1,952	19,096	5,480	40,121
Financing transaction costs (c)	—	—	820	6,888
Significant acquisition amortization (d)	13,597	14,101	40,301	36,275
Legal matter reserve (e)	—	124,000	27,453	124,000
Adjusted Operating Income	$ 263,107	$ 215,837	$ 804,674	$ 697,040
EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue & Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses				
Net income attributable to common stockholders	$ 145,644	$ 30,997	$ 477,750	$ 340,213
Income tax expense	61,740	10,539	156,291	103,286
Interest and other, net (f)	40,174	17,412	114,924	46,907
Depreciation and amortization	41,113	42,046	123,867	121,200
EBITDA	288,671	100,994	872,832	611,606
Change in provision for claimed indirect costs (a)	—	—	(18,345)	—
Acquisition and divestiture costs (b)	1,952	19,096	5,480	40,121
Financing transaction costs (c)	—	—	820	6,888
Legal matter reserve (e)	—	124,000	27,453	124,000
Adjusted EBITDA	$ 290,623	$ 244,090	$ 888,240	$ 782,615
Net income margin attributable to common stockholders	5.7%	1.4%	6.1%	5.0%
Adjusted EBITDA Margin on Revenue	11.3%	10.7%	11.3%	11.5%
Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses	16.4%	15.6%	16.3%	16.5%

(In thousands, except share and per share data)	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
	(Unaudited)		(Unaudited)	
Adjusted Net Income				
Net income attributable to common stockholders	$ 145,644	$ 30,997	$ 477,750	$ 340,213
Change in provision for claimed indirect costs (a)	—	—	(18,345)	—
Acquisition and divestiture costs (b)	1,952	19,096	5,480	40,121
Financing transaction costs (c)	—	—	820	6,888
Significant acquisition amortization (d)	13,597	14,101	40,301	36,275
Legal matter reserve (e)	—	124,000	27,453	124,000
Gains associated with divestitures or deconsolidation (g)	—	(13,472)	—	(44,632)
Amortization and write-off of debt issuance costs and debt discount	1,062	780	2,950	5,780
Adjustments for tax effect (h)	22,048	(33,020)	10,094	(37,518)
Adjusted Net Income	$ 184,303	$ 142,482	$ 546,503	$ 471,127
Adjusted Diluted Earnings Per Share				
Weighted-average number of diluted shares outstanding	130,489,050	132,759,877	131,058,754	132,831,569
Diluted earnings per share	$ 1.11	$ 0.23	$ 3.62	$ 2.54
Adjusted Net Income Per Diluted Share (i)	$ 1.41	$ 1.07	$ 4.17	$ 3.55
Free Cash Flow				
Net cash provided by operating activities	$ 233,985	$ 138,582	$ 115,068	$ 365,674
Less: Purchases of property, equipment and software	(23,096)	(21,664)	(50,532)	(51,398)
Free cash flow	$ 210,889	$ 116,918	$ 64,536	$ 314,276
Operating cash flow conversion	161%	447%	24%	107%
Free cash flow conversion	114%	82%	12%	67%

* Revenue, Excluding Billable Expenses includes $18.3 million of revenue resulting from the reduction to our provision for claimed indirect costs as noted below.

(a) Represents the reduction to our provision for claimed indirect costs recorded during the second quarter of fiscal 2024, which resulted in a corresponding increase to revenue, as a result of the Defense Contract Audit Agency’s findings related to its audit of our claimed indirect costs for fiscal 2022. See Note 15, “ Commitments and Contingencies,” to the condensed consolidated financial statements for further information.

(b) Represents costs associated with the acquisition efforts of the Company related to transactions for which the Company has entered into a letter of intent to acquire a controlling financial interest in the target entity, as well as the divestiture costs incurred in divesting a portion of our business. Acquisition and divestiture costs primarily include costs associated with (i) buy-side and sell-side due diligence activities, (ii) compensation expenses associated with employee retention, and (iii) legal and advisory fees, primarily associated with the acquisitions of Liberty IT Solutions, LLC (“Liberty”) and Tracepoint Holdings, LLC (“Tracepoint”) in fiscal 2022, and the acquisition of EverWatch Corp. (“EverWatch”) and the divestitures of our management consulting business serving the Middle East and North Africa (“MENA”) and our Managed Threat Services business (“MTS”) in fiscal 2023.See Note 5, “Acquisition, Goodwill and Intangible Assets,” to the condensed consolidated financial statements for further information.

(c) Reflects expenses associated with debt financing activities incurred during the second quarters of fiscal 2024 and 2023.

(d) Amortization expense associated with acquired intangibles from significant acquisitions. Significant acquisitions include acquisitions which the Company considers to be beyond the scope of our normal operations. Significant acquisition amortization includes amortization expense associated with the acquisition of Liberty in the second quarter of fiscal 2022 and EverWatch in the third quarter of fiscal 2023.

(e) Reserve associated with the U.S. Department of Justice's investigation of the Company. See Note 15, “Commitments and Contingencies,” to the condensed consolidated financial statements for further information.

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

(g) Represents the gain recognized on the MENA divestiture in the second quarter of fiscal 2023, its MTS business in the third quarter of fiscal 2023, and the gain on the deconsolidation of an artificial intelligence software platform business in the third quarter of fiscal 2023.

(h) Reflects the tax effect of adjustments at an assumed effective tax rate of 26%, which approximates the blended federal and state tax rates, and consistently excludes the impact of other tax credits and incentive benefits realized. The tax effect of certain discrete items is calculated specifically and may vary from the general 26% rate. The tax effect also includes the indirect effects of uncertainty around the application of Section 174 of the Tax Cuts and Jobs Act of 2017 ($26.0 million and $22.0 million for the three and nine months ended December 31, 2023, respectively). See Note 10, “Income Taxes,” to the condensed consolidated financial statements for further information.

