# 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 June 30, 2019**

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

**For the transition period from to**

**Commission File No. 001-34972**

# Booz Allen Hamilton Holding Corporation
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **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 x 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 July 24, 2019 |
|---|---|
| Class A Common Stock | 140,218,115 |
| Class B Non-Voting Common Stock | — |
| Class C Restricted Common Stock | — |
| Class E Special Voting Common Stock | — |

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| | (Unaudited) | |
| | (Amounts in thousands, except share and per share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 649,100 | $ 283,990 |
| Accounts receivable, net of allowance | 1,407,716 | 1,330,364 |
| Prepaid expenses and other current assets | 59,583 | 84,986 |
| Total current assets | 2,116,399 | 1,699,340 |
| Property and equipment, net of accumulated depreciation | 177,837 | 172,453 |
| Operating lease right-of-use assets | 257,310 | — |
| Intangible assets, net of accumulated amortization | 291,629 | 287,051 |
| Goodwill | 1,581,160 | 1,581,160 |
| Other long-term assets | 89,315 | 91,837 |
| Total assets | $ 4,513,650 | $ 3,831,841 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 77,924 | $ 57,924 |
| Accounts payable and other accrued expenses | 674,508 | 664,948 |
| Accrued compensation and benefits | 251,093 | 325,553 |
| Operating lease liabilities | 29,789 | — |
| Other current liabilities | 178,200 | 130,814 |
| Total current liabilities | 1,211,514 | 1,179,239 |
| Long-term debt, net of current portion | 2,063,321 | 1,701,837 |
| Operating lease liabilities, net of current portion | 287,979 | — |
| Other long-term liabilities | 202,013 | 275,399 |
| Total liabilities | 3,764,827 | 3,156,475 |
| Commitments and contingencies (Note 18) | | |
| Stockholders' equity: | | |
| Common stock, Class A — $0.01 par value — authorized, 600,000,000 shares; issued, 160,244,219 shares at June 30, 2019 and 159,924,825 shares at March 31, 2019; outstanding, 140,218,119 shares at June 30, 2019 and 140,027,853 shares at March 31, 2019 | 1,602 | 1,599 |
| Treasury stock, at cost — 20,026,100 shares at June 30, 2019 and 19,896,972 shares at March 31, 2019 | (719,736) | (711,450) |
| Additional paid-in capital | 413,293 | 401,596 |
| Retained earnings | 1,079,785 | 994,811 |
| Accumulated other comprehensive loss | (26,121) | (11,190) |
| Total stockholders' equity | 748,823 | 675,366 |
| Total liabilities and stockholders' equity | $ 4,513,650 | $ 3,831,841 |

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (Amounts in thousands, except per share data) | |
| Revenue | $ 1,825,176 | $ 1,646,848 |
| Operating costs and expenses: | | |
| Cost of revenue | 840,654 | 785,812 |
| Billable expenses | 551,175 | 477,435 |
| General and administrative expenses | 234,280 | 205,836 |
| Depreciation and amortization | 20,021 | 16,153 |
| Total operating costs and expenses | 1,646,130 | 1,485,236 |
| Operating income | 179,046 | 161,612 |
| Interest expense | (25,187) | (23,074) |
| Other income (expense), net | 1,971 | (1,171) |
| Income before income taxes | 155,830 | 137,367 |
| Income tax expense | 38,444 | 33,163 |
| Net income | $ 117,386 | $ 104,204 |
| Earnings per common share (Note 4): | | |
| Basic | $ 0.83 | $ 0.72 |
| Diluted | $ 0.83 | $ 0.72 |

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

**BOOZ ALLEN HAMILTON HOLDING CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(UNAUDITED)**

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (Amounts in thousands) | |
| Net income | $ 117,386 | $ 104,204 |
| Other comprehensive income, net of tax: | | |
| Change in unrealized gain (loss) on derivatives designated as cash flow hedges | (14,965) | 1,920 |
| Change in postretirement plan costs | 34 | 407 |
| Total other comprehensive income (loss), net of tax | (14,931) | 2,327 |
| Comprehensive income | $ 102,455 | $ 106,531 |

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)**

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (Amounts in thousands) | |
| **Cash flows from operating activities** | | |
| Net income | $ 117,386 | $ 104,204 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,021 | 16,153 |
| Noncash lease expense | 13,970 | — |
| Stock-based compensation expense | 6,444 | 6,115 |
| Amortization of debt issuance costs | 1,219 | 1,360 |
| Losses on dispositions | 23 | 401 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net of allowance | (77,352) | (141,516) |
| Deferred income taxes and income taxes receivable / payable | 42,342 | 20,781 |
| Prepaid expenses and other current assets | (15,540) | (15,320) |
| Other long-term assets | 623 | (1,703) |
| Accrued compensation and benefits | (70,845) | (38,144) |
| Accounts payable and other accrued expenses | 29,129 | 28,322 |
| Accrued interest | (2,361) | (2,613) |
| Other current liabilities | (964) | (4,967) |
| Operating lease liabilities | (15,232) | — |
| Other long-term liabilities | 2,120 | (110) |
| Net cash provided by (used in) operating activities | 50,983 | (27,037) |
| **Cash flows from investing activities** | | |
| Purchases of property, equipment, and software | (27,336) | (20,465) |
| Payments for business acquisitions, net of cash acquired | — | (20) |
| Net cash used in investing activities | (27,336) | (20,485) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of common stock | 3,378 | 2,585 |
| Stock option exercises | 2,155 | 5,265 |
| Repurchases of common stock | (12,178) | (53,845) |
| Cash dividends paid | (32,412) | (27,442) |
| Dividend equivalents paid to option holders | — | (267) |
| Repayment of debt | (19,480) | (75,775) |
| Proceeds from debt issuance | 400,000 | 60,000 |
| Payment on contingent liabilities from acquisition | — | (234) |
| Net cash provided by (used in) financing activities | 341,463 | (89,713) |
| Net increase (decrease) in cash and cash equivalents | 365,110 | (137,235) |
| Cash and cash equivalents—beginning of period | 283,990 | 286,958 |
| Cash and cash equivalents—end of period | $ 649,100 | $ 149,723 |
| **Supplemental disclosures of cash flow information** | | |
| Net cash paid (refund) during the period for: | | |
| Interest | $ 26,726 | $ 23,938 |
| Income taxes | $ (4,238) | $ 11,475 |
| **Supplemental disclosures of non-cash investing and financing activities** | | |
| Share repurchases transacted but not settled and paid | $ 2,423 | $ 3,365 |
| Noncash financing activities | $ 2,682 | $ 3,216 |

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 March 31, 2019** | 159,924,825 | $1,599 | (19,896,972) | $(711,450) | $401,596 | $ 994,811 | $ (11,190) | $ 675,366 |
| Issuance of common stock | 158,092 | 2 | — | — | 3,376 | — | — | 3,378 |
| Stock options exercised | 161,302 | 1 | — | — | 2,154 | — | — | 2,155 |
| Repurchase of common stock (1) | — | — | (129,128) | (8,286) | — | — | — | (8,286) |
| Recognition of liability related to future stock exercises | — | — | — | — | (277) | — | — | (277) |
| Net income | — | — | — | — | — | 117,386 | — | 117,386 |
| Other comprehensive income (loss), net of tax | — | — | — | — | — | — | (14,931) | (14,931) |
| Dividends paid of $0.23 per common share | — | — | — | — | — | (32,412) | — | (32,412) |
| Stock-based compensation expense | — | — | — | — | 6,444 | — | — | 6,444 |
| **Balance at June 30, 2019** | 160,244,219 | $1,602 | (20,026,100) | $(719,736) | $413,293 | $1,079,785 | $ (26,121) | $ 748,823 |
| **Balance at March 31, 2018** | 158,028,673 | $1,580 | (14,582,134) | $(461,457) | $346,958 | $ 690,516 | $ (15,106) | $ 562,491 |
| Issuance of common stock | 320,275 | 4 | — | — | 2,581 | — | — | 2,585 |
| Stock options exercised | 445,067 | 4 | — | — | 5,261 | — | — | 5,265 |
| Repurchase of common stock (2) | — | — | (1,089,945) | (48,064) | — | — | — | (48,064) |
| Net income | — | — | — | — | — | 104,204 | — | 104,204 |
| Other comprehensive income (loss), net of tax | — | — | — | — | — | — | 2,327 | 2,327 |
| Dividends paid of $0.19 per common share | — | — | — | — | — | (27,442) | — | (27,442) |
| Stock-based compensation expense | — | — | — | — | 6,115 | — | — | 6,115 |
| **Balance at June 30, 2018** | 158,794,015 | $1,588 | (15,672,079) | $(509,521) | $360,915 | $ 767,278 | $ (12,779) | $ 607,481 |

(1) During the first quarter of fiscal 2020, the Company purchased 93.0 thousand shares of the Company's Class A Common Stock in a series of open market transactions for $5.9 million. Additionally, the Company repurchased shares during the first quarter of fiscal 2020 to cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on June 30, 2019.

(2) During the first quarter of fiscal 2019, the Company purchased 1.0 million shares of the Company's Class A Common Stock in a series of open market transactions for $44.2 million. Additionally, the Company repurchased shares during the first quarter of fiscal 2019 to cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on June 30, 2018.

## 1. BUSINESS OVERVIEW

### *Organization*

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or the Company, we, us, and our, was incorporated in Delaware in May 2008. The Company provides management and technology consulting, analytics, engineering, digital solutions, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. The Company reports operating results and financial data in one reportable segment. The Company is headquartered in McLean, Virginia, with approximately 26,400 employees as of June 30, 2019.

