

**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, 2024

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

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

Booz Allen Hamilton Holding Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

22102
(Zip Code)

(703) 902-5000

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

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

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

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer | <input type="checkbox"/> |
| Non-Accelerated Filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging Growth Company | <input type="checkbox"/> |

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 7/22/2024 |
|----------------------|---|
| Class A Common Stock | 129,190,782 |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

| | June 30, 2024 | March 31, 2024 |
|--|------------------|-------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 297,664 | \$ 554,257 |
| Accounts receivable, net | 2,281,581 | 2,047,342 |
| Prepaid expenses and other current assets | 121,440 | 137,310 |
| Total current assets | 2,700,685 | 2,738,909 |
| Property and equipment, net of accumulated depreciation | 185,529 | 188,279 |
| Operating lease right-of-use assets | 179,134 | 174,345 |
| Intangible assets, net of accumulated amortization | 621,942 | 601,043 |
| Goodwill | 2,394,109 | 2,343,789 |
| Deferred tax assets | 260,117 | 227,171 |
| Other long-term assets | 299,271 | 290,152 |
| Total assets | \$ 6,640,787 | \$ 6,563,688 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 72,188 | \$ 61,875 |
| Accounts payable and other accrued expenses | 1,138,961 | 1,050,670 |
| Accrued compensation and benefits | 407,427 | 506,130 |
| Operating lease liabilities | 47,340 | 43,187 |
| Other current liabilities | 71,022 | 30,328 |
| Total current liabilities | 1,736,938 | 1,692,190 |
| Long-term debt, net of current portion | 3,330,351 | 3,349,941 |
| Operating lease liabilities, net of current portion | 181,049 | 182,134 |
| Income tax reserves | 125,332 | 120,237 |
| Other long-term liabilities | 183,176 | 172,624 |
| Total liabilities | 5,556,846 | 5,517,126 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity: | | |
| Common stock, Class A - \$0.01 par value - authorized: 600,000,000 shares; issued: 167,705,104 and 167,402,268 shares at June 30, 2024 and March 31, 2024, respectively; outstanding: 129,350,374 and 129,643,123 shares at June 30, 2024 and March 31, 2024, respectively | 1,677 | 1,674 |
| Treasury stock, at cost - 38,354,730 and 37,759,145 shares at June 30, 2024 and March 31, 2024 | (2,367,452) | (2,277,546) |
| Additional paid-in capital | 940,404 | 908,837 |
| Retained earnings | 2,501,909 | 2,404,065 |
| Accumulated other comprehensive income | 7,403 | 9,532 |
| Total stockholders' equity | 1,083,941 | 1,046,562 |
| Total liabilities and stockholders' equity | \$ 6,640,787 | \$ 6,563,688 |

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in thousands, except per share data)

| | Three Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------------|
| | 2024 | 2023 |
| Revenue | \$ 2,941,797 | \$ 2,654,486 |
| Operating costs and expenses: | | |
| Cost of revenue | 1,371,234 | 1,251,916 |
| Billable expenses | 944,981 | 812,304 |
| General and administrative expenses | 329,289 | 314,001 |
| Depreciation and amortization | 41,129 | 41,847 |
| Total operating costs and expenses | <u>2,686,633</u> | <u>2,420,068</u> |
| Operating income | 255,164 | 234,418 |
| Interest expense | (45,931) | (35,474) |
| Other income, net | 5,128 | 1,924 |
| Income before income taxes | 214,361 | 200,868 |
| Income tax expense | 49,128 | 39,480 |
| Net income | <u>165,233</u> | <u>161,388</u> |
| Earnings per common share (Note 4): | | |
| Basic | <u>\$ 1.27</u> | <u>\$ 1.22</u> |
| Diluted | <u>\$ 1.27</u> | <u>\$ 1.22</u> |