(i) Excludes adjustments of approximately $1.2 million and $3.9 million of net earnings for the three and nine months ended December 31, 2023, respectively, and approximately $0.5 million and $2.6 million of net earnings for the three and nine months ended December 31, 2022, respectively, associated with the application of the two-class method for computing diluted earnings per share.

Factors and Trends Affecting Our Results of Operations

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

Business Environment and Key Trends in Our Markets

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

- uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to approve funding of the U.S. government, address budgetary constraints, including caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 (“BCA”) and subsequently adjusted by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, the Bipartisan Budget Act of 2018, and the Bipartisan Budget Act of 2019, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), and the Consolidated Appropriations Act of 2021, 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 craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits, and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;

- delays in the completion of future U.S. government’s budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;

- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence, defense-related programs as certain overseas operations end, and continued increased spending on cybersecurity, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration, and healthcare, including as a result of the presidential and administration transition;

- the extent, nature and effect of disease outbreaks, pandemics and widespread health epidemics, such as COVID-19, including the impact on federal budgets, current and pending procurements, supply chains, demand for services, deployment and productivity of our employees and the economic and societal impact of a pandemic, and the expected continued volatility in billable expenses;

- increased inflationary pressure that could impact the cost of doing business and/or reduce customer buying power;

- risks related to a possible recession and volatility or instability of the global financial system, including bank failures and the resulting impact on counterparties and business conditions generally;
- 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 and enforcement and reporting landscapes of the Department of Defense and the U.S. intelligence community, including cybersecurity, managing federal health care cost growth, competition, and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare; and
- increasing small business regulations across the Department of Defense and civilian agency clients continue to gain traction, agencies are required to meet high small business set aside targets, and large business prime contractors are required to subcontract in accordance with considerable small business participation goals necessary for contract award.

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our client 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 originally required nine automatic spending cuts (referred to as “sequestration”) of $109 billion annually from 2013 to 2021, half of which was intended to come from defense programs, though less than $1 billion has been cut for defense programs per year under the BCA. Mandatory sequestrations under the BCA were subsequently extended by the Bipartisan Budget Acts of 2013, 2015, 2018 and 2019, the Military Retired Pay Restoration Act, the CARES Act and the Infrastructure Investment and Jobs Act. The extension of the mandatory sequestration applies an 8.3% reduction in defense spending in each year from 2021 to 2031. This could result in a commensurate reduction in the amount of services that we are contracted to provide to the Department of Defense and could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions required by the BCA may return and/or be applied, we are unable to predict the nature or magnitude of the potential adverse effect.

Contract Types

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

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

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

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Cost-reimbursable	55%	53%	55%	53%
Time-and-materials	24%	25%	24%	25%
Fixed-price	21%	22%	21%	22%

Contract Diversity and Revenue Mix

We provide services to our clients through a large number of single award contracts, contract vehicles, and multiple award contract vehicles. Most of our revenue is generated under indefinite delivery/indefinite quantity, or IDIQ, contract vehicles, which include multiple award government wide acquisition contract vehicles, or GWACs, and General Services Administration Multiple Award Schedule Contracts, or GSA schedules, and certain single award contracts. GWACs and GSA schedules are available to all U.S. government agencies. Any number of contractors typically competes under multiple award IDIQ contract vehicles for task orders to provide particular services, and we earn revenue under these contract vehicles only to the extent that we are successful in the bidding process for task orders.

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 client 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 client staff labor as the primary driver of earnings growth. Direct client staff labor growth is driven by client staff headcount growth, after attrition, and total backlog growth.

Our People

Revenue from our contracts is derived from services delivered by client 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 December 31, 2023 and 2022, we employed approximately 33,800 and 31,100 people, respectively, of which approximately 30,900 and 28,300, respectively, were client 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:

	December 31, 2023	December 31, 2022
	(In millions)	
Backlog:		
Funded	$ 5,246	$ 4,544
Unfunded	9,195	10,131
Priced options	19,880	15,373
Total backlog	$ 34,321	$ 30,048

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the period of performance has expired, and unexercised option period and other unexercised optional orders. As of December 31, 2023 and March 31, 2023, the Company had $8.8 billion and $7.9 billion of remaining performance obligations, respectively. We expect to recognize approximately 75% of the remaining performance obligations at December 31, 2023 as revenue over the next 12 months, and approximately 85% over the next 24 months. The remainder is expected to be recognized thereafter. However, given the uncertainties discussed below, as well as the risks described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, 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 client staff headcount as the two key measures of our potential business growth. Growing and deploying client 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 client staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog increased by 14.2% from December 31, 2022 to December 31, 2023. Additions to funded backlog during the twelve months ended December 31, 2023 totaled $11.0 billion in comparison to $9.6 billion for the comparable period in fiscal 2023, 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 client 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 4.8% of total backlog as of December 31, 2023 and during any of the three preceding fiscal quarters.

We expect to recognize revenue from a substantial portion of funded backlog as of December 31, 2023 within the next twelve months. However, given the uncertainties discussed above, as well as the risks described in "Part I, Item 1A. Risk Factors," of our fiscal 2023 Annual Report on Form 10-K, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

Government Audit Impact on Operating Income

As noted in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023, in the ordinary course of business, agencies of the U.S. government for which the Company is engaged as a prime contractor or a subcontractor, including the Defense Contract Audit Agency, audit the Company's claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts. Such audits may result in, and have historically resulted in, the Company's inability to retain certain claimed indirect costs, including executive and employee compensation, due to differing views of the allowability and reasonableness of such costs.