## 2. BASIS OF PRESENTATION

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

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

Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), using the modified retrospective transition approach and, as a result, comparative information for the prior fiscal year has not been retrospectively adjusted.

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

### *Accounting Estimates*

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

### *Recently Adopted Accounting Standards*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability of accounting for lease transactions. The new leasing standard requires lessees to recognize lease assets and lease liabilities on their balance sheet for all leases with a lease term greater than 12 months. Topic 842 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB provided an alternative transition method of adoption through ASU No. 2018-11, Targeted Improvements, which permits the recognition of a cumulative-effect adjustment to retained earnings on the date of adoption.

The Company adopted the standard on April 1, 2019 using the modified retrospective transition approach provided by ASU 2018-11, and, as a result, did not recast comparative prior period information. In addition, the Company elected certain practical expedients permitted under Topic 842, including the option not to apply lease recognition for short-term leases; an election to not separate lease from non-lease components; and a package of practical expedients such that, upon the initial adoption of Topic 842, the Company did not reassess whether expired or existing contracts contain leases, nor did the Company reassess the lease classification for expired or existing leases. The Company did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of right-of-use (ROU) assets.

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

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

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

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

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

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

***Recent Accounting Pronouncements Not Yet Adopted***

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This guidance requires a customer in a cloud computing arrangement that is a service contract to follow existing internal-use software guidance to determine which implementation costs to defer and recognize as an asset. ASU 2018-15 generally aligns the guidance on capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with that of implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for interim reporting periods for fiscal years beginning after December 15, 2019. Early adoption is permitted. The standard may be adopted either retrospectively or prospectively. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

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

## 3. REVENUE

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

***Contract Estimates***

Many of our contracts recognize revenue under a contract cost-based input method and require an Estimate-at-Completion (EAC) process, which management uses to review and monitor the progress towards the completion of our performance obligations. Under this process, management considers various inputs and assumptions related to the EAC, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Estimating the total cost at completion of performance obligations is subjective and requires management to make assumptions about future activity and cost drivers under the contract. Changes in these estimates can occur for a variety of reasons and, if significant, may impact the profitability of the Company's contracts. Changes in estimates related to contracts accounted for under the EAC process are recognized on a cumulative catch-up basis in the period when such changes are determinable and reasonable estimable. If the estimate of contract profitability indicates an anticipated loss on a contract, the Company recognizes the total loss at the time it is identified. For each of the three months ended June 30, 2019 and 2018, the aggregate impact of adjustments in contract estimates was not material.

***Disaggregation of Revenue***

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

*Revenue by Contract Type:*

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

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

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Cost-reimbursable | $ 1,026,593 | 56% | $ 859,884 | 52% |
| Time-and-materials | 420,595 | 23% | 405,584 | 25% |
| Fixed-price | 377,988 | 21% | 381,380 | 23% |
| Total Revenue | $ 1,825,176 | 100% | $ 1,646,848 | 100% |

*Revenue by Customer Type:*

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| U.S. government: | | | | |
| Defense Clients | $ 858,936 | 47% | $ 757,982 | 46% |
| Intelligence Clients | 419,067 | 23% | 397,480 | 24% |
| Civil Clients | 492,033 | 27% | 435,526 | 27% |
| Total U.S. government | 1,770,036 | 97% | 1,590,988 | 97% |
| Global Commercial Clients | 55,140 | 3% | 55,860 | 3% |
| Total Revenue | $ 1,825,176 | 100% | $ 1,646,848 | 100% |

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Prime Contractor | $ 1,673,429 | 92% | $ 1,507,182 | 92% |
| Sub-contractor | 151,747 | 8% | 139,666 | 8% |
| Total Revenue | $ 1,825,176 | 100% | $ 1,646,848 | 100% |

***Performance Obligations***

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

As of June 30, 2019 and March 31, 2019, the Company had $6.2 billion and $5.8 billion, respectively, of remaining performance obligations and we expect to recognize more than half of the remaining performance obligations as revenue over the next 12 months, and approximately three quarters over the next 24 months. The remainder is expected to be recognized thereafter.

***Contract Balances***

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

Contract assets primarily consist of unbilled receivables typically resulting from revenue recognized exceeding the amount billed to the customer and right to payment is not just subject to the passage of time. Contract liabilities primarily consist of advance payments, billings in excess of costs incurred and deferred revenue. Contract assets and liabilities are reported on a net contract basis at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for an estimate of uncollected receivables. Refer to Note 5 for more information on receivables recognized from contracts accounted for under Topic 606.

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

| | June 30, 2019 | | March 31, 2019 | |
|---|---|---|---|---|
| Contract assets: | | | | |
| Current | $ | 889,744 | $ | 846,372 |
| Long-term | | 61,575 | | 61,391 |
| Total | $ | 951,319 | $ | 907,763 |
| Contract liabilities: | | | | |
| Advance payments, billings in excess of costs incurred and deferred revenue | $ | 20,821 | $ | 21,316 |

Changes in contract assets and contract liabilities are primarily due to the timing difference between the Company's performance of services and payments from customers. For the three months ended June 30, 2019 and 2018, we recognized revenue of $16.7 million and $19.8 million, respectively, related to our contract liabilities on April 1, 2019 and 2018, respectively. To determine revenue recognized from contract liabilities during the reporting periods, the Company allocates revenue to individual contract liability balances and applies revenue recognized during the reporting periods first to the beginning balances of contract liabilities until the revenue exceeds the balances.

## 4. EARNINGS PER SHARE

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

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Earnings for basic computations (1) | $ | 116,766 | $ | 103,572 |
| Weighted-average common shares outstanding for basic computations | | 140,004,627 | | 143,273,387 |
| Earnings for diluted computations (1) | $ | 116,770 | $ | 103,576 |
| Dilutive stock options and restricted stock | | 1,124,674 | | 1,420,186 |
| Weighted-average common shares outstanding for diluted computations | | 141,129,301 | | 144,693,573 |
| Earnings per common share | | | | |
| Basic | $ | 0.83 | $ | 0.72 |
| Diluted | $ | 0.83 | $ | 0.72 |

(1) During the three months ended June 30, 2019 and 2018, approximately 0.7 million and 0.9 million participating securities, respectively, were paid dividends totaling $0.2 million and $0.2 million, respectively. For the three months ended June 30, 2019 and 2018, there were undistributed earnings of $0.4 million and $0.5 million, respectively, allocated to the participating class of securities in both basic and diluted EPS. The allocated undistributed earnings and the dividends paid comprise the difference between net income presented on the condensed consolidated statements of operations and earnings for basic and diluted computations for the three months ended June 30, 2019 and 2018.

The EPS calculation for the three months ended June 30, 2019 and 2018 excludes 0.1 million and 0.1 million options, respectively, as their impact was anti-dilutive.

## 5. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net of allowance consisted of the following:

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| Current assets | | |
| Accounts receivable–billed | $ 530,678 | $ 494,671 |
| Accounts receivable–unbilled | 889,744 | 846,372 |
| Allowance for doubtful accounts | (12,706) | (10,679) |
| Accounts receivable, net of allowance | 1,407,716 | 1,330,364 |
| Other long-term assets | | |
| Accounts receivable–unbilled | 61,575 | 61,391 |
| Total accounts receivable, net | $ 1,469,291 | $ 1,391,755 |

Unbilled amounts represent revenues for which billings have not been presented to customers at quarter-end or year-end. These amounts are generally billed and collected within one year subject to various conditions including, without limitation, appropriated and available funding. Long-term unbilled receivables not anticipated to be billed and collected within one year, which are primarily related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout, are included in other long-term assets in the accompanying condensed consolidated balance sheets. The Company recognized a provision for doubtful accounts (including certain unbilled reserves) of $0.8 million and $0.04 million for the three months ended June 30, 2019 and 2018, respectively.

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

## 6. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| Vendor payables | $ 409,292 | $ 417,648 |
| Accrued expenses | 265,216 | 247,300 |
| Total accounts payable and other accrued expenses | $ 674,508 | $ 664,948 |

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

## 7. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| Bonus | $ 25,961 | $ 117,604 |
| Retirement | 54,518 | 37,678 |
| Vacation | 147,764 | 141,953 |
| Other | 22,850 | 28,318 |
| Total accrued compensation and benefits | $ 251,093 | $ 325,553 |

## 8. DEBT

Debt consisted of the following:

| | June 30, 2019 | | March 31, 2019 | |
|---|---|---|---|---|
| | Interest Rate | Outstanding Balance | Interest Rate | Outstanding Balance |
| Term Loan A | 3.90% | $ 1,419,219 | 4.00% | $ 1,037,713 |
| Term Loan B | 4.40% | 390,063 | 4.50% | 391,050 |
| Senior Notes | 5.13% | 350,000 | 5.13% | 350,000 |
| Less: Unamortized debt issuance costs and discount on debt | | (18,037) | | (19,002) |
| Total | | 2,141,245 | | 1,759,761 |
| Less: Current portion of long-term debt | | (77,924) | | (57,924) |
| Long-term debt, net of current portion | | $ 2,063,321 | | $ 1,701,837 |

*Term Loans and Revolving Credit Facility*

On July 23, 2018 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton") and Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Sixth Amendment (the "Sixth Amendment") to the Credit Agreement (as amended, the "Credit Agreement"), dated as of July 31, 2012 among Booz Allen Hamilton, Investor, certain wholly-owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent, and Collateral Agent and the other lenders and financial institutions from time to time party thereto (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to Credit Agreement, dated as of May 7, 2014, the Third Amendment to the Credit Agreement, dated as of July 13, 2016, the Fourth Amendment to the Credit Agreement, dated as of February 6, 2017, and the Fifth Amendment to the Credit Agreement, dated as of March 7, 2018). The Sixth Amendment provided for a delayed draw (the "Delayed Draw Facility") on the tranche A term loan ("Term Loan A") facility in the amount of up to $400.0 million and extended the maturity of the Term Loan A and the revolving credit facility (the "Revolving Credit Facility") to July 2023. Additionally, the Sixth Amendment reduced the interest rate spread applicable to the Term Loan A and the Revolving Credit Facility from a range of 1.50% to 2.25% to a range of 1.25% to 2.00% based on consolidated net total leverage. The interest rate applicable to the Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans") remained unchanged.