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Amounts in thousands)

| | Three Months Ended June 30, | |
|--|--|----------------|
| | 2024 | 2023 |
| Net income | \$ 165,233 | \$ 161,388 |
| Other comprehensive income, net of tax: | | |
| Change in unrealized gain (loss) on derivatives designated as cash flow hedges | (2,240) | 3,741 |
| Change in postretirement plan costs | 111 | (383) |
| Total other comprehensive income (loss), net of tax | (2,129) | 3,358 |
| Comprehensive income | <u>163,104</u> | <u>164,746</u> |

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

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

| (Amounts in thousands) | Three Months Ended June 30, | |
|---|--------------------------------|------------|
| | 2024 | 2023 |
| Cash flows from operating activities | | |
| Net income | \$ 165,233 | \$ 161,388 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 41,129 | 41,847 |
| Noncash lease expense | 12,450 | 13,610 |
| Stock-based compensation expense | 19,928 | 17,685 |
| Amortization of debt issuance costs | 1,351 | 1,027 |
| Net losses on dispositions, and other | 1,169 | 1,208 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (217,089) | (325,363) |
| Deferred income taxes and income taxes receivable / payable | 44,086 | 31,509 |
| Prepaid expenses and other current and long-term assets | (26,692) | (10,217) |
| Accrued compensation and benefits | (76,124) | (56,738) |
| Accounts payable and other accrued expenses | 90,203 | 74,389 |
| Other current and long-term liabilities | (3,516) | (21,877) |
| Net cash provided by (used in) operating activities | 52,128 | (71,532) |
| Cash flows from investing activities | | |
| Purchases of property, equipment, and software | (32,442) | (10,488) |
| Payments for business acquisitions and dispositions, net of cash acquired | (92,541) | (406) |
| Payments for cost method investments | (2,344) | (4,160) |
| Net cash used in investing activities | (127,327) | (15,054) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock | 8,613 | 6,925 |
| Stock option exercises | 3,029 | 11,176 |
| Repurchases of common stock | (116,289) | (128,390) |
| Cash dividends paid | (66,434) | (63,034) |
| Proceeds from revolving credit facility | — | 75,000 |
| Repayments on revolving credit facility, term loans, and Senior Notes | (10,313) | (10,313) |
| Net cash used in financing activities | (181,394) | (108,636) |
| Net decrease in cash and cash equivalents | (256,593) | (195,222) |
| Cash and cash equivalents—beginning of period | 554,257 | 404,862 |
| Cash and cash equivalents—end of period | \$ 297,664 | \$ 209,640 |
| Supplemental disclosures of cash flow information | | |
| Net cash paid during the period for: | | |
| Interest | \$ 26,792 | \$ 26,091 |
| Income taxes | \$ (52) | \$ 2,868 |
| Supplemental disclosures of non-cash investing activities: | | |
| Unpaid property, equipment and software purchases | \$ 7,893 | \$ — |

