

EARNINGS CALL PRESENTATION

Fiscal Year 2020, Second Quarter

November 1, 2019

CALL PARTICIPANTS

HORACIO ROZANSKI

President and Chief Executive Officer

LLOYD HOWELL, JR.

Chief Financial Officer and Treasurer

NICHOLAS VEASEY

Vice President of Investor Relations

DISCLAIMER

Forward Looking Safe Harbor Statement

Certain statements contained in this presentation and in related comments by our management include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include information concerning Booz Allen’s preliminary financial results, financial outlook and guidance, including forecasted revenue, Diluted EPS, Adjusted Diluted EPS, free cash flow, future quarterly dividends, and future improvements in operating margins, as well as any other statement that does not directly relate to any historical or current fact. 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. A number of important factors could cause actual results to differ materially from those contained in or implied by these forward-looking statements, including those factors discussed in our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, which can be found at the SEC’s website at www.sec.gov. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Note Regarding Non-GAAP Financial Data Information

Booz Allen discloses in the following information 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 which are not recognized measurements under GAAP, and when analyzing Booz Allen’s performance or liquidity as applicable, investors should (i) evaluate each adjustment in our reconciliation of revenue to Revenue, Excluding Billable Expenses, operating income to Adjusted Operating Income, net income to Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses, Adjusted Net Income and Adjusted Diluted Earnings Per Share, and net cash provided by operating activities to Free Cash Flow, and the explanatory footnotes regarding those adjustments, each as defined under GAAP, (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, 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. The Financial Appendix includes 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. Booz Allen presents these supplemental performance measures because it believes that these measures provide investors and securities analysts with important supplemental information with which to evaluate Booz Allen’s performance, long term earnings potential, or liquidity, as applicable and to enable them to assess Booz Allen’s performance on the same basis as management. These supplemental performance and liquidity measurements may vary from and may not be comparable to similarly titled measures by other companies in Booz Allen’s industry. With respect to our expectations under “Fiscal 2020 Full Year Outlook,” reconciliation of Adjusted Diluted EPS guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to our inability to predict our stock price, equity grants and dividend declarations during the course of fiscal 2020. Projecting future stock price, equity grants and dividends to be declared would be necessary to accurately calculate the difference between Adjusted Diluted EPS and GAAP EPS as a result of the effects of the two-class method and related possible dilution used in the calculation of EPS. Consequently, any attempt to disclose such reconciliation would imply a degree of precision that could be confusing or misleading to investors. We expect the variability of the above charges to have an unpredictable, and potentially significant, impact on our future GAAP financial results. For the same reason, a reconciliation of Adjusted EBITDA Margin on Revenue guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to our inability to predict specific quantifications of the amounts that would be required to reconcile such measures.

All quarterly financial information for the fiscal year ended March 31, 2017 presented herein is as previously reported under ASC 605 while the annual financial information for the fiscal year ended March 31, 2017 was retroactively recast for the effects of ASC 606 and ASU 2017-07, as required. Unless otherwise specified, all references to “record” results are with respect to the period since Booz Allen’s initial public offering.

KEY FINANCIAL RESULTS

SECOND QUARTER FISCAL YEAR 2020 RESULTS

	SECOND QUARTER ⁽¹⁾		FIRST HALF ⁽¹⁾	
Revenue	\$1.8 billion	12.7% Increase	\$3.6 billion	11.8% Increase
Revenue, Excluding Billable Expenses	\$1.3 billion	12.7% Increase	\$2.6 billion	10.8% Increase
Adjusted EBITDA	\$192 million	17.0% Increase	\$391 million	14.4% Increase
Adjusted EBITDA Margin on Revenue	10.5%	3.7% Increase	10.7%	2.3% Increase
Net Income	\$114 million	23.3% Increase	\$232 million	17.7% Increase
Adjusted Net Income	\$115 million	17.9% Increase	\$232 million	15.1% Increase
Diluted EPS	\$0.80	25.0% Increase	\$1.63	19.9% Increase
Adjusted Diluted EPS	\$0.81	19.1% Increase	\$1.65	17.9% Increase
Net Cash Provided by Operating Activities	\$216 million	(28.5)% Decrease	\$267 million	(2.9)% Decrease

(1) Comparisons are to prior fiscal year period

Q2 FY'20 PERFORMANCE:

ALIGNED WITH INVESTMENT THESIS

UPDATED INVESTMENT THESIS



Unique Market Position

- Investments in innovation, talent, and capabilities position us to help clients adopt current and new technologies
- First mover advantage enhanced by our ability to combine mission knowledge, consulting heritage and technical depth creating value for critical missions and top priorities