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

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

As of June 30, 2019, the Credit Agreement provided Booz Allen Hamilton with a $1,419.2 million Term Loan A, a $390.1 million Term Loan B, and $500.0 million in New Revolving Commitments with a sub-limit for letters of credit of $100.0 million. As of June 30, 2019, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was July 23, 2023 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor, and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or New Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) greater of (x) $627 million and (y) 100% of consolidated EBITDA of Booz Allen Hamilton, as of the end of the most recently ended four quarter period for which financial statements have been delivered pursuant to the Credit Agreement plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

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

Booz Allen Hamilton occasionally borrows under the Revolving Credit Facility in anticipation of cash demands. During the first quarter of fiscal 2020, Booz Allen Hamilton accessed no amounts of its $500.0 million Revolving Credit Facility. During the first quarter of fiscal 2019, Booz Allen Hamilton accessed a total of $60.0 million of its $500.0 million Revolving Credit Facility. As of June 30, 2019 and March 31, 2019, there were no amounts outstanding under the Revolving Credit Facility.

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

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) change in fiscal periods; (viii) negative pledges; (ix) restrictive agreements; (x) line of business; and (xi) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of June 30, 2019 and March 31, 2019, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

During the first quarter of fiscal 2020, interest payments of $13.3 million and $4.4 million were made for Term Loan A and Term Loan B, respectively. During the first quarter of fiscal 2019, interest payments of $11.0 million and $4.0 million were made for Term Loan A and Term Loan B, respectively.

*Senior Notes*

On April 25, 2017, Booz Allen Hamilton issued $350 million aggregate principal amount of its 5.125% Senior Notes (the "Senior Notes"), under an Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Each of Booz Allen Hamilton's existing and future domestic restricted subsidiaries that guarantee its obligations under the Secured Credit Facility and certain other indebtedness guarantee the Senior Notes on a senior unsecured basis. Interest is payable semi-annually on May 1 and November 1 of each year, beginning on November 1, 2017, and principal is due at maturity on May 1, 2025. In connection with the Senior Notes, the Company recognized $6.7 million of issuance costs, which were recorded as an offset against the carrying value of debt and will be amortized to interest expense over the term of the Senior Notes. During each of the first quarters of fiscal 2020 and 2019, interest payments of $9.0 million were made for the Senior Notes.

Borrowings under the Term Loans and, if used, the Revolving Credit Facility, incur interest at a variable rate. In accordance with Booz Allen Hamilton’s risk management strategy, Booz Allen Hamilton executed a series of interest rate swaps. As of June 30, 2019, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of $1 billion. These instruments hedge the variability of cash outflows for interest payments on the floating portion of the Company's debt. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9 in our condensed consolidated financial statements).

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (In thousands) | |
| Term Loan A Interest Expense | $ 13,450 | $ 10,842 |
| Term Loan B Interest Expense | 4,420 | 3,917 |
| Interest on Revolving Credit Facility | — | 59 |
| Senior Notes Interest Expense | 4,484 | 4,484 |
| Deferred Payment Obligation Interest [(1)] | 2,011 | 2,022 |
| Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) [(2)] | 1,219 | 1,360 |
| Other | (397) | 390 |
| Total Interest Expense | $ 25,187 | $ 23,074 |

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

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

## 9. DERIVATIVES

The Company utilizes derivative financial instruments to manage interest rate risk related to its variable rate debt. The Company's objectives in using these interest rate derivatives, which were designated as cash flow hedges, are to manage its exposure to interest rate movements and reduce volatility of interest expense. During the first quarter of fiscal 2020, the Company entered into eight floating-to-fixed interest rate swap agreements with six financial institutions with a start date of April 30, 2019 with an aggregate notional amount of $400 million. The aggregate notional amount of all interest rate swap agreements increased to $1 billion as of June 30, 2019. The swaps have staggered maturities, ranging from June 30, 2021 to June 30, 2025.

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

Derivative instruments are recorded in the condensed consolidated balance sheet on a gross basis at estimated fair value. As of June 30, 2019, $4.0 million and $19.1 million were classified as other current liabilities and other long-term liabilities, respectively, on the condensed consolidated balance sheet. As of March 31, 2019, $1.8 million, $0.6 million, $0.9 million, and $4.3 million were classified as other current assets, other long-term assets, other current liabilities, and other long-term liabilities, respectively, on the condensed consolidated balance sheet.

For interest rate swaps designated as cash flow hedges, the changes in the fair value of derivatives is recorded in Accumulated Other Comprehensive Income, or AOCI, net of taxes, and is subsequently reclassified into interest expense in the period that the hedged forecasted interest payments are made on the Company's variable-rate debt. The effect of derivative instruments on the accompanying consolidated financial statements for the three months ended June 30, 2019 and 2018 is as follows:

| | | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|---|
| | | Amount of Gain or (Loss) Recognized in AOCI on Derivatives | | Amount of Gain or (Loss) Reclassified from AOCI into Income | | Interest Expense on Consolidated Statements of Operations | |
| Derivatives in Cash Flow Hedging Relationships | Location of Gain or Loss Recognized in Income on Derivatives | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Interest rate swaps | Interest expense | $ (19,748) | $ 2,568 | $ (386) | $ 24 | $ (25,187) | $ (23,074) |

Over the next 12 months, the Company estimates that $4.1 million will be reclassified as an increase to interest expense. Cash flows associated with periodic settlements of interest rate swaps will be classified as operating activities in the condensed consolidated statement of cash flows.

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

## 10. LEASES

Under Topic 842, the Company determines whether the contract is, or contains, a lease, which exists when the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, and operating lease liabilities, net of current portion in our condensed consolidated balance sheets. Cash payments arising from operating leases are classified within operating activities in the condensed consolidated statement of cash flows. At June 30, 2019, the Company had no finance leases.

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

As permitted under Topic 842, the Company elected not to recognize ROU assets and lease liabilities for leases with an initial term of 12 months or less; lease expense from these leases are recognized on a straight-line basis over the lease term. As further permitted under Topic 842, the Company elected to not separate lease components from non-lease components, accounting for both components as a single lease component.

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

| | Three Months Ended June 30, 2019 |
|---|---|
| Operating lease cost | $ 17,960 |
| Short-term lease cost | 2,417 |
| Variable lease cost | 2,562 |
| Total operating lease costs | $ 22,939 |

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

| For the Fiscal Year Ending March 31, | Operating Lease Payments |
|---|---|
| Remainder of 2020 | $ 24,609 |
| 2021 | 69,224 |
| 2022 | 58,767 |
| 2023 | 53,745 |
| 2024 | 46,425 |
| Thereafter | 125,642 |
| Total future lease payments | 378,412 |
| Less: imputed interest | (60,644) |
| Total lease liabilities | $ 317,768 |

Supplemental cash flow information related to leases was as follows:

| | Three Months Ended June 30, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | $ 19,912 |
| Operating lease liabilities arising from obtaining ROU assets (1) | 2,440 |

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

Other information related to leases was as follows:

| | At June 30, 2019 |
|---|---|
| Weighted average remaining lease term (in years) | 6.38 |
| Weighted average discount rate | 4.59% |

## 11. INCOME TAXES

The Company's effective income tax rates were 24.7% and 24.1% for the three months ended June 30, 2019 and 2018, respectively. The three months effective tax rates of 24.7% and 24.1% differ from the federal statutory rate of 21.0% primarily due to the inclusion of state income taxes and permanent rate differences, primarily related to meals and entertainment and certain executive compensation, which were partially offset by discrete tax items.

As of the end of fiscal 2019, the examinations of the Company's federal income tax returns and refund claims for fiscal years 2013 through 2015 were completed by the IRS. The Company received the full refund claim of $10.9 million during the first quarter of fiscal 2020.

The Company is currently contesting tax assessments from the District of Columbia Office of Tax and Revenue for fiscal years 2013 through 2015 at various stages of applicable administrative and judicial processes, with a combined amount at issue of approximately $11.4 million, net of associated tax benefits as of June 30, 2019. The Company has taken similar tax positions with respect to subsequent fiscal years, totaling in aggregate $27.4 million. As of June 30, 2019, the Company does not maintain reserves for any uncertain tax positions related to the contested tax benefits or the similar tax positions taken in the subsequent fiscal years. Given the recoverable nature of the state tax expense, the Company does not believe that the resolution of these matters will have a material adverse effect on its results of operations, cash flows or financial condition.