Due to the previously disclosed civil and criminal investigation of the Company by the U.S. Department of Justice ("DOJ"), years subsequent to the Company's fiscal year 2011 remain subject to audit and final resolution. As discussed in Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements, the Company recognized a reserve for estimated adjustments to historical claimed indirect costs in respect of the years subsequent to fiscal 2011, based primarily on historical audit results for periods prior to 2011. Following the settlement of the civil and criminal investigation of the Company by the DOJ, as reported in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2023, audits for years subsequent to fiscal 2011 have resumed. As audits of the periods subsequent to 2011 are completed, our estimates of adjustment to claimed indirect costs for these periods could change. Any such change could materially impact our reported revenue, operating income, net income and basic and diluted earnings per common share.

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, legal costs and other discretionary spending.
- *Depreciation and Amortization*. Depreciation and amortization includes the depreciation of computers, leasehold improvements, furniture and other equipment, and the amortization of internally developed software, as well as third-party software that we use internally, and of identifiable long-lived intangible assets over their estimated useful lives.

Seasonality

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

Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period. See "Part I, Item 1A. Risk Factors," of our fiscal 2023 Annual Report on Form 10-K.

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, 2023. Other than the change in estimate resulting in a reduction to our provision for claimed indirect costs, there were no other material changes to our critical accounting policies, estimates or judgments that occurred during the periods covered by this report. See Note 15, "Commitments and Contingencies," to our condensed consolidated financial statements for additional information related to the aforementioned change in estimate.

Results of Operations

The following table sets forth items from our condensed consolidated statements of operations for the nine months ended December 31, 2023 and December 31, 2022:

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2023	2022		2023	2022	
	(Unaudited)	(Unaudited)	Percent	(Unaudited)	(Unaudited)	Percent
	(In thousands)		Change	(In thousands)		Change
Revenue	$ 2,569,801	$ 2,277,074	12.9 %	$ 7,890,569	$ 6,825,650	15.6 %
Operating costs and expenses:						
Cost of revenue	1,180,961	1,043,474	13.2 %	3,665,589	3,175,897	15.4 %
Billable expenses	799,896	710,526	12.6 %	2,436,988	2,069,733	17.7 %
General and administrative expenses	300,273	422,388	(28.9)%	915,160	969,064	(5.6)%
Depreciation and amortization	41,113	42,046	(2.2)%	123,867	121,200	2.2 %
Total operating costs and expenses	2,322,243	2,218,434	4.7 %	7,141,604	6,335,894	12.7 %
Operating income	247,558	58,640	322.2 %	748,965	489,756	52.9 %
Interest expense	(46,582)	(32,031)	45.4 %	(126,812)	(85,028)	49.1 %
Other income, net	6,408	14,619	(56.2)%	11,888	38,121	(68.8)%
Income before income taxes	207,384	41,228	403.0 %	634,041	442,849	43.2 %
Income tax expense	61,740	10,539	485.8 %	156,291	103,286	51.3 %
Net income	145,644	30,689	374.6 %	477,750	339,563	40.7 %
Net loss attributable to non-controlling interest	—	308	NM	—	650	NM
Net income attributable to common stockholders	$ 145,644	$ 30,997	369.9 %	$ 477,750	$ 340,213	40.4 %

NM - Not meaningful.

Revenue

Revenue increased 12.9% and 15.6%, respectively, for the three and nine months ended December 31, 2023 as compared to the three and nine months ended December 31, 2022. The increase was primarily driven by strong demand for our services and solutions as well as continued headcount growth. The increase in revenue over the year-to-date period includes an increase of $18.3 million representing the reduction to our provision for claimed indirect costs recorded during the second quarter of fiscal 2024. See Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements for further information. Total headcount as of December 31, 2023 increased by approximately 2,700 as compared to December 31, 2022.

Cost of Revenue

Cost of revenue as a percentage of revenue was 46.0% and 45.8% for the three months ended December 31, 2023 and 2022, respectively, and 46.5% for both the nine months ended December 31, 2023 and 2022. Cost of revenue increased 13.2% and 15.4% for the three and nine months ended December 31, 2023, respectively, as compared to the three and nine months ended December 31, 2022. The increases were primarily due to increases in salaries and salary-related benefits in the three and nine months ended December 31, 2023 of $144.6 million and $469.6 million, respectively, driven by increased headcount and salary increases. Other business expenses and professional fees decreased $15.2 million for the quarter and increased $13.7 million for the year-to-date period.

Billable Expenses

Billable expenses as a percentage of revenue were 31.1% and 31.2% for the three months ended December 31, 2023 and 2022, respectively, and 30.9% and 30.3% for the nine months ended December 31, 2023 and 2022, respectively. Billable expenses increased 12.6% and 17.7% for the three and nine months ended December 31, 2023, respectively, as compared to the three and nine months ended December 31, 2022. The increases were primarily attributable to increases in the use of subcontractors driven by client demand and timing of client needs, as well as increases in expenses from contracts requiring the Company to incur other direct expenses and travel on behalf of clients as compared to the prior year period.

General and Administrative Expenses

General and administrative expenses as a percentage of revenue were 11.7% and 18.5% for the three months ended December 31, 2023 and 2022, respectively, and 11.6% and 14.2% for the nine months ended December 31, 2023 and 2022, respectively. General and administrative expenses decreased 28.9% and 5.6% for the three and nine months ended December 31, 2023, respectively, as compared to the three and nine months ended December 31, 2022.