Strong Financial Returns

FY'18 - FY'21

66% ADEPS GROWTH BY FY'21

+ ~2% DIVIDEND YIELD

6 - 9%

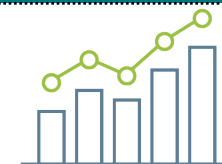
Low 10% Range

~\$1.4B

Annual Revenue
Growth

Adj. EBITDA
Margins

Capital
Deployment



Option Value

- Continued investment in new business lines and solutions that will drive future growth

INDUSTRY LEADING ORGANIC REVENUE GROWTH

- Organic growth in revenue ex-billables of 12.7% year-over-year driven by strong client demand
- 6.5% year-over-year headcount growth positions firm to continue to execute against record backlog
- Increased and narrowed full fiscal year revenue guidance to 9% - 11% from 6% - 9%

CONTRACT PERFORMANCE DRIVES MARGIN EXPANSION

- Adj. EBITDA Margin on Revenue of 10.5%; Adj. EBITDA of \$191.7 million (~17.0% growth year-over-year)
- Organic growth and strong contract-level execution continue to drive profitability
- Reaffirming fiscal year 2020 guidance of Adj. EBITDA Margin on Revenue in the low 10% range

PRUDENT CAPITAL DEPLOYMENT

- Deployed ~\$33 million in the second quarter; announced off-cycle \$0.04 increase to quarterly dividend
- Reaffirming three-year goal to deploy ~\$1.4 billion through fiscal year 2021

KEY FINANCIAL RESULTS

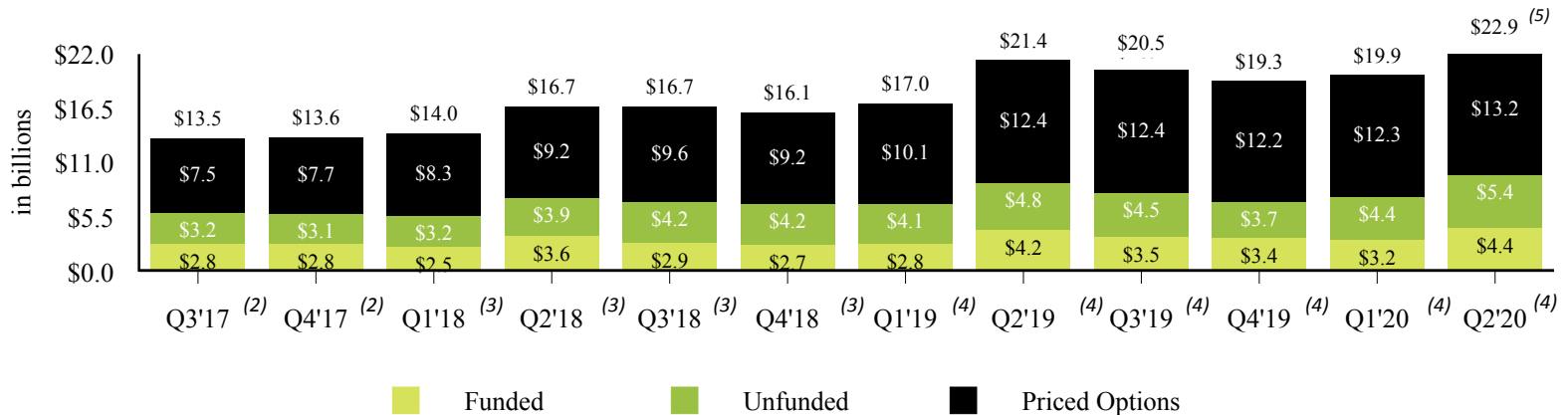
SECOND QUARTER FISCAL YEAR 2020 RESULTS

	SECOND QUARTER ⁽¹⁾		FIRST HALF ⁽¹⁾	
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Adjusted Net Income	\$115 million	17.9% Increase	\$232 million	15.1% Increase
Diluted EPS	\$0.80	25.0% Increase	\$1.63	19.9% Increase
Adjusted Diluted EPS	\$0.81	19.1% Increase	\$1.65	17.9% Increase
Net Cash Provided by Operating Activities	\$216 million	(28.5)% Decrease	\$267 million	(2.9)% Decrease