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

## 12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| Deferred rent (1) | $ — | $ 78,658 |
| Postretirement benefit obligations | 126,465 | 124,925 |
| Other (2) | 75,548 | 71,816 |
| Total other long-term liabilities | $ 202,013 | $ 275,399 |

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

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

## 13. EMPLOYEE BENEFIT PLANS

***Defined Contribution Plan***

The Company sponsors the Employees’ Capital Accumulation Plan, or ECAP, which is a qualified defined contribution plan that covers eligible U.S. and international employees. ECAP provides for distributions, subject to certain vesting provisions, to participants by reason of retirement, death, disability, or termination of employment. Effective April 1, 2014, the Company transitioned from a discretionary employer contribution to an annual matching contribution of up to 6% of eligible annual income as determined by the Internal Revenue Code for the ECAP. Total expense recognized under ECAP was $36.9 million and $32.6 million for the three months ended June 30, 2019 and 2018, respectively. The Company-paid contributions were $19.9 million and $17.5 million for the three months ended June 30, 2019 and 2018, respectively.

***Defined Benefit Plan and Other Postretirement Benefit Plans***

The Company provides postretirement healthcare benefits to former officers under a medical indemnity insurance plan, with premiums paid by the Company. This plan is referred to as the Officer Medical Plan. The Company also established a non-qualified defined benefit plan for all officers in May 1995, or the Retired Officers' Bonus Plan, which pays a lump-sum amount of $10,000 per year of service as an officer, provided the officer meets retirement vesting requirements. In addition, the Company provides a fixed annual allowance after retirement to cover financial counseling and other expenses. The Retired Officers' Bonus Plan is not salary related, but rather is based primarily on years of service. During fiscal 2017, the Company adopted a new plan which will provide for a one-time, lump sum retirement payment of one month’s salary when a vice-president retires from the Company, effective April 1, 2017. This is referred to as the Retired Vice-President Bonus Plan. Additionally, the Company offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability.

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Service cost | $ 1,239 | $ 1,488 |
| Interest cost | 1,215 | 1,282 |
| Net actuarial loss | — | 527 |
| Total postretirement medical expense | $ 2,454 | $ 3,297 |

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

As of June 30, 2019 and March 31, 2019, the unfunded status of the post-retirement medical plan was $121.8 million and $120.3 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

***Long-term Disability Benefits***

The Company offers medical and dental benefits to inactive employees (and their eligible dependents) on long-term disability. These benefits do not vary with an employee's years of service; therefore, the Company is required to accrue the costs of the benefits at the date the inactive employee becomes disability eligible and elects to participate in the benefit. The accrued cost for such benefits is calculated using an actuarial estimate. The accrued cost for these benefits was $11.6 million at both June 30, 2019 and March 31, 2019, and is presented in other long-term liabilities in the accompanying consolidated balance sheets.

***Deferred Compensation Plan***

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

The fair values of both plan investments and obligations at June 30, 2019 and March 31, 2019 were $6.8 million and $3.2 million, respectively, and were recorded in other long term assets and in other long term liabilities, respectively, in the condensed consolidated balance sheets. Adjustments to the fair value of the plan investments and obligations are recorded in operating expenses.

## 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

| | Three Months Ended June 30, 2019 | | |
|---|---|---|---|
| | Post-retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | $ (9,068) | $ (2,122) | $ (11,190) |
| Other comprehensive loss before reclassifications (1) | — | (14,579) | (14,579) |
| Amounts reclassified from accumulated other comprehensive loss | 34 | (386) | (352) |
| Net current-period other comprehensive income (loss) | 34 | (14,965) | (14,931) |
| End of period | $ (9,034) | $ (17,087) | $ (26,121) |

(1) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefits of $5.2 million for the three months ended June 30, 2019.

| | Three Months Ended June 30, 2018 | | |
|---|---|---|---|
| | Post-retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | $ (20,955) | $ 5,849 | $ (15,106) |
| Other comprehensive income (loss) before reclassifications (2) | — | 1,896 | 1,896 |
| Amounts reclassified from accumulated other comprehensive loss | 407 | 24 | 431 |
| Net current-period other comprehensive income (loss) | 407 | 1,920 | 2,327 |
| End of period | $ (20,548) | $ 7,769 | $ (12,779) |

(2) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax expenses of $0.7 million for the three months ended June 30, 2018.

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Amounts reclassified from accumulated other comprehensive loss: | | |
| Post-retirement plans (Note 13): | | |
| Amortization of net actuarial loss included in net periodic benefit cost | $ 44 | $ 550 |
| Tax benefit (expense) | (10) | (143) |
| Net of tax | $ 34 | $ 407 |
| Derivatives designated as cash flow hedges (Note 9): | | |
| Reclassification of hedge (loss) gain | $ (523) | $ 33 |
| Tax benefit (expense) | 137 | (9) |
| Net of tax | $ (386) | $ 24 |

**15. STOCK-BASED COMPENSATION**

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Cost of revenue | $ 1,934 | $ 1,444 |
| General and administrative expenses | 4,510 | 4,671 |
| Total | $ 6,444 | $ 6,115 |

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Equity Incentive Plan Options | $ 485 | $ 333 |
| Class A Restricted Common Stock | 5,959 | 5,782 |
| Total | $ 6,444 | $ 6,115 |

As of June 30, 2019, there was $52.3 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of June 30, 2019 is expected to be fully amortized over the next 4.76 years. Absent the effect of accelerating stock compensation cost for any departures of employees who may continue to vest in their equity awards, the following table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized.

| | June 30, 2019 | |
|---|---|---|
| | Unrecognized Compensation Cost | Weighted Average Remaining Period to be Recognized (in years) |
| Equity Incentive Plan Options | $ 5,801 | 4.70 |
| Class A Restricted Common Stock | 46,469 | 2.24 |
| Total | $ 52,270 | |

***Equity Incentive Plan***

During the three months ended June 30, 2019, 240,611 options were granted under the Amended and Restated Equity Incentive Plan, or EIP. The aggregate fair value of options granted was $2.9 million and was based on the estimated fair value per-option grant of $12.26.

As of June 30, 2019, there were 2,152,728 EIP options outstanding, of which 831,288 were unvested.

*Grants of Restricted Stock Units and Class A Restricted Common Stock*

During the three months ended June 30, 2019, the Board of Directors granted 463,737 restricted stock units to certain employees of the Company. The aggregate value of these awards was $28.8 million based on the grant date stock price of $62.12.

As permitted under the terms of the EIP, the Compensation Committee, as Administrator of the EIP, authorized the withholding of taxes not to exceed the minimum statutory withholding amount, through the surrender of restricted stock units upon the vesting of restricted stock units and the surrender of shares of Class A Common Stock issuable upon the vesting of restricted stock. The participants surrendered 36,000 shares of Class A Common Stock issuable upon the vesting of restricted stock and recorded them as treasury shares at a cost of $2.4 million during the three months ended June 30, 2019.

***Employee Stock Purchase Plan***

For the quarterly offering period that closed on June 30, 2019, 53,702 Class A Common Stock shares were purchased by employees under the Company's Employee Stock Purchase Plan, or ESPP. Since the program's inception, 2,485,695 shares have been purchased by employees.

## 16. FAIR VALUE MEASUREMENTS

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

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

| | Recurring Fair Value Measurements as of June 30, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Current derivative instruments (1) | $ — | $ — | $ — | $ — |
| Long term derivative instruments (1) | — | — | — | — |
| Long term deferred compensation costs (2) | 6,758 | — | — | 6,758 |
| Total Assets | $ 6,758 | $ — | $ — | $ 6,758 |
| Liabilities: | | | | |
| Contingent consideration liability (3) | $ — | $ — | $ 1,224 | 1,224 |
| Current derivative instruments (1) | — | 4,026 | — | 4,026 |
| Long term derivative instruments (1) | — | 19,116 | — | 19,116 |
| Long term deferred compensation costs (2) | 6,758 | — | — | 6,758 |
| Total Liabilities | $ 6,758 | $ 23,142 | $ 1,224 | $ 31,124 |

| | Recurring Fair Value Measurements as of March 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Current derivative instruments (1) | $ — | $ 1,790 | $ — | $ 1,790 |
| Long term derivative instruments (1) | — | 614 | — | 614 |
| Long term deferred compensation costs (2) | 3,169 | — | — | 3,169 |
| Total Assets | $ 3,169 | $ 2,404 | $ — | $ 5,573 |
| Liabilities: | | | | |
| Contingent consideration liability (3) | $ — | $ — | $ 1,224 | $ 1,224 |
| Current derivative instruments (1) | — | 929 | — | 929 |
| Long term derivative instruments (1) | — | 4,347 | — | 4,347 |
| Long term deferred compensation costs (2) | 3,169 | — | — | 3,169 |
| Total Liabilities | $ 3,169 | $ 5,276 | $ 1,224 | $ 9,669 |

(1) The Company’s interest rate swaps are considered over-the-counter derivatives and fair value is estimated based on the present value of future cash flows using a model-derived valuation that uses Level 2 observable inputs such as interest rate yield curves. See Note 9 for further discussion on the Company’s derivative instruments designated as cash flow hedges.

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

(3) The Company recognized a contingent consideration liability of $3.6 million in connection with its acquisition of Aquilent in fiscal 2017. As of both June 30, 2019 and March 31, 2019, the estimated fair value of the contingent consideration liability was $1.2 million, and was valued using probability-weighted cash flows, which is based on the use of Level 3 fair value measurement inputs.

The fair value of the Company's cash and cash equivalents, which are primarily Level 1 inputs, approximated its carrying values at June 30, 2019 and March 31, 2019. The fair value of the Company's debt instruments approximated its carrying value at June 30, 2019 and March 31, 2019. The fair value of debt is determined using quoted prices or other market information obtained from recent trading activity of each debt tranche in markets that are not active (Level 2 inputs). The fair value is corroborated by prices derived from the interest rate spreads of recently completed leveraged loan transactions of a similar credit profile, industry, and terms to that of the Company. The fair value of the Senior Notes is determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs).