For the three and nine months ended December 31, 2023, the decrease over the prior year period was primarily driven by a $124.0 million reserve recorded in the third quarter of fiscal 2023 as compared to a $27.5 million reserve recorded in the first quarter of fiscal 2024, associated with the U.S. Department of Justice's investigation of the Company (see Note 15, “Commitments and Contingencies,” to the condensed consolidated financial statements for further information). In the quarter-to-date period the decrease was also driven by decreases in professional fees and other business expenses of $13.3 million, partially offset by increases in salary and salary related benefits of $8.2 million. In the year-to-date period the decrease was also driven by decreases in professional service fees and other business expenses of $10.5 million, partially offset by increases in salary and salary related benefits of $33.4 million.

Depreciation and Amortization

Depreciation and amortization expense decreased 2.2% and increased 2.2% for the three and nine months ended December 31, 2023, respectively, as compared to the three and nine months ended December 31, 2022, primarily driven by intangible amortization related to acquisitions.

Interest Expense

Interest expense increased 45.4% and 49.1% for the three and nine months ended December 31, 2023, respectively, as compared to the three and nine months ended December 31, 2022, primarily due to an overall increase in interest rates, as well as an increase of approximately $15.9 million ($9.8 million for the quarter-to-date period) related to the $650.0 million senior notes the Company issued in August of fiscal 2024.

Other Income, net

Other income, net decreased to $6.4 million for the three months ended December 31, 2023 from $14.6 million for the three months ended December 31, 2022, and decreased to $11.9 million for the nine months ended December 31, 2023 from $38.1 million for the nine months ended December 31, 2022, due to the following:

- A $31.2 million pre-tax gain recognized in the second quarter of fiscal 2023 associated with the divestiture of the Company's MENA business, not present in the current year;
- A pre-tax gain of $8.9 million recognized in the third quarter of fiscal 2023 from the de-consolidation of a business, not present in the current year; and
- A $4.6 million pre-tax gain recognized in the third quarter of fiscal 2023 associated with the divestiture of the Company's MTS business, not present in the current year.

The above decreases were partially offset by increases in interest income of $4.0 million and $11.1 million for the quarter and year-to date periods, respectively, primarily due to overall increase in interest rates as well as higher average cash balances.

Income Tax Expense

Income tax expense increased to $61.7 million for the three months ended December 31, 2023 from $10.5 million for the three months ended December 31, 2022, an increase of 485.8%, and increased to $156.3 million for the nine months ended December 31, 2023 from $103.3 million for the nine months ended December 31, 2022, an increase of 51.3%.

The effective tax rate for the three months ended December 31, 2023 increased to 29.8% from 25.6% for the three months ended December 31, 2022. The effective tax rate for the nine months ended December 31, 2023 increased to 24.7% from 23.3% for the nine months ended December 31, 2022. Increases were primarily due to an increase in items recognized discretely in the current period relating to the reversal of prior period indirect effects of underlying prior period uncertain tax positions that were reversed in the current period. The reversal of the associated uncertain tax positions did not directly impact the effective tax rate, given that the uncertain tax position reversal was offset by a decrease in the deferred tax asset.

Liquidity and Capital Resources

As of December 31, 2023, our total liquidity was $1.6 billion, consisting of $601.8 million of cash and cash equivalents and $998.6 million available under the Revolving Credit Facility. In the opinion of management, we will be able to meet our liquidity and cash needs through a combination of cash flows from operating activities, available cash balances, and available borrowing under the Revolving Credit Facility. If these resources need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities.

The following table presents selected financial information as of December 31, 2023 and March 31, 2023 and for the first nine months of fiscal 2024 and 2023:

	December 31, 2023	March 31, 2023
	(Unaudited)	
	(In thousands)	
Cash and cash equivalents	$ 601,813	$ 404,862
Total debt	$ 3,421,106	$ 2,812,145

	Nine Months Ended December 31,	
	2023	2022
	(Unaudited)	(Unaudited)
	(In thousands)	
Net cash provided by operating activities	$ 115,068	$ 365,674
Net cash used in investing activities	(68,254)	(440,058)
Net cash provided by (used in) financing activities	150,137	(250,587)
Total increase (decrease) in cash and cash equivalents	$ 196,951	$ (324,971)

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 Senior Credit Facility to meet cash demands. While the timing and financial magnitude of these possible actions are currently indeterminable, we expect to be able to manage and adjust our capital structure to meet our liquidity needs. Our expected liquidity and capital structure may also be impacted by discretionary investments and acquisitions that we could pursue. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our Revolving Credit Facility will be sufficient to meet our anticipated cash requirements for the next twelve months, which primarily include:

- operating expenses, including salaries;
- working capital requirements to fund both organic and inorganic 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 ongoing maintenance around all financial management systems;
- commitments and other discretionary investments;

- debt service requirements for borrowings under our Senior Credit Facility and interest payments for the Senior Notes due 2028, Senior Notes due 2029 and Senior Notes due 2033; and
- cash taxes to be paid.

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

On October 14, 2022, the Company acquired EverWatch Corp. ("EverWatch") for approximately $445.1 million, net of post-closing adjustments, and also incurred transaction costs as part of the acquisition. As a result of the transaction, EverWatch became a wholly owned subsidiary of Booz Allen Hamilton Inc. EverWatch is a leading provider of advanced solutions to the defense and intelligence communities. See Note 5, "Acquisition, Goodwill and Intangible Assets," to our condensed consolidated financial statements for additional information related to the acquisition of EverWatch.