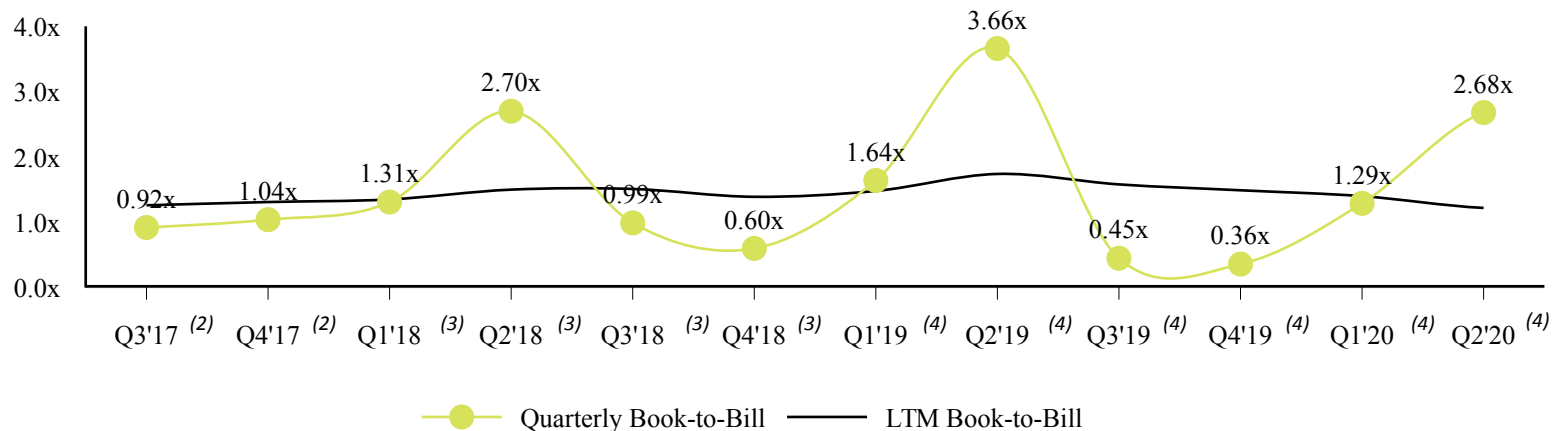
(1) Comparisons are to prior fiscal year period

HISTORICAL BACKLOG & BOOK-TO-BILL

BACKLOG ⁽¹⁾



BOOK-TO-BILL TRENDS



1) For more information on the components of backlog, and the differences between backlog and remaining performance obligations, please see the Company's Form 10-K for the fiscal year ended 3/31/19

2) Revenue as reported under ASC 605

3) Revenue as adjusted from previously reported to reflect ASC 606 and ASU 2017-07

4) Revenue as reported, reflecting ASC 606 and ASU 2017-07

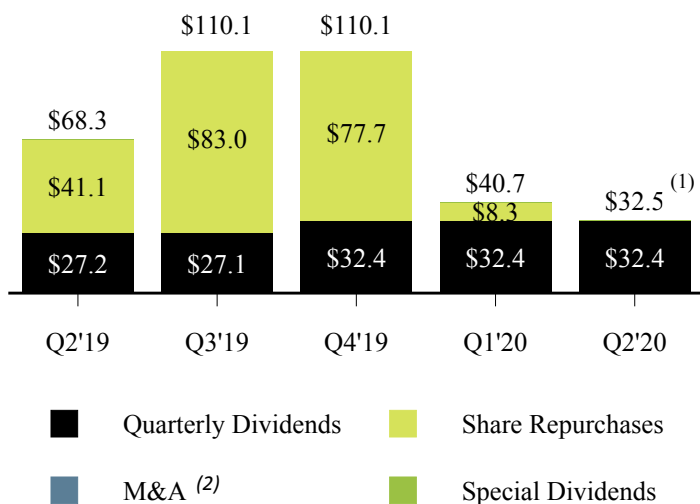
5) Total rounds to \$22.9 billion vs. \$23.0 billion

CAPITAL ALLOCATION

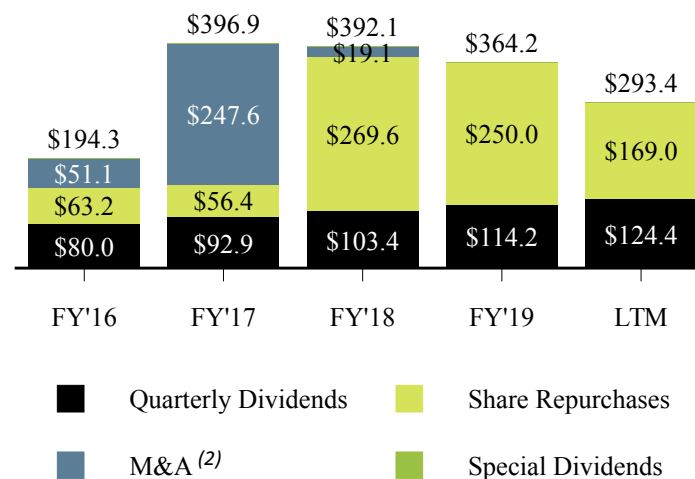
DELIVERING STRONG CAPITAL RETURNS THROUGH EFFICIENT CAPITAL DEPLOYMENT STRATEGY

- Multi-year capital deployment plan remains on track, subject to market conditions
 - Deployed ~\$33 million during the quarter
 - Reaffirming three-year goal to deploy ~\$1.4 billion through fiscal year 2021
- \$652 million of share repurchase authorization remained as of September 30, 2019
- The Board authorized a regular dividend of 27 cents per share, representing a \$0.04 off-cycle increase, payable on December 2nd to stockholders of record on November 14th
 - The off-cycle increase reinforces our commitment to quarterly dividend growth as a component of our Investment Thesis
 - Our normal annual dividend assessment occurs each January, and we expect to do that assessment as usual this fiscal year