## 17. RELATED-PARTY TRANSACTIONS

Two of our directors currently serve on the board of directors of a subcontractor to which the Company subcontracted $24.2 million of services for the three months ended June 30, 2019.

## 18. COMMITMENTS AND CONTINGENCIES

### *Letters of Credit and Third-Party Guarantees*

As of June 30, 2019 and March 31, 2019, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled $8.9 million and $9.5 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2019 and March 31, 2019, approximately $0.9 million and $1.0 million, respectively, of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate $15.0 million facility established in fiscal 2015 of which $7.0 million and $6.5 million were available to the Company at June 30, 2019 and March 31, 2019, respectively.

### *Government Contracting Matters*

For both the three months ended June 30, 2019 and 2018, approximately 97% of the Company's revenue was generated from contracts where the end user was an agency or department of the U.S. government, including contracts where the Company performed either as a prime contractor or subcontractor, and regardless of the geographic location in which the work was performed. U.S. government contracts and subcontracts are subject to extensive legal and regulatory requirements. From time to time and in the ordinary course of business, agencies of the U.S. government audit our contract costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company’s operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts. U.S. government audits, inquiries, or investigations of the Company, whether related to the Company's U.S. government contracts or subcontracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including withholding of payments, suspension of payments, repayments, fines, or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. government contracting. Management believes it has recorded the appropriate provision for any audit, inquiry, or investigation of which it is aware. Management believes it has recorded the appropriate provision for the estimated losses that may be experienced from any such reductions and/or penalties. As of June 30, 2019 and March 31, 2019, the Company had recorded liabilities of approximately $202.0 million and $195.3 million, respectively, for its current best estimate of amounts to be refunded to customers for potential adjustments from audits or reviews of contract costs incurred subsequent to fiscal 2011, and for contracts not yet closed that are impacted by settlement of audits or reviews of contract costs incurred in prior fiscal years.

### *Litigation*

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government, which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of June 30, 2019 and March 31, 2019, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the Company prior to the acquisition of the Company by the Carlyle Group (the "Carlyle Acquisition") have filed a total of nine suits in various jurisdictions, with original filing dates ranging from July 3, 2008 through December 15, 2009, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. Each of the suits arises out of the Carlyle Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Carlyle Acquisition. Some of the suits also allege that the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and were on appeal before the United States Court of Appeals for the Second Circuit. On July 13, 2017, the United States Court of Appeals for the Second Circuit affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff’s securities fraud claim, which was remanded to the United States District Court for the Southern District of New York to give the plaintiff, Paul Kocourek, leave to file another amended complaint to attempt to plead a securities fraud claim. On April 6, 2018, the plaintiff filed an amended complaint in which Mr. Kocourek, individually, as Trustee of the Paul Kocourek Trust and on behalf of a putative class, alleges that the Company and certain former officers and directors violated Sections 10(b), 20(a) and 14(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. On June 2, 2019, the United States District Court for the Southern District of New York granted defendants' motion to dismiss the amended complaint in its entirety. On July 11, 2019, the plaintiff filed a notice to appeal the ruling.

As of June 30, 2019, the aggregate alleged damages that will be sought in the remaining suit is unknown. As of June 30, 2019, although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, management does not expect them to have a material adverse effect on our financial condition and results of operations.

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

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

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

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with our condensed consolidated financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q, or Quarterly Report.*

*The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019 filed with the Securities and Exchange Commission on May 28, 2019, or Annual Report, and under Part II, "Item 1A. Risk Factors," and "— Special Note Regarding Forward Looking Statements" of this Quarterly Report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

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

### Overview

We are a leading provider of management and technology consulting, analytics, digital solutions, engineering, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. Our ability to deliver value to our clients has always been, and continues to be, a product of the strong character, expertise and tremendous passion of our people. Our approximately 26,400 employees work to solve hard problems by making clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber, all fostered by a culture of innovation that extends to all reaches of the company.

Through our dedication to our clients' missions, and a commitment to evolving our business to address their client needs, we have longstanding relationships with our clients, some more than 75 years. We support critical missions for a diverse base of federal government clients, including nearly all of the U.S. government's cabinet-level departments, as well as increasingly for top-tier commercial and international clients. We support our federal government clients by helping them tackle their most complex and pressing challenges such as protecting soldiers in combat and supporting their families, advancing cyber capabilities, keeping our national infrastructure secure, enabling and enhancing digital services, transforming the healthcare system, and improving government efficiency to achieve better outcomes. We serve commercial clients across industries including financial services, health and life sciences, energy, and transportation to solve the hardest and most consequential challenges, including through our cybersecurity products and services. Our international clients are primarily in the Middle East and Southeast Asia.

### Financial and Other Highlights

Effective April 1, 2019, the Company adopted Accounting Standard Codification (ASC) No. 842 Leases (Topic 842), using the modified retrospective transition approach and, as a result, comparative information for the prior fiscal year has not been retrospectively adjusted. See Note 2 to our accompanying condensed consolidated financial statements for more information on the impact of the adoption of this accounting standard.

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

Revenue increased 10.8% from the three months ended June 30, 2018 to the three months ended June 30, 2019 primarily driven by continued strength in client demand, which led to increased client staff headcount, and an increase in client staff labor. Revenue also benefited from slightly higher billable expenses as compared to the prior year period.

Operating income increased 10.8% to $179.0 million in the three months ended June 30, 2019 from $161.6 million in the three months ended June 30, 2018, while operating margin was 9.8% for both periods. The increase in operating income was primarily driven by the same factors as growth in revenue as well as improved contract performance in the current quarter compared to the prior year quarter. The Company also incurred incremental legal costs during the three months ended June 30, 2019 in response to the U.S. Department of Justice investigation and matters which purport to relate to the investigation, a portion of which was offset by the receipt of insurance reimbursements. We expect to incur additional costs in the future. Based on the information currently available, the Company is not able to reasonably estimate the expected long-term incremental legal costs or amounts that may be reimbursed associated with this investigation and these related matters.

**Non-GAAP Measures**

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

- "Revenue, Excluding Billable Expenses" represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.
- "Adjusted Operating Income" represents operating income before transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. We prepare Adjusted Operating Income to eliminate the impact of items we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.
- "Adjusted EBITDA" represents net income before income taxes, net interest and other expense and depreciation and amortization before certain other items, including transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. "Adjusted EBITDA Margin on Revenue" is

calculated as Adjusted EBITDA divided by revenue. "Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses" is calculated as Adjusted EBITDA divided by Revenue, Excluding Billable Expenses. The Company prepares Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, and Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary or non-recurring nature or because they result from an event of a similar nature.

- "Adjusted Net Income" represents net income before: (i) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, (ii) amortization or write-off of debt issuance costs and write-off of original issue discount, (iii) release of income tax reserves, and (iv) re-measurement of deferred tax assets and liabilities as a result of the Tax Cuts and Jobs Act (the "2017 Tax Act") in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view net income excluding the impact of the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act as an important indicator of performance consistent with the manner in which management measures and forecasts the Company's performance and the way in which management is incentivized to perform.
- "Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the condensed consolidated financial statements.
- "Free Cash Flow" represents the net cash generated from operating activities less the impact of purchases of property and equipment.

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 June 30, | |
|---|---|---|
| **(In thousands, except share and per share data)** | **2019** | **2018** |
| | **(Unaudited)** | |
| ***Revenue, Excluding Billable Expenses*** | | |
| Revenue | $ 1,825,176 | $ 1,646,848 |
| Billable expenses | 551,175 | 477,435 |
| Revenue, Excluding Billable Expenses | $ 1,274,001 | $ 1,169,413 |
| ***Adjusted Operating Income*** | | |
| Operating Income | $ 179,046 | $ 161,612 |
| Adjusted Operating Income | $ 179,046 | $ 161,612 |
| ***EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue & Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses*** | | |
| Net income | $ 117,386 | $ 104,204 |
| Income tax expense | 38,444 | 33,163 |
| Interest and other, net (a) | 23,216 | 24,245 |
| Depreciation and amortization | 20,021 | 16,153 |
| EBITDA | $ 199,067 | $ 177,765 |
| Adjusted EBITDA | $ 199,067 | $ 177,765 |
| Adjusted EBITDA Margin on Revenue | 10.9% | 10.8% |
| Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses | 15.6% | 15.2% |
| ***Adjusted Net Income*** | | |
| Net income | $ 117,386 | $ 104,204 |
| Amortization or write-off of debt issuance costs and write-off of original issue discount | 457 | 663 |
| Adjustments for tax effect (b) | (119) | (172) |
| Adjusted Net Income | $ 117,724 | $ 104,695 |
| ***Adjusted Diluted Earnings Per Share*** | | |
| Weighted-average number of diluted shares outstanding | 141,129,301 | 144,693,573 |
| Adjusted Net Income Per Diluted Share (c) | $ 0.83 | $ 0.72 |
| ***Free Cash Flow*** | | |
| Net cash provided by (used in) operating activities | $ 50,983 | $ (27,037) |
| Less: Purchases of property and equipment | (27,336) | (20,465) |
| Free Cash Flow | $ 23,647 | $ (47,502) |

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

(b) Reflects the tax effect of adjustments at an assumed effective tax rate of 26%, which approximates the blended federal and state tax rate and consistently excludes the impact of other tax credits and incentive benefits realized.