During the first and second quarters of fiscal 2024, we borrowed $500.0 million on our Revolving Credit Facility for our working capital needs, which was subsequently repaid in the second quarter of fiscal 2024.

On July 21, 2023, the Company entered into a Settlement Agreement (the "Settlement Agreement") with the United States of America, acting through the U.S. Department of Justice and on behalf of the Department of Defense and Defense Contract Management Agency (collectively the "United States"), and Relator Sarah A. Feinberg, to resolve the civil investigation related to certain elements of the Company's cost accounting and indirect cost charging practices from April 1, 2011 through March 31, 2021. Under the terms of the Settlement Agreement, the Company agreed to pay to the United States $377.5 million, which the Company paid in the second quarter of fiscal 2024 with cash on hand and by drawing on its revolving credit facility. See Note 15, "Commitments and Contingencies," to our condensed consolidated financial statements for additional information related to the Settlement Agreement.

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 $115.1 million for the nine months ended December 31, 2023 compared to $365.7 million in the prior year period. Operating cash was aided by strong collection performance and overall revenue growth but was impacted by a $377.5 million outflow related to the U.S. Department of Justice matter noted above.

Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for U.S. based research and development. This provision negatively impacted our fiscal 2023 cash from operations, but had an offsetting impact on the deferred tax asset. The Company expects a similar impact in fiscal 2024, although the impact to cash and deferred taxes is expected to be smaller than in fiscal 2023. Prospectively, the future impact of this provision will depend on if and when this provision is deferred, modified, or repealed by Congress, including if retroactively, any guidance issued by the Treasury Department regarding the identification of appropriate costs for capitalization, and the amount of future research and development expenses paid or incurred (among other factors). While the largest impact was to fiscal 2023 cash from operations, the impact will continue over the five year amortization period, but will decrease over the period and is expected to be immaterial in year six.

Investing Cash Flow

Net cash used in investing activities was $68.3 million in the nine months ended December 31, 2023 compared to $440.1 million in the prior year period. The decrease to investing cash used over the prior year was primarily due to the Company's acquisition of EverWatch in fiscal 2023, partially offset by the divestitures of its MENA strategy consulting and MTS businesses in fiscal 2023 as well as increases in cost method investments made by the Company in the current year.

Financing Cash Flow

Net cash provided by financing activities was $150.1 million in the nine months ended December 31, 2023 compared to net cash used in financing activities of $250.6 million in the prior year period. The increase in net cash provided by financing activities was primarily due to an increase in net proceeds of $600.8 million associated with the Company’s debt transactions year over year, partially offset by an increase of $189.6 million in share repurchases and $13.6 million in cash paid for dividends year over year.

Dividends and Share Repurchases

On January 26, 2024, the Company announced a regular quarterly cash dividend in the amount of $0.51 per share. The quarterly dividend is payable on March 1, 2024 to stockholders of record on February 12, 2024.

During the three and nine months ended December 31, 2023, quarterly cash dividends of $0.47 and $1.41 per share, respectively, were declared and paid totaling $61.7 million and $186.8 million, respectively. During the three and nine months ended December 31, 2022, quarterly cash dividends of $0.43 and $1.29 per share, respectively, were declared and paid totaling $57.3 million and $173.2 million, respectively.

On December 12, 2011, the Board of Directors approved a share repurchase program, which was most recently increased by $400.0 million to $2,560.0 million on July 27, 2022. 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 nine months of fiscal 2024, the Company purchased 2.5 million shares of the Company's Class A Common Stock for an aggregate of $272.8 million. As of December 31, 2023, the Company had approximately $583.2 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

Booz Allen Hamilton Inc. (“Booz Allen Hamilton”), Booz Allen Hamilton Investor Corporation (“Investor”), and certain wholly owned subsidiaries of Booz Allen Hamilton are parties to a Credit Agreement dated as of July 31, 2012, as amended (the “Credit Agreement”), with certain institutional lenders and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender. As of December 31, 2023, the Credit Agreement provided Booz Allen Hamilton with a $1,598.4 million Term Loan A (“Term Loan A”) and a $1.0 billion revolving credit facility (the “Revolving Credit Facility”), with a sub-limit for letters of credit of $200.0 million. As of December 31, 2023, the maturity date of the Term Loan A and the Revolving Commitments is September 7, 2027. Voluntary prepayments of the Term Loan A and the Revolving Loans are permitted at any time, in minimum principal amounts, without premium or penalty. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement were 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; such security was released in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P. On September 7, 2022 (the “Ninth Amendment Effective Date”), the previously outstanding Term Loan B loans under the Credit Agreement were prepaid in full.

On July 27, 2023 (the “Tenth Amendment Effective Date”), Booz Allen Hamilton entered into a Tenth Amendment (the “Amendment”) to the Credit Agreement (as amended prior to the Tenth Amendment Effective Date, the “Existing Credit Agreement” and, as amended by the Amendment, the “Amended Credit Agreement”) with Bank of America, N.A., as administrative agent (in such capacity, the “Administrative Agent”), and the lenders and other financial institutions party thereto, in order to make permanent certain changes to the Existing Credit Agreement in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P and prepaying the Term Loan B loans in full and to make certain additional changes in connection therewith, including, among other things, (i) removing the requirements for the obligations under the Amended Credit Agreement to be secured, (ii) removing the requirement for any subsidiary or other affiliate of Booz Allen Hamilton (other than the Company) to provide any guarantee of the obligations under the Amended Credit Agreement and (iii) removing or modifying certain covenants applicable to Booz Allen Hamilton. Pursuant to the Amendment, all guarantees in respect of the Existing Credit Agreement have been released. The Amendment did not impact any of the terms of the Credit Agreement related to amortization or payments.