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, 2024 | 167,402,268 | \$ 1,674 | (37,759,145) | \$(2,277,546) | \$ 908,837 | \$2,404,065 | \$ 9,532 | \$ 1,046,562 |
| Issuance of common stock | 236,588 | 2 | — | — | 8,611 | — | — | 8,613 |
| Stock options exercised | 66,248 | 1 | — | — | 3,028 | — | — | 3,029 |
| Repurchase of common stock ⁽¹⁾ | — | — | (595,585) | (89,906) | — | — | — | (89,906) |
| Net income | — | — | — | — | — | 165,233 | — | 165,233 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (2,129) | (2,129) |
| Dividends paid of \$0.51 per share of common stock | — | — | — | — | — | (67,389) | — | (67,389) |
| Stock-based compensation expense | — | — | — | — | 19,928 | — | — | 19,928 |
| Balance at June 30, 2024 | <u>167,705,104</u> | <u>\$ 1,677</u> | <u>(38,354,730)</u> | <u>\$(2,367,452)</u> | <u>\$ 940,404</u> | <u>\$2,501,909</u> | <u>\$ 7,403</u> | <u>\$ 1,083,941</u> |
| Balance at March 31, 2023 | 165,872,332 | \$ 1,659 | (34,234,744) | \$(1,859,905) | \$ 769,460 | \$2,051,455 | \$ 29,333 | \$ 992,002 |
| Issuance of common stock | 396,569 | 4 | — | — | 6,921 | — | — | 6,925 |
| Stock options exercised | 252,382 | 2 | — | — | 11,174 | — | — | 11,176 |
| Repurchase of common stock ⁽²⁾ | — | — | (1,170,169) | (112,981) | — | — | — | (112,981) |
| Net income | — | — | — | — | — | 161,388 | — | 161,388 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 3,358 | 3,358 |
| Dividends paid of \$0.47 per share of common stock | — | — | — | — | — | (62,482) | — | (62,482) |
| Stock-based compensation expense | — | — | — | — | 17,685 | — | — | 17,685 |
| Balance at June 30, 2023 | <u>166,521,283</u> | <u>\$ 1,665</u> | <u>(35,404,913)</u> | <u>\$(1,972,886)</u> | <u>\$ 805,240</u> | <u>\$2,150,361</u> | <u>\$ 32,691</u> | <u>\$ 1,017,071</u> |

⁽¹⁾ During the three months ended June 30, 2024, the Company purchased 0.5 million shares of the Company's Class A Common Stock in a series of open market transactions for \$78.3 million. Additionally, the Company repurchased shares for \$11.6 million during the three months ended June 30, 2024 to cover the minimum statutory taxes on repurchases and restricted stock units that vested on various dates during the period.

⁽²⁾ During the three months ended June 30, 2023, the Company purchased 1.0 million shares of the Company's Class A Common Stock in a series of open market transactions for \$100.1 million. Additionally, the Company repurchased shares for \$12.9 million during the three months ended June 30, 2023 to cover the minimum statutory taxes on repurchases and restricted stock units that vested on various dates during the period.

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

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

1. Business Overview

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, cyber services and artificial intelligence 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 35,100 employees as of June 30, 2024.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries that are majority-owned or otherwise controlled by the Company, and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2024. The interim period unaudited condensed consolidated financial statements are presented as described below. Certain information and disclosures normally required for annual financial statements have been condensed or omitted pursuant to GAAP and SEC rules and regulations. In the opinion of management, all adjustments considered necessary for fair presentation of the results of the interim periods presented have been included. The Company's fiscal year ends on March 31 and, unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The results of operations for the three months ended June 30, 2024 are not necessarily indicative of results to be expected for the full fiscal year.

The condensed consolidated financial statements and notes of the Company include its subsidiaries, and other entities over which the Company has a controlling financial interest or where the Company is a primary beneficiary.

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

Investments in Variable Interest Entities and Other Investments

The Company invests in certain companies that advance or develop new technologies applicable to its business. Each investment is evaluated for consolidation under the variable interest entities model and/or the voting interest model. The results of these investments are not material to the unaudited condensed and consolidated financial statements for the periods presented. The Company uses the equity method to account for investments in entities that it does not control if it is otherwise able to exert significant influence over the entities' operating and financial policies. Equity investments in entities over which the Company does not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are accounted for under the measurement alternative. As of June 30, 2024 and March 31, 2024, respectively, the total of equity and other investments related to unconsolidated entities included in other long term assets of the Company's condensed consolidated balance sheet were \$44.4 million and \$42.0 million.