(c) Excludes an adjustment of approximately $0.6 million of net earnings for the three months ended June 30, 2019 and 2018, respectively, associated with the application of the two-class method for computing diluted earnings per share.

## Factors and Trends Affecting Our Results of Operations

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

### *Business Environment and Key Trends in Our Markets*

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

- uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to approve funding of the U.S. government, address budgetary constraints, including caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 ("BCA") and subsequently adjusted by the American Tax Payer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, and the Bipartisan Budget Act of 2018, and address the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps;
- budget deficits and the growing U.S. national debt increasing pressure on the U.S. government to reduce federal spending across all federal agencies together with associated uncertainty about the size and timing of those reductions;
- cost cutting and efficiency initiatives, current and future budget restrictions, continued implementation of Congressionally mandated automatic spending cuts and other efforts to reduce U.S. government spending could cause clients to reduce or delay funding for orders for services or invest appropriated funds on a less consistent or rapid basis or not at all, particularly when considering long-term initiatives and in light of current uncertainty around Congressional efforts to approve funding of the U.S. government and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- delays in the completion of future U.S. government's budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;
- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence, defense-related programs as certain overseas operations end and continued increased spending on cybersecurity, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration and healthcare;
- legislative and regulatory changes to limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- efforts by the U.S. government to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors;
- increased audit, review, investigation and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws;
- the federal focus on refining the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments, which will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;

- negative publicity and increased scrutiny of government contractors in general, including us, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;
- increased competition from other government contractors and market entrants seeking to take advantage of certain of the trends identified above, and an industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us;
- cost cutting and efficiency and effectiveness efforts by U.S. civilian agencies with a focus on increased use of performance measurement, "program integrity" efforts to reduce waste, fraud and abuse in entitlement programs, and renewed focus on improving procurement practices for and interagency use of IT services, including through the use of cloud based options and data center consolidation;
- restrictions by the U.S. government on the ability of federal agencies to use lead system integrators, in response to cost, schedule and performance problems with large defense acquisition programs where contractors were performing the lead system integrator role;
- increasingly complex requirements of the Department of Defense and the U.S. intelligence community, including cybersecurity, managing federal health care cost growth and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare; and
- increasing small business regulations across the Department of Defense and civilian agency clients continue to gain traction, whereby agencies are required to meet high small business set aside targets, and large business prime contractors are required to subcontract in accordance with considerable small business participation goals necessary for contract award.

***Sources of Revenue***

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our consulting staff and, to a lesser extent, our subcontractors. Funding for our contracts and task orders is generally linked to trends in budgets and spending across various U.S. government agencies and departments. We provide services under a large portfolio of contracts and contract vehicles to a broad client base, and we believe that our diversified contract and client base lessens potential volatility in our business; however, a reduction in the amount of services that we are contracted to provide to the U.S. government or any of our significant U.S. government clients could have a material adverse effect on our business and results of operations. In particular, the Department of Defense is one of our significant clients, and the BCA (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, and the Bipartisan Budget Act of 2018), provides for automatic spending cuts (referred to as sequestration) totaling approximately $1.2 trillion between 2013 and 2021, including an estimated $500 billion in federal defense spending cuts over this time period. The Bipartisan Budget Act of 2018 raised BCA spending caps on defense spending by $80 billion for government fiscal 2018, and $85 billion for government fiscal 2019. For non-defense funding, the Bipartisan Budget Act of 2018 raised BCA spending caps by $63 billion for government fiscal 2018 and $67 billion for government fiscal 2019. While the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, and the Bipartisan Budget Act of 2018 all negated and raised budget limits put in place by the BCA for both defense and non-defense spending, those spending limits are due to return in fiscal 2020, and absent another budget deal, could result in significant cuts to the budget levels allowed by the Bipartisan Budget Act of 2018. This could result in a commensurate reduction in the amount of services that we are contracted to provide to the Department of Defense and could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions required by the BCA may return and/or be applied, we are unable to predict the nature or magnitude of the potential adverse effect.

*Contract Types*

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

- *Cost-Reimbursable Contracts.* Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fixed fee or award fee. As we increase or decrease our spending on allowable costs, our revenue generated on cost-reimbursable contracts will increase, up to the ceiling and funded amounts, or decrease, respectively. We generate revenue under two general types of cost-reimbursable contracts: cost-plus-fixed-fee and cost-plus-award-fee, both of which reimburse allowable costs and provide for a fee. The fee under each type of cost-reimbursable contract is generally payable upon completion of services in accordance with the terms of the contract. Cost-plus-fixed-fee contracts offer no opportunity for payment beyond the fixed fee. Cost-plus-award-fee contracts also provide for an award fee that varies within specified limits based upon the client's assessment of our performance against a predetermined set of criteria, such as targets for factors like cost, quality, schedule, and performance.

- *Time-and-Materials Contracts.* Under contracts in this category, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. We assume the financial risk on time-and-materials contracts because our costs of performance may exceed negotiated hourly rates. To the extent our actual direct labor, including allocated indirect costs, and associated billable expenses decrease or increase in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, respectively, or could incur a loss.
- *Fixed-Price Contracts.* Under a fixed-price contract, we agree to perform the specified work for a predetermined price. To the extent our actual direct and allocated indirect costs decrease or increase from the estimates upon which the price was negotiated, we will generate more or less profit, respectively, or could incur a loss. Some fixed-price contracts have a performance-based component, pursuant to which we can earn incentive payments or incur financial penalties based on our performance. Fixed-price level of effort contracts require us to provide a specified level of effort (i.e., labor hours), over a stated period of time, for a fixed price.

The amount of risk and potential reward varies under each type of contract. Under cost-reimbursable contracts, there is limited financial risk, because we are reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, we are reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, we are typically reimbursed for other contract direct costs and expenses at cost. We assume financial risk on time-and-materials contracts because our labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-reimbursable contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a predetermined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings but generally involve greater financial risk because we bear the impact of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period's profitability. Changes in contract type as a result of re-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 June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Cost-reimbursable | 56% | 52% |
| Time-and-materials | 23% | 25% |
| Fixed-price | 21% | 23% |

*Contract Diversity and Revenue Mix*

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

We generate revenue under our contracts and task orders through our provision of services as both a prime contractor and subcontractor, as well as from the provision of services by subcontractors under contracts and task orders for which we act as the prime contractor. The mix of these types of revenue affects our operating margin. Substantially all of our operating margin is derived from direct consulting staff labor, as the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. We view growth in direct consulting staff labor as the primary driver of earnings growth. Direct consulting staff labor growth is driven by consulting staff headcount growth, after attrition, and total backlog growth.

*Our People*

Revenue from our contracts is derived from services delivered by consulting staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of June 30, 2019 and 2018, we employed approximately 26,400 and 24,600 people, respectively, of which approximately 23,600 and 22,100, respectively, were consulting staff.

*Contract Backlog*

We define backlog to include the following three components:

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

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

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

| | As of June 30, | |
|---|---|---|
| | **2019** | **2018** |
| | **(In millions)** | |
| Backlog: | | |
| Funded | $ 3,195 | $ 2,810 |
| Unfunded | 4,351 | 4,140 |
| Priced options | 12,309 | 10,132 |
| Total backlog | $ 19,855 | $ 17,082 |

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the period of performance has expired, and unexercised option periods and other unexercised optional orders. As of June 30, 2019, the Company had $6.2 billion of remaining performance obligations and we expect to recognize more than half of the remaining performance obligations as revenue over the next 12 months, and approximately three quarters over the next 24 months. The remainder is expected to be recognized thereafter. However, given the uncertainties discussed below, as well as the risks described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all. Our backlog includes orders under contracts that in some cases extend for several years. The U.S. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We view growth in total backlog and consulting staff headcount as the two key measures of our potential business growth. Growing and deploying consulting staff is the primary means by which we are able to achieve profitable revenue growth. To the extent that we are able to hire additional consulting staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog increased by 16.2% from June 30, 2018 to June 30, 2019. Additions to funded backlog during the twelve months ended June 30, 2019 totaled $7.3 billion in comparison to $6.3 billion for the comparable period, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options. We report internally on our backlog on a monthly basis and review backlog upon occurrence of certain events to determine if any adjustments are necessary.

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

In addition, contract backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the U.S. government's fiscal year. The revenue value of orders included in contract backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 4.6% of total backlog as of the end of any of the four fiscal quarters preceding the fiscal quarter ended June 30, 2019.

### *Operating Costs and Expenses*

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

Our most significant operating costs and expenses are described below.

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

### *Seasonality*

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds. It is also common for the expiration of periods of performance under U.S. government contracts to correspond to the end of the U.S. government’s fiscal year, which may result in us not recognizing revenue for such associated backlog thereafter. In addition, we also have historically experienced higher bid and proposal costs in the months leading up to the U.S. government's fiscal year end as we pursue new contract opportunities being awarded shortly after the U.S. government fiscal year end as new opportunities are expected to have funding appropriated in the U.S.

government's subsequent fiscal year. We may continue to experience this seasonality in future periods, and our future periods may be affected by it. While not certain, changes in the government's funding and spending patterns have altered historical seasonality trends, supporting our approach to managing the business on an annual basis. Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period.