On the Tenth Amendment Effective Date in connection with the Amendment, the Company entered into a Guarantee Agreement (the “Guarantee Agreement”) in favor of the Administrative Agent, pursuant to which the Company guarantees on an unsecured basis the obligations of Booz Allen Hamilton under the Amended Credit Agreement subject to certain conditions. Pursuant to the Amended Credit Agreement Booz Allen Hamilton has the option, though not any obligation, to join one or more of its domestic subsidiaries as a guarantor under the Guarantee Agreement.

The Term Loan A amortizes in consecutive quarterly installments in an amount equal to (i) on the last business day of each full fiscal quarter that begins after the Ninth Amendment Effective Date but on or before the two year anniversary of the Ninth Amendment Effective Date, 0.625% of the stated principal amount of the Term Loan A and (ii) on the last business day of each full fiscal quarter that begins after the two year anniversary of the Ninth Amendment Effective Date but before the five year anniversary of the Ninth Amendment Effective Date, 1.25% of the stated principal amount of the Term Loan A. The remaining balance of the Term Loan A will be payable upon maturity.

The rate at which the Term Loan A and the Revolving Loans bear interest is based, at Booz Allen Hamilton’s option, either on Term SOFR (subject to a 0.10% adjustment and a floor of zero) for the applicable interest period or a base rate (equal to the highest of (i) the administrative agent’s prime corporate rate, (ii) the overnight federal funds rate plus 0.50% and (iii) three-month Term SOFR (subject to a 0.10% adjustment and 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 the Term Loan A and the Revolving Loans ranges from 1.00% to 2.00% for Term SOFR loans and zero to 1.00% for base rate loans, in each case based on the lower of (i) the applicable rate per annum determined pursuant to a consolidated total net leverage ratio grid and (ii) the applicable rate per annum determined pursuant to a ratings grid. Unused Revolving Commitments are subject to a quarterly fee ranging from 0.10% to 0.35% based on the lower of (i) the applicable fee rate per annum determined pursuant to a consolidated total net leverage ratio grid and (ii) the applicable fee rate per annum determined pursuant to a ratings grid. Booz Allen Hamilton has also agreed to pay customary letter of credit and agency fees.

As of December 31, 2023 and March 31, 2023, 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 $4.5 million and $6.1 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At December 31, 2023 and March 31, 2023, respectively, approximately $1.4 million and $1.3 million of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate $7.5 million facility of which $4.4 million and $2.7 million were available to the Company at December 31, 2023 and March 31, 2023, respectively.

The Company occasionally borrows under the Revolving Credit Facility for our working capital needs. As of March 31, 2023 and December 31, 2023, respectively, there was no outstanding balance on the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. In addition, Booz Allen Hamilton is required to meet a financial covenant at each quarter end based on a consolidated net total leverage ratio. As of December 31, 2023 and March 31, 2023, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments. In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, activities restricted by certain negative covenants are permitted subject to pro forma compliance with the financial covenants and no events of default having occurred and continuing.

The following table summarizes interest payments made on the Company’s term loans:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Term Loan A	$ 27,161	$ 24,845	$ 80,259	$ 39,010
Term Loan B	—	—	—	5,209
Total	$ 27,161	$ 24,845	$ 80,259	$ 44,219

Borrowings under the Term Loan A, and if used, the Revolving Credit Facility, incur interest at a variable rate. As of December 31, 2023, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of $550.0 million. These instruments hedge the variability of cash outflows for interest payments on the Term Loans and Revolving Credit Facility. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9, “Derivatives,” to our condensed consolidated financial statements).

Senior Notes

For information on the terms, conditions, and restrictions of the Company's 4.000% Senior Notes due July 1, 2029 (the “Senior Notes due 2029”) and 3.875% Senior Notes due 2028 (the “Senior Notes due 2028”), see Note 10, “Debt,” of the Company’s consolidated financial statements included in the fiscal 2023 Annual Report on Form 10-K.

In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, certain negative covenants in the indentures governing the Senior Notes were suspended, and guarantees of the Senior Notes were released.

On August 4, 2023, the Company completed an offering of $650.0 million aggregate principal amount of its 5.950% senior unsecured notes due August 4, 2033 (the “Senior Notes due 2033”, and, together with the Senior Notes due 2028 and Senior Notes due 2029, the “Senior Notes”). The Senior Notes due 2033 were issued pursuant to an Indenture, dated as of August 4, 2023 (the “Base Indenture”), among Booz Allen Hamilton, the Company, and U.S. Bank Trust Company, National Association, as trustee, as supplemented by the First Supplemental Indenture, dated as of August 4, 2023 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”). The Indenture contains certain covenants, events of default, and other customary provisions. The Senior Notes due 2033 are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by the Company, pursuant to the Indenture.

Summarized Financial Information

The Senior Notes due 2033 were issued by Booz Allen Hamilton pursuant to the Base Indenture, among Booz Allen Hamilton, the Company and U.S. Bank Trust Company, National Association, as trustee, as supplemented by the Supplemental Indenture. The Senior Notes due 2033 are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by the Company pursuant to the Indenture.

The tables below present the summarized financial information as combined for the Company and Booz Allen Hamilton as of March 31, 2023 and as of and for the nine months ended December 31, 2023, after the elimination of intercompany transactions and balances between the Company and Booz Allen Hamilton and excluding the subsidiaries of the Company that are not issuers or guarantors of the Senior Notes due 2033, including earnings from and investments in these entities. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under Regulation S-X and is not intended to present our financial position or results of operations in accordance with GAAP.