Accounting Estimates

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

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

Recent Accounting Pronouncements Not Yet Adopted

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

3. Revenue

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

Contract Estimates

We recognize revenue for many of our contracts under a contract cost-based input method and require an Estimate-at-Completion (“EAC”) process, which management uses to review and monitor the progress towards the completion of our performance obligations. Under this process, management considers various inputs and assumptions related to the EAC, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Estimating the total cost at the completion of our performance obligations is subjective and requires management to make assumptions about future activity and cost drivers under the contract. Changes in these estimates can occur for a variety of reasons and, if significant, may impact the profitability of the Company’s contracts. Changes in estimates related to contracts accounted for under the EAC process are recognized on a cumulative catch-up basis in the period when such changes are determinable and reasonably estimable. If the estimate of contract profitability indicates an anticipated loss on a contract, the Company recognizes the total loss at the time it is identified. For each of the three months ended June 30, 2024 and 2023, the aggregate impact of adjustments in contract estimates was not material.

Disaggregation of Revenue

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

Revenue by Contract Type:

The Company performs and generates 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.

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

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

| | Three Months Ended June 30, | | | |
|--------------------|--------------------------------|--------------|---------------------|--------------|
| | 2024 | | 2023 | |
| Cost-reimbursable | \$ 1,659,923 | 56 % | \$ 1,450,184 | 55 % |
| Time-and-materials | 670,568 | 23 % | 635,733 | 24 % |
| Fixed-price | 611,306 | 21 % | 568,569 | 21 % |
| Total Revenue | <u>\$ 2,941,797</u> | <u>100 %</u> | <u>\$ 2,654,486</u> | <u>100 %</u> |

Revenue by Customer Type:

| | Three Months Ended June 30, | | | |
|------------------------------|--------------------------------|--------------|---------------------|--------------|
| | 2024 | | 2023 | |
| Defense Clients | \$ 1,416,870 | 48 % | \$ 1,224,317 | 46 % |
| Intelligence Clients | 461,039 | 16 % | 476,497 | 18 % |
| Civil Clients ⁽¹⁾ | 1,063,888 | 36 % | 953,672 | 36 % |
| Total Revenue | <u>\$ 2,941,797</u> | <u>100 %</u> | <u>\$ 2,654,486</u> | <u>100 %</u> |

⁽¹⁾ As of the first quarter of fiscal 2025, Civil Clients includes revenue from Global Commercial Clients, which was previously separately reported. Prior periods' revenues have been recast to reflect the change.

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

| | Three Months Ended June 30, | | | |
|------------------|--------------------------------|--------------|---------------------|--------------|
| | 2024 | | 2023 | |
| Prime Contractor | \$ 2,807,685 | 95 % | \$ 2,517,558 | 95 % |
| Subcontractor | 134,112 | 5 % | 136,928 | 5 % |
| Total Revenue | <u>\$ 2,941,797</u> | <u>100 %</u> | <u>\$ 2,654,486</u> | <u>100 %</u> |

Performance Obligations

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

As of June 30, 2024 and March 31, 2024, the Company had \$9.6 billion and \$8.7 billion of remaining performance obligations, respectively. We expect to recognize approximately 70% of the remaining performance obligations at June 30, 2024 as revenue over the next 12 months, and approximately 80% 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 result in net contract assets or liabilities being recognized at the end of each reporting period.

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

Contract assets primarily consist of unbilled receivables typically resulting from revenue recognized exceeding the amount billed to the customer and right to payment is not just subject to the passage of time. Unbilled amounts represent revenues for which billings have not been presented to customers. These amounts are generally billed and collected within one year subject to various conditions including, without limitation, appropriated and available funding. Long-term unbilled receivables not anticipated to be billed and collected within one year, which are primarily related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout, are included in other long-term assets in the accompanying condensed consolidated balance sheets. Contract liabilities primarily consist of advance payments, billings in excess of costs incurred and deferred revenue. Contract assets and liabilities are reported on a net contract basis at the end of each reporting period. The Company maintains an allowance for credit losses to provide for an estimate of uncollectible receivables. Provision for credit losses recognized was not material for each of the three months ended June 30, 2024 and 2023.