**Critical Accounting Estimates and Policies**

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

***Recent Accounting Pronouncements***

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

**Results of Operations**

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

| | Three Months Ended June 30, | | Percent |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (Unaudited) | (Unaudited) | |
| | (In thousands) | | |
| Revenue | $ 1,825,176 | $ 1,646,848 | 10.8% |
| Operating costs and expenses: | | | |
| Cost of revenue | 840,654 | 785,812 | 7.0% |
| Billable expenses | 551,175 | 477,435 | 15.4% |
| General and administrative expenses | 234,280 | 205,836 | 13.8% |
| Depreciation and amortization | 20,021 | 16,153 | 23.9% |
| Total operating costs and expenses | 1,646,130 | 1,485,236 | 10.8% |
| Operating income | 179,046 | 161,612 | 10.8% |
| Interest expense | (25,187) | (23,074) | 9.2% |
| Other income (expense), net | 1,971 | (1,171) | NM |
| Income before income taxes | 155,830 | 137,367 | 13.4% |
| Income tax expense | 38,444 | 33,163 | 15.9% |
| Net income | $ 117,386 | $ 104,204 | 12.7% |

NM - Not meaningful.

***Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018***

*Revenue*

Revenue increased to $1,825.2 million from $1,646.8 million, or a 10.8% increase, primarily driven by continued strength in client demand which led to increased client staff headcount, and an increase in client staff labor. Revenue also benefited from slightly higher billable expenses as compared to the prior year period. Total headcount as of June 30, 2019 increased approximately 1,800 compared to June 30, 2018.

*Cost of Revenue*

Cost of revenue increased to $840.7 million from $785.8 million, or a 7.0% increase. The increase was primarily due to increases in salaries and salary-related benefits of $55.2 million driven by increased headcount and annual base salary increases. Cost of revenue as a percentage of revenue was 46.1% and 47.7% for the three months ended June 30, 2019 and 2018, respectively.

*Billable Expenses*

Billable expenses increased to $551.2 million from $477.4 million, or a 15.4% increase, primarily attributable to an increase in the use of subcontractors in the current quarter driven by client demand and an increase in contracts which require the Company to incur direct expenses on behalf of clients over the prior year period. Billable expenses as a percentage of revenue were 30.2% and 29.0% for the three months ended June 30, 2019 and 2018, respectively.

*General and Administrative Expenses*

General and administrative expenses increased to $234.3 million from $205.8 million, or a 13.8% increase, primarily due to increases in salaries and salary-related benefits of $17.1 million, driven by an increase in headcount growth as well as annual base salary increases, and an increase in other business expenses and professional fees of $11.3 million. General and administrative expenses as a percentage of revenue were 12.8% and 12.5% for the three months ended June 30, 2019 and 2018, respectively.

*Depreciation and Amortization*

Depreciation and amortization increased to $20.0 million from $16.2 million, or a 23.9% increase, primarily due to increases in depreciation expense resulting from the effects of higher capital expenditures in fiscal 2019.

*Interest Expense*

Interest expense increased to $25.2 million from $23.1 million, or a 9.2% increase, primarily as a result of increases in interest expense related to the $400 million Delayed Draw Facility (as defined below) which the Company drew down in April 2019.

*Income Tax Expense*

Income tax expense increased to $38.4 million from $33.2 million, or a 15.9% increase, primarily due to an increase in pre-tax income as compared to the prior year period. The effective tax rate increased to 24.7% from 24.1% in the first quarter of fiscal 2020 as compared to the prior year period.

**Liquidity and Indebtedness**

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

| | June 30, 2019 | March 31, 2019 |
|---|---|---|
| | (Unaudited) | |
| | (In thousands) | |
| Cash and cash equivalents | $ 649,100 | $ 283,990 |
| Total debt | 2,141,245 | 1,759,761 |

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | (In thousands) | |
| Net cash provided by (used in) operating activities | $ 50,983 | $ (27,037) |
| Net cash used in investing activities | (27,336) | (20,485) |
| Net cash provided by (used in) financing activities | 341,463 | (89,713) |
| Total increase (decrease) in cash and cash equivalents | $ 365,110 | $ (137,235) |

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

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

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

Our ability to fund our operating needs depends, in part, on our ability to continue to generate positive cash flows from operations or, if necessary, raise cash in the capital markets.

***Cash Flows***

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

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth with other short-term fluctuations related to the payment practices of our clients. Our accounts receivable reflects amounts billed to our clients as of each balance sheet date. Our clients generally pay our invoices within 30 days of the invoice date, although we experience a longer billing and collection cycle with our global commercial customers. At any month-end, we also include in accounts receivable the revenue that was recognized in the preceding month, which is generally billed early in the following month. Finally, we include in accounts receivable amounts related to revenue accrued in excess of amounts billed, primarily on our fixed-price and cost-reimbursable-plus-award-fee contracts. The total amount of our accounts receivable can vary significantly over time, but is generally sensitive to revenue levels and customer mix. Total accounts receivable (billed and unbilled combined, net of allowance for doubtful accounts) days sales outstanding, or DSO, which we calculate by dividing total accounts receivable by revenue per day during the relevant fiscal quarter, was 73 as of June 30, 2019 and 74 as of March 31, 2019.

*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 $51.0 million in the three months ended June 30, 2019 compared to $27.0 million net cash used in operations in the prior year period. The increase in operating cash flows was primarily due to collection of our revenue and net income growth.

*Investing Cash Flow*

Net cash used in investing activities was $27.3 million in the three months ended June 30, 2019 compared to $20.5 million in the prior year period, or a 33.4% increase. The increase in net cash used in investing activities was primarily due to an increase in capital expenditures over the prior period primarily related to investments in our facilities and infrastructure and information technology.

*Financing Cash Flow*

Net cash provided by financing activities was $341.5 million in the three months ended June 30, 2019 compared to $89.7 million net cash used in financing activities in the prior year period. The increase in net cash provided by financing activities was primarily due to proceeds of $400 million from drawing down on our Delayed Draw Facility, partially offset by a $41.7 million decrease in share repurchases compared to the prior year period.

***Dividends and Share Repurchases***

On July 29, 2019, the Company announced a regular quarterly cash dividend in the amount of $0.23 per share. The quarterly dividend is payable on August 30, 2019 to stockholders of record on August 14, 2019.

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

| | Three Months Ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Quarterly dividends (1) | $ 32,412 | $ 27,442 |
| Dividend equivalents (2) | — | 267 |
| Total distributions | $ 32,412 | $ 27,709 |

(1) Amounts represent quarterly dividends of $0.23 per share and $0.19 per share that were declared and paid during fiscal 2020 and fiscal 2019, respectively.

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

On December 12, 2011, the Board of Directors approved a $30.0 million share repurchase program, which was further increased by the Board of Directors on (i) January 27, 2015 to $180.0 million, (ii) January 25, 2017 to $410.0 million, (iii) November 2, 2017 to $610.0 million, (iv) May 24, 2018 to $910.0 million, and (v) May 23, 2019 to $1,310.0 million. The Company may repurchase shares pursuant to the program by means of open market repurchases, directly negotiated repurchases or through agents acting pursuant to negotiated repurchase agreements. During the first quarter of fiscal 2020, the Company purchased 93 thousand shares of the Company's Class A Common Stock for an aggregate of $5.9 million. Following the aforementioned repurchases, as of June 30, 2019, the Company had $652.3 million remaining under the repurchase program.

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

***Indebtedness***

On July 23, 2018 (the "Amendment Effective Date"), Booz Allen Hamilton Inc. ("Booz Allen Hamilton") and Booz Allen Hamilton Investor Corporation ("Investor"), and certain wholly-owned subsidiaries of Booz Allen Hamilton, entered into the Sixth Amendment (the "Sixth Amendment") to the Credit Agreement (as amended, the "Credit Agreement"), dated as of July 31, 2012 among Booz Allen Hamilton, Investor, certain wholly-owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent and Collateral Agent and the other lenders and financial institutions from time to time party thereto (as previously amended by the First Amendment to Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, the Third Amendment to the Credit Agreement, dated as of July 13, 2016, the Fourth Amendment to the Credit Agreement, dated as of February 6, 2017, and the Fifth Amendment to the Credit Agreement, dated as of March 7, 2018). The Sixth Amendment provided for a new delayed draw (the "Delayed Draw Facility") on the tranche A term loan ("Term Loan A") facility in the amount of up to $400.0 million and extended the maturity of the Term Loan A and the revolving credit facility (the "Revolving Credit Facility") to July 2023. Additionally, the Sixth Amendment reduced the interest rate spread applicable to the Term Loan A and the Revolving Credit Facility from a range of 1.50% to 2.25% to a range of 1.25% to 2.00% based on consolidated net total leverage. The interest rate applicable to the Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans") remained unchanged.

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

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

As of June 30, 2019, the Credit Agreement provided Booz Allen Hamilton with a $1,419.2 million Term Loan A, a $390.1 million Term Loan B, and $500.0 million in New Revolving Commitments with a sub-limit for letters of credit of $100.0 million. As of June 30, 2019, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was July 23, 2023 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) the greater of (x) $627 million and (y) 100% of consolidated EBITDA of Booz Allen Hamilton, as of the end of the most recently ended four quarter period for which financial statements have been delivered pursuant to the Credit Agreement plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

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

Booz Allen Hamilton occasionally borrows under our Revolving Credit Facility in anticipation of cash demands. During the first quarter of fiscal 2020, Booz Allen Hamilton accessed no amounts of its $500.0 million Revolving Credit Facility. During the first quarter of fiscal 2019, Booz Allen Hamilton accessed a total of $60.0 million of it $500.0 million Revolving Credit Facility. As of June 30, 2019 and March 31, 2019, there were no amounts outstanding under the Revolving Credit Facility.