Summarized Statements of Financial Condition

(in thousands)		December 31, 2023		March 31, 2023	
Intercompany receivables from non-guarantor subsidiaries	$	19,477	$	162,431	(1)
Total other current assets	$	2,540,144	$	2,160,182	
Goodwill and intangible assets, net of accumulated amortization	$	1,500,648	$	1,508,147	(2)
Total other non-current assets	$	815,957	$	1,239,763	
Intercompany payables to non-guarantor subsidiaries	$	204,126	$	249,999	(1)
Total other current liabilities	$	1,543,392	$	1,845,691	
Long-term debt, net of current portion	$	3,369,543	$	2,770,895	
Total other non-current liabilities	$	403,159	$	870,176	

(1) Amounts relating to the intercompany balances at March 31, 2023 were presented gross, while during fiscal 2024, intercompany balances were presented on a net basis (offsetting intercompany payables with corresponding intercompany receivables to arrive at a net position on an entity-level).

(2) Certain amounts relating to the intangible assets of acquired entities have been reclassified to entities that are not the issuer or guarantor of the Senior Notes due 2033 to conform with the current fiscal period presentation.

Summarized Statement of Operations

(in thousands)		Nine Months Ended December 31, 2023
Revenue	$	7,313,277
Revenue from non-guarantor subsidiaries	$	392,896
Operating income	$	344,638
Operating income from non-guarantor subsidiaries	$	357,486
Net income	$	423,174
Net income attributable to the Obligor Group	$	423,174

Capital Structure and Resources

Our stockholders' equity amounted to $1,086.2 million as of December 31, 2023, an increase of $94.2 million, compared to stockholders' equity of $992.0 million as of March 31, 2023. The increase was primarily due to net income of $477.8 million and stock-based compensation expense of $61.3 million during the nine months ended December 31, 2023, partially offset by $289.8 million in treasury stock resulting from the repurchase of shares of our Class A Common Stock, and $186.4 million in quarterly dividend payments for the nine months ended December 31, 2023.

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 nine months ended December 31, 2023 and 2022 were $50.5 million and $51.4 million, respectively.

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 15, "Commitments and Contingencies," 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:

- any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular;
- changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support, or as a result of the U.S. administration transition;
- efforts by Congress and other U.S. government bodies to reduce U.S. government spending and address budgetary constraints and the U.S. deficit, as well as associated uncertainty around the timing, extent, nature and effect of such efforts;
- delayed long-term funding of our contracts, including uncertainty relating to funding the U.S. government and increasing the debt ceiling;
- U.S. government shutdowns as a result of the failure by elected officials to fund the government;
- failure to comply with numerous laws and regulations, including but not limited to, the Federal Acquisition Regulation (“FAR”), the False Claims Act, the Defense Federal Acquisition Regulation Supplement and FAR Cost Accounting Standards and Cost Principles;
- the effects of disease outbreaks, pandemics, or widespread health epidemics, such as COVID-19, including disruptions to our workforce and the impact on government spending and demand for our solutions;
- our ability to compete effectively in the competitive bidding process and delays or losses of contract awards caused by competitors' protests of major contract awards received by us;
- variable purchasing patterns under U.S. government General Services Administration Multiple Award schedule contracts, or GSA schedules, blanket purchase agreements and indefinite delivery/indefinite quantity, or IDIQ, contracts;
- the loss of GSA schedules or our position as prime contractor on government-wide acquisition contract vehicles, or GWACs;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;
- changes in estimates used in recognizing revenue;
- our ability to realize the full value of and replenish our backlog, generate revenue under certain of our contracts, and the timing of our receipt of revenue under contracts included in backlog;
- internal system or service failures and security breaches, including, but not limited to, those resulting from external or internal threats, including cyber attacks on our network and internal systems;
- risks related to the operation of financial management systems;
- an inability to attract, train, or retain employees with the requisite skills and experience;
- an inability to timely hire, assimilate and effectively utilize our employees, ensure that employees obtain and maintain necessary security clearances and/or effectively manage our cost structure;
- risks related to inflation that could impact the cost of doing business and/or reduce customer buying power;
- 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 access, use or release of our or our clients' sensitive or classified information;
- increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime- contractor relationship to meet their obligations to us or our clients;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings, including litigation, audits, reviews, and investigations, which may result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes including debarment, as well as disputes over the availability of insurance or indemnification;
- failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks associated with increased competition, new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business or respond to market developments;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues or limits;

- risks related to a possible recession and volatility or instability of the global financial system, including the failures of financial institutions and the resulting impact on counterparties and business conditions generally;
- risks related to a deterioration of economic conditions or weakening in credit or capital markets;
- risks related to pending, completed and future acquisitions and dispositions, including the ability to satisfy specified closing conditions for pending transactions, such as those related to receipt of regulatory approval or lack of regulatory intervention, and to realize the expected benefits from completed acquisitions and dispositions;
- the incurrence of additional tax liabilities, including as a result of changes in tax laws or management judgments involving complex tax matters;
- risks inherent in the government contracting environment;
- continued efforts to change how the U.S. government reimburses compensation related costs and other expenses or otherwise limits such reimbursements, and an increased risk of compensation being deemed unreasonable and unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the impact of changes in accounting rules and regulations, or interpretations thereof, that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue;
- the impact of ESG-related risks and climate change generally on our and our clients' businesses and operations; and
- other risks and factors listed under "Item 1A. Risk Factors" and elsewhere in this Quarterly Report, as well as those listed under "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2023.