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

| | June 30, 2024 | March 31, 2024 |
|--|--------------------------|---------------------------|
| Current assets | | |
| Accounts receivable–billed | \$ 847,174 | \$ 700,066 |
| Accounts receivable–unbilled (contract assets) | 1,434,759 | 1,347,577 |
| Allowance for credit losses | (352) | (301) |
| Accounts receivable, net | <u>2,281,581</u> | <u>2,047,342</u> |
| Other long-term assets | | |
| Accounts receivable–unbilled (contract assets) | <u>57,673</u> | <u>57,355</u> |
| Total accounts receivable, net | <u>\$ 2,339,254</u> | <u>\$ 2,104,697</u> |
| Other current liabilities | | |
| Advance payments, billings in excess of costs incurred and deferred revenue (contract liabilities) | \$ 21,966 | \$ 15,527 |

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, 2024 and 2023, we recognized revenue of \$8.4 million and \$14.4 million, respectively, related to our contract liabilities on April 1, 2024 and 2023, 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 shares of common stock outstanding during the period to calculate basic earnings per share, or EPS. Diluted EPS adjusts the weighted average number of shares outstanding to include the dilutive effect of outstanding common stock options and other stock-based awards.

The Company currently has outstanding shares of Class A Common Stock. Holders of certain unvested Class A Restricted Common Stock are entitled to participate in non-forfeitable dividends or other distributions ("participating securities"). These unvested restricted shares participated in the Company's dividends declared and paid in the first quarter of fiscal 2025 and 2024. As such, EPS is calculated using the two-class method whereby earnings are reduced by distributed earnings as well as any available undistributed earnings allocable to holders of these unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

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| | Three Months Ended June 30, | |
|--|--------------------------------|-------------|
| | 2024 | 2023 |
| Numerator ⁽¹⁾ : | | |
| Earnings for basic computations | \$ 164,433 | \$ 160,146 |
| Earnings for diluted computations | \$ 164,435 | \$ 160,149 |
| Denominator: | | |
| Weighted-average common stock shares outstanding, basic | 129,387,052 | 131,031,979 |
| Dilutive stock options and restricted stock | 530,211 | 498,654 |
| Weighted-average common stock shares outstanding, diluted ⁽²⁾ | 129,917,263 | 131,530,633 |
| Earnings per common share: | | |
| Basic | \$ 1.27 | \$ 1.22 |
| Diluted ⁽²⁾ | \$ 1.27 | \$ 1.22 |

⁽¹⁾ The difference between earnings for basic and diluted computations and net income presented on the condensed consolidated statements of operations is due to undistributed earnings and dividends allocated to the participating securities. There were approximately 0.6 million and 1.0 million shares of participating securities for the three months ended June 30, 2024 and 2023, respectively.

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

5. Acquisition, Goodwill and Intangible Assets

Acquisition

On June 7, 2024, the Company completed the acquisition of PAR Government Systems Corporation (“PGSC”), a wholly owned subsidiary of PAR Technology Corporation, for approximately \$94.8 million, net of post-closing adjustments and incurred transaction costs as part of the acquisition. PGSC was founded in 1985 and headquartered in Rome, New York, and delivers differentiated services and solutions in strategic mission areas, including the provision of real-time communications and mobile situational awareness to maintain battlespace dominance for a range of government customers. The acquisition was funded with cash on hand. As a result of the transaction, PGSC became a wholly owned subsidiary of Booz Allen Hamilton Inc.

Under the terms of the purchase agreement, the purchase price is subject to post-closing working capital and other customary adjustments. The final purchase price allocations will be completed after the underlying information has been finalized and agreed upon by the seller and the Company.

The acquisition is accounted for under the acquisition method of accounting, which requires the total acquisition consideration to be allocated to the assets acquired and liabilities assumed based on an estimate of the acquisition date fair value, with the difference reflected in goodwill. The preliminary goodwill of \$50.3 million is primarily attributable to the expected synergies between the Company and PGSC and PGSC’s specialized workforce and is deductible for tax purposes.