QUARTERLY CAPITAL DEPLOYMENT (\$ IN MILLIONS)



HISTORICAL CAPITAL DEPLOYMENT (\$ IN MILLIONS)



(1) Includes ~\$0.1M of withhold to cover shares

(2) Represents Payments for Business Acquisitions, Net of Cash Acquired

FINANCIAL OUTLOOK

FULL YEAR FY'20 GUIDANCE

OPERATING PERFORMANCE	CURRENT	PRIOR (Q1'20)
Revenue Growth	9.0 - 11.0%	6.0 - 9.0%
Adjusted EBITDA Margin on Revenue	Low 10% range	Low 10% range
Adjusted Diluted EPS	\$3.00 - \$3.10	\$2.90 - \$3.05
Net Cash Provided by Operating Activities	\$450 - \$500 million	\$400 - \$450 million

ASSUMPTIONS FOR ADEPS GUIDANCE	CURRENT	PRIOR (Q1'20)
Tax Rate	23 - 25%	23 - 25%
Share Count	137 - 141 million	137 - 141 million

APPENDIX

NON-GAAP FINANCIAL INFORMATION

"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 and 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 2017 Tax Act in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view net income excluding the impact of the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act as an important indicator of performance consistent with the manner in which management measures and forecasts the Company's performance and the way in which management is incentivized to perform.

"Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the condensed consolidated financial statements.

"Free Cash Flow" represents the net cash generated from operating activities less the impact of purchases of property, equipment, and software.

NON-GAAP FINANCIAL INFORMATION

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

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

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

(c) Reflects the adjustments made to the provisional income tax benefit associated with the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act.

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

(e) Excludes adjustments of approximately \$0.6 million and \$1.2 million of net earnings for the three and six months ended September 30, 2019 and 2018, respectively, associated with the application of the two-class method for computing diluted earnings per share.

FINANCIAL RESULTS – KEY DRIVERS

Second Quarter Fiscal 2020 – Below is a summary of the key factors driving results for the fiscal 2020 second quarter ended September 30, 2019 as compared to the prior year period:

- Revenue increased by 12.7% to \$1.8 billion driven primarily by sustained strength in client demand, headcount growth, and an extra workday compared to the prior year period.
- Revenue, Excluding Billable Expenses increased 12.7% to \$1.3 billion due to sustained strength in client demand, headcount growth, and an extra workday compared to the prior year period.
- Operating Income increased 19.7% to \$172.0 million and Adjusted Operating Income increased 16.7% to \$172.0 million. Increases in both were primarily driven by the same factors driving revenue growth, as well as strong contract performance.
- Net income increased 23.3% to \$114.3 million and Adjusted Net Income increased 17.9% to \$114.8 million. These increases were primarily driven by the same factors as Operating Income and Adjusted Operating Income.
- EBITDA increased 19.7% to \$191.7 million and Adjusted EBITDA increased 17.0% to \$191.7 million . These increases were due to the same factors as Operating Income and Adjusted Operating Income.
- Diluted EPS increased to \$0.80 from \$0.64 and Adjusted Diluted EPS increased to \$0.81 from \$0.68. The increases were primarily driven by the same factors as Net Income and Adjusted Net Income, as well as a lower share count in the second quarter of fiscal 2020.
- As of September 30, 2019, total backlog was \$22.9 billion, an increase of 7.2%. Funded backlog was \$4.4 billion, an increase of 4.8%.

FINANCIAL RESULTS – KEY DRIVERS

Six Months Ended September 30, 2019 – Below is a summary of the key factors driving results for the fiscal 2020 six months ended September 30, 2019 as compared to the prior year period:

- Net cash provided by operating activities was \$266.7 million for the six months ended September 30, 2019 as compared to \$274.6 million for the six months ended September 30, 2018. The decrease in operating cash flows was primarily due to a decrease in accounts payable associated with the timing of vendor payments and increased tax payments, partially offset by collection of our revenue and net income growth. Free Cash Flow was \$206.7 million for the six months ended September 30, 2019 as compared to \$234.9 million for the six months ended September 30, 2018. Free Cash Flow was affected by the same factors affecting cash provided by operating activities, partially offset by an increase in capital expenditures over the prior year period primarily related to investments in our facilities, infrastructure and information technology.