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

During the first quarter of fiscal 2024, the Company modified its interest rate swap agreements to transition from LIBOR-indexed to term SOFR-indexed periodic swap payments to align with interest payments in connection with its term SOFR-indexed debt. See Note 9, "Derivatives," to the condensed consolidated financial statements for further information on the interest rate swap agreements.

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, 2023 filed with the Securities and Exchange Commission on May 26, 2023.

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 December 31, 2023 and March 31, 2023, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

On June 7, 2017, Booz Allen Hamilton was informed that the U.S. Department of Justice (“DOJ”) was conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ 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. The investigation resulted from a *qui tam* lawsuit filed on or about September 26, 2016 in the United States District Court for the District of Columbia pursuant to the *qui tam* provisions of the civil False Claims Act (the “Civil Action”), which lawsuit was under judicial seal until July 21, 2023. After learning of the investigation, the Company 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 was also contacted by other regulatory agencies and bodies, including the SEC, which notified the Company that it was conducting an investigation that the Company believes related to the matters that were also the subject of the DOJ's investigation.

On May 12, 2021, the Company was informed that the DOJ closed its criminal investigation.

On July 21, 2023, the Company entered into a Settlement Agreement (the “Settlement Agreement”) with the United States of America, acting through the DOJ and on behalf of the Department of Defense and Defense Contract Management Agency (collectively the “United States”), and Relator Sarah A. Feinberg, to resolve the DOJ’s civil investigation and the Civil Action. The Company entered into the Settlement Agreement to avoid the delay, uncertainty and expense of protracted litigation. The Settlement Agreement contains no admission of liability by the Company.

Under the terms of the Settlement Agreement, the Company agreed to pay to the United States $377.5 million (the “Settlement Amount”). The Company paid the Settlement Amount with cash on hand and by drawing on its revolving credit facility. As of June 30, 2023, the Company had recorded a $377.5 million reserve relating to this investigation and had previously disclosed that it believed the range of reasonably possible loss in connection with the investigation to be between $350 million and $378 million. Following the United States’ receipt of the Settlement Amount, the Company was released from any civil or administrative monetary claims under the civil False Claims Act and other specified civil statutes and common law theories of liability for certain elements of the Company’s cost accounting and indirect cost charging practices from April 1, 2011 through March 31, 2021, and the claim brought in the Civil Action was dismissed with prejudice.

On July 27, 2023, the Company was informed that the SEC concluded its investigation without recommending an enforcement action.

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. On September 22, 2023, plaintiffs filed a motion for leave to amend the dismissed amended complaint or, in the alternative, for relief from the court's prior dismissal order, and on October 16, 2023, the court denied plaintiffs' motion. On November 15, 2023, plaintiffs filed with the United States Court of Appeals for the Fourth Circuit a notice of appeal from the district court's denial of plaintiffs' motion, and that appeal remains pending. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

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

Item 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, 2023 filed with the Securities and Exchange Commission on May 26, 2023.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table shows the share repurchase activity for each of the three months in the quarter ended December 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
October 2023	198,703	$114.23	198,703	$ 653,160,376
November 2023	357,280	$125.92	357,280	$ 608,172,935
December 2023	194,376	$128.62	194,376	$ 583,173,026
Total	750,359		750,359	

[1] On December 12, 2011, the Board of Directors approved a share repurchase program, which was most recently increased by $400.0 million to $2,560.0 million on July 27, 2022. A special committee of the Board of Directors was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. The above table does not factor in any increases to the share repurchase program subsequent to December 31, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Disclosure of Trading Arrangements

Item 408(a) of Regulation S-K requires the Company to disclose whether any director or officer of the Company has adopted or terminated (i) any trading arrangement that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a "Rule 10b5-1 trading arrangement"); and/or (ii) any written trading arrangement that meets the requirements of a "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

During the quarter ended December 31, 2023, the following activity occurred requiring disclosure under Item 408(a) of Regulation S-K:

Horacio D. Rozanski, our Chief Executive Officer, adopted a new Rule 10b5-1 trading arrangement on November 13, 2023 that will terminate on November 11, 2024. Under the trading arrangement, up to an aggregate of 49,000 shares of common stock are available to be sold by the broker upon reaching pricing targets defined in the trading arrangement.

Matthew A. Calderone, our Chief Financial Officer, adopted a new Rule 10b5-1 trading arrangement on December 14, 2023 that will terminate on March 28, 2024. Under the trading arrangement, up to an aggregate of 3,000 shares of common stock are available to be sold by the broker pursuant to the trading arrangement.

Item 6. Exhibits

Exhibit Number	Description
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 nine months ended December 31, 2023 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at December 31, 2023 and March 31, 2023; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2023 and 2022; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended December 31, 2023 and 2022; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2023 and 2022; and (v) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed electronically herewith.

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: January 26, 2024	By:	/s/ Matthew A. Calderone
		Matthew A. Calderone Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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

I, Horacio D. Rozanski, certify that:

1. I have reviewed this 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: January 26, 2024	By:	/s/ Horacio D. Rozanski
		Horacio D. Rozanski President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, Matthew A. Calderone, 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: January 26, 2024	By:	/s/ Matthew A. Calderone
		Matthew A. Calderone Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**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 December 31, 2023, 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: January 26, 2024	By: /s/ Horacio D. Rozanski
	Horacio D. Rozanski President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Executive Vice President and Chief Financial Officer 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: January 26, 2024

By: /s/ Matthew A. Calderone
Matthew A. Calderone
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.