The Company preliminarily recognized \$33.7 million of intangible assets which consists primarily of contract assets and are being amortized over the estimated useful life of twelve years.

The valuation of PGSC’s assets acquired and liabilities assumed are preliminary and based on valuation estimates and assumptions. Although the Company does not currently expect material changes to the initial value of net assets acquired, the Company continues to evaluate assumptions related to the valuation of the assets acquired and liabilities assumed. Any adjustments to our estimates of purchase price allocation will be made in the periods in which the adjustments are determined, and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition dates.

Goodwill

As of June 30, 2024 and March 31, 2024, goodwill was \$2,394.1 million and \$2,343.8 million, respectively. The \$50.3 million increase in the carrying amount of goodwill was attributable the Company's acquisition of PGSC.

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Intangible Assets

Intangible assets consisted of the following:

| | June 30, 2024 | | | March 31, 2024 | | |
|--|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Amortizable intangible assets: | | | | | | |
| Programs and contract assets, channel relationships, and other amortizable intangible assets | \$ 624,664 | \$ 253,836 | \$ 370,828 | \$ 591,895 | \$ 237,764 | \$ 354,131 |
| Software | 157,438 | 96,524 | 60,914 | 146,284 | 89,572 | 56,712 |
| Total amortizable intangible assets | \$ 782,102 | \$ 350,360 | \$ 431,742 | \$ 738,179 | \$ 327,336 | \$ 410,843 |
| Unamortizable intangible assets: | | | | | | |
| Trade name | \$ 190,200 | \$ — | \$ 190,200 | \$ 190,200 | \$ — | \$ 190,200 |
| Total | \$ 972,302 | \$ 350,360 | \$ 621,942 | \$ 928,379 | \$ 327,336 | \$ 601,043 |

The \$43.9 million increase in the gross carrying amount of intangible assets was primarily attributable the Company's acquisition of PGSC, with the remainder resulting from increases in the Company's internally developed software.

6. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses consisted of the following:

| | June 30, 2024 | March 31, 2024 |
|---|---------------|----------------|
| Vendor payables | \$ 661,948 | \$ 653,131 |
| Accrued expenses | 477,013 | 397,539 |
| Total accounts payable and other accrued expenses | \$ 1,138,961 | \$ 1,050,670 |

Accrued expenses consisted primarily of the Company's provision for claimed indirect costs (approximately \$374.8 million and \$363.7 million as of June 30, 2024 and March 31, 2024, respectively). See Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements for further discussion of this item.

7. Accrued Compensation and Benefits

Accrued compensation and benefits consisted of the following:

| | June 30, 2024 | March 31, 2024 |
|---|---------------|----------------|
| Bonus | \$ 30,889 | \$ 151,063 |
| Retirement | 86,976 | 57,465 |
| Vacation | 244,576 | 223,385 |
| Other | 44,986 | 74,217 |
| Total accrued compensation and benefits | \$ 407,427 | \$ 506,130 |

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8. Debt

Debt consisted of the following on the dates below:

| | June 30, 2024 | | March 31, 2024 | |
|--|---------------|---------------------|----------------|---------------------|
| | Interest Rate | Outstanding Balance | Interest Rate | Outstanding Balance |
| Term Loan A | 6.679 % | \$ 1,577,813 | 6.677 % | \$ 1,588,125 |
| Senior Notes due 2028 | 3.875 % | 700,000 | 3.875 % | 700,000 |
| Senior Notes due 2029 | 4.000 % | 500,000 | 4.000 % | 500,000 |
| Senior Notes due 2033 | 5.950 % | 650,000 | 5.950 % | 650,000 |
| Less: Unamortized debt issuance costs and discount on debt | | (25,274) | | (26,309) |
| Total | | 3,402,539 | | 3,411,816 |
| Less: Current portion of long-term debt | | (72,188) | | (61,875) |
| Long-term debt, net of current portion | | <u>\$ 3,330,351</u> | | <u>\$ 3,349,941</u> |