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

Booz Allen Hamilton also has agreed to pay customary letter of credit and agency fees. As of June 30, 2019 and March 31, 2019, Booz Allen Hamilton was contingently liable under open standby letters of credit and bank guarantees issued by its banks in favor of third parties that totaled $8.9 million and $9.5 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2019 and March 31, 2019, approximately $0.9 million and $1.0 million, respectively, of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate $15.0 million facility established in fiscal 2015 of which $7.0 million and $6.5 million, respectively, was available to Booz Allen Hamilton at June 30, 2019 and March 31, 2019. As of June 30, 2019, Booz Allen Hamilton had $499.0 million of capacity available for additional borrowings under the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens; (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) change in fiscal periods; (viii) negative pledges; (ix) restrictive agreements; (x) line of business; and (xi) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain Employee Retirement Income Security Act, or ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, we are required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of June 30, 2019 and March 31, 2019, we were compliant with these covenants.

During the first quarter of fiscal 2020, interest payments of $13.3 million and $4.4 million were made for Term Loan A and Term Loan B, respectively. During the first quarter of fiscal 2019, interest payments of $11.0 million and $4.0 million were made for Term Loan A and Term Loan B, respectively.

*Senior Notes*

On April 25, 2017, Booz Allen Hamilton issued $350 million aggregate principal amount of its 5.125% Senior Notes due 2025 under an Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. During each of the first quarters of fiscal 2020 and 2019, interest payments of $9.0 million were made for the Senior Notes.

Borrowings under the Term Loans and, if used, the Revolving Credit Facility, incur interest at a variable rate. In accordance with our risk management strategy, between April 6, 2017 and April 4, 2019, Booz Allen Hamilton executed a series of interest rate swaps. As of June 30, 2019, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of $1 billion. These instruments hedge the variability of cash outflows for interest payments on the floating portion of our debt. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9 in our condensed consolidated financial statements).

**Capital Structure and Resources**

Our stockholders' equity amounted to $748.8 million as of June 30, 2019, an increase of $73.5 million compared to stockholders' equity of $675.4 million as of March 31, 2019. The increase was primarily due to net income of $117.4 million in the three months ended June 30, 2019, stock-based compensation expense of $6.4 million, and stock option exercises of $2.2 million, partially offset by $8.3 million in treasury stock resulting from the repurchase of shares of our Class A Common Stock and $32.4 million in quarterly dividend payments during the three months ended June 30, 2019.

**Off-Balance Sheet Arrangements**

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

**Capital Expenditures**

Since we do not own any of our facilities, our capital expenditure requirements primarily relate to the purchase of computers, management systems, furniture, and leasehold improvements to support our operations. Direct facility and equipment costs billed to clients are not treated as capital expenses. Our capital expenditures for the three months ended June 30, 2019 and 2018 were $27.3 million and $20.5 million, respectively. The increase in capital expenditures over the prior year primarily relates to investments in our facilities and infrastructure, and information technology. We expect capital expenditures for fiscal 2020 to increase from fiscal 2019 as a result of continuing investments in these areas.

**Commitments and Contingencies**

We are subject to a number of reviews, investigations, claims, lawsuits, and other uncertainties related to our business. For a discussion of these items, refer to Note 18 to our condensed consolidated financial statements.

**Special Note Regarding Forward Looking Statements**

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q, or Quarterly Report, include forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "should," "forecasts," "expects," "intends," "plans," "anticipates," "projects," "outlook," "believes," "estimates," "predicts," "potential," "continue," "preliminary," or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. These forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include:

- efforts by Congress and other U.S. government bodies to reduce U.S. government spending and address budgetary constraints, including automatic sequestration required by the Budget Control Act of 2011 (as subsequently amended) and the U.S. deficit, as well as associated uncertainty around the timing, extent, nature and effect of such efforts;
- delayed funding of our contracts due to uncertainty relating to funding of the U.S. government and a possible failure of Congressional efforts to approve such funding and to craft a long-term agreement on the U.S. government’s ability to incur indebtedness in excess of its current limits, or changes in the pattern or timing of government funding and spending (including those resulting from or related to cuts associated with sequestration);
- any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular;
- changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support;
- U.S. government shutdowns, as a result of the failure by elected officials to fund the government;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- failure to comply with numerous laws and regulations, including but not limited to, the Federal Acquisition Regulation ("FAR"), the False Claims Act, the Defense Federal Acquisition Regulation Supplement and FAR Cost Accounting Standards and Cost Principles;
- our ability to compete effectively in the competitive bidding process and delays or losses of contract awards caused by competitors' protests of major contract awards received by us;
- the loss of General Services Administration Multiple Award schedule contracts, or GSA schedules, or our position as prime contractor on government-wide acquisition contract vehicles, or GWACs;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;
- continued efforts to change how the U.S. government reimburses compensation related costs and other expenses or otherwise limit such reimbursements, and an increased risk of compensation being deemed unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- our ability to realize the full value of and replenish our backlog, generate revenue under certain of our contracts, and the timing of our receipt of revenue under contracts included in backlog;
- changes in estimates used in recognizing revenue;
- an inability to attract, train, or retain employees with the requisite skills and experience;
- an inability to timely hire, assimilate and effectively utilize our employees, ensure that employees obtain and maintain necessary security clearances and/or effectively manage our cost structure;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors, including the improper use or release of our clients' sensitive or classified information;
- increased insourcing by various U.S. government agencies due to changes in the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime-contractor relationship to meet their obligations to us or our clients;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings, including litigation, audits, reviews, and investigations, which may result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes including debarment, as well as disputes over the availability of insurance or indemnification;
- internal system or service failures and security breaches, including, but not limited to, those resulting from external or internal cyber attacks on our network and internal systems;
- risks related to the potential implementation and operation of new financial management systems;

- risks inherent in the government contracting environment;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business or respond to market developments;
- risks associated with increased competition, new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues or limits;
- risks related to completed and future acquisitions, including our ability to realize the expected benefits from such acquisitions;
- an inability to utilize existing or future tax benefits for any reason, including as a result of a change in laws or regulations;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or IDIQ, contracts;
- the impact of changes in accounting rules and regulations, or interpretations thereof, that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue; and
- other risks and factors listed under “Item 1A. Risk Factors” and elsewhere in this Quarterly Report.

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

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or Exchange Act, as of the end of the period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

### Changes in Internal Control Over Financial Reporting

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

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of June 30, 2019 and March 31, 2019, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

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

As of June 30, 2019, the aggregate alleged damages that will be sought in the remaining suit is unknown. As of June 30, 2019, although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, management does not expect them to have a material adverse effect on our financial condition and results of operations.

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

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

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

## Item 1A. Risk Factors

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

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

### Issuer Purchases of Equity Securities

The following table shows the share repurchase activity during the three months ended June 30, 2019:

| 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) |
|---|---|---|---|---|
| April 2019 | — | $— | — | $ 658,174,390 |
| May 2019 | — | $— | — | $ 658,174,390 |
| June 2019 | 92,528 | $63.34 | 92,528 | $ 652,314,007 |
| Total | 92,528 | | 92,528 | |

(1) On December 12, 2011, the Board of Directors approved a $30.0 million share repurchase program, which was further increased by the Board of Directors on (i) January 27, 2015 to $180.0 million, (ii) January 25, 2017 to $410.0 million, (iii) November 2, 2017 to $610.0 million, (iv) May 24, 2018 to $910.0 million, and (v) May 23, 2019 to $1,310.0 million. 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.

## Item 3. Defaults Upon Senior Securities

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 10.1 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Capital One, National Association, dated as of April 4, 2019 (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.2 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 2, 2019 (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.3 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Capital One, National Association, dated as of April 4, 2019 (incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.4 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and PNC Bank, National Association, dated as of April 2, 2019 (incorporated by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.5 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and SMBC Capital Markets, Inc., dated as of April 2, 2019 (incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.6 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Bank of America, N.A., dated as of April 3, 2019 (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.7 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and U.S. Bank National Association, dated as of April 2, 2019 (incorporated by reference to Exhibit 10.13 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 10.8 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 2, 2019 (incorporated by reference to Exhibit 10.14 of the Company's Current Report on Form 8-K filed April 8, 2019). |
| 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 months ended June 30, 2019 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2019 and March 31, 2019; (ii) Condensed Consolidated Statements of Operations for the three months ended June 30, 2019 and 2018; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2019 and 2018; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2019 and 2018; and (v) Notes to Condensed Consolidated Financial Statements. |

* 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: July 29, 2019 | By: | /s/ Lloyd W. Howell, Jr. |
| | | Lloyd W. Howell, Jr.<br>Executive Vice President, Chief Financial Officer and Treasurer<br>(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 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: July 29, 2019

By: /s/ Horacio Rozanski

Horacio 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, Lloyd W. Howell, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Booz Allen Hamilton Holding Corporation.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | | |
|---|---|---|
| Date: July 29, 2019 | By: | /s/ Lloyd W. Howell, Jr. |
| | | Lloyd W. Howell, Jr.<br>Executive Vice President, Chief Financial Officer and Treasurer<br>(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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| Date: July 29, 2019 | By: /s/ Horacio Rozanski |
| | Horacio Rozanski<br>President and Chief Executive Officer<br>(Principal Executive Officer) |

A signed original of this written statement required by Section 906 has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Executive Vice President, Chief Financial Officer and Treasurer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2019

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

A signed original of this written statement required by Section 906 has been provided to Booz Allen Hamilton Holding Corporation and will be retained by Booz Allen Hamilton Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.