Credit Agreement

Booz Allen Hamilton Inc. (“Booz Allen Hamilton”), Booz Allen Hamilton Investor Corporation (“Investor”), and certain wholly owned subsidiaries of Booz Allen Hamilton are parties to a Credit Agreement dated as of July 31, 2012, as amended (the “Credit Agreement”), with certain institutional lenders and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender. As of June 30, 2024, the Credit Agreement provided Booz Allen Hamilton with a \$1,577.8 million Term Loan A (“Term Loan A”) and a \$1.0 billion revolving credit facility (the “Revolving Credit Facility”), with a sub-limit for letters of credit of \$200.0 million. As of June 30, 2024, the maturity date of Term Loan A and the Revolving Commitments is September 7, 2027. Voluntary prepayments of Term Loan A and the Revolving Loans are permitted at any time, in minimum principal amounts, without premium or penalty. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement were secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation; such security was released in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody’s and S&P. On September 7, 2022 (the “Ninth Amendment Effective Date”), the previously outstanding Term Loan B loans under the Credit Agreement were prepaid in full.

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

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

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

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

The Company occasionally borrows under the Revolving Credit Facility for our working capital needs. During the first quarter of fiscal 2024, we borrowed \$75.0 million on our Revolving Credit Facility for working capital needs, which was subsequently repaid in the second quarter of fiscal 2024. There were no borrowings during the first quarter of fiscal 2025 and as of June 30, 2024 and March 31, 2024, respectively, there was no outstanding balance on the Revolving Credit Facility.

Borrowings under Term Loan A, and if used, the Revolving Credit Facility, incur interest at a variable rate. As of June 30, 2024, The Company had interest rate swaps with an aggregate notional amount of \$550.0 million. These instruments hedge the variability of cash outflows for interest payments on a portion of the Company's floating rate borrowings under the Credit Agreement. The Company's objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense (See Note 9, "Derivatives," to our condensed consolidated financial statements).

Interest payments made on the Company's term loan during the quarter ended June 30, 2024 and 2023, respectively, were \$26.8 million and \$26.1 million.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, certain activities previously restricted by certain negative covenants are permitted subject to pro forma compliance with the financial covenants and no events of default having occurred or are continuing. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, specifically the consolidated net total leverage ratio. As of June 30, 2024 and March 31, 2024, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

Senior Notes

The following table summarizes the material terms of the Company's Senior Notes as of June 30, 2024:

| | Indenture Date | Principal | Interest Rate | Maturity Date | Interest Payable | Issuance Costs |
|-----------------------|-----------------------|---------------------|----------------------|----------------------|-------------------------|-----------------------|
| Senior Notes due 2033 | 8/4/2023 | \$ 650,000 | 5.950% | 8/4/2033 | February and August 4 | \$ 12,400 |
| Senior Notes due 2029 | 6/17/2021 | 500,000 | 4.000% | 7/1/2029 | July and January 1 | 6,500 |
| Senior Notes due 2028 | 8/24/2020 | 700,000 | 3.875% | 9/1/2028 | March and September 1 | 9,200 |
| Total | | <u>\$ 1,850,000</u> | | | | <u>\$ 28,100</u> |

Interest is payable semi-annually in cash in arrears, with the principal due at maturity. Issuance Costs were recorded as an offset against the carrying value of respective debt and are being amortized to interest expense over the term of the respective debt. For further information on the Senior Notes, including terms, conditions, restrictions and redemption options, see Note 10, "Debt," of the Company's consolidated financial statements included in the fiscal 2024 Annual Report on Form 10-K.

All Senior Notes' indentures contain certain covenants, events of default and other customary provisions. In connection with the Senior Notes obtaining investment grade ratings from Moody's and S&P in January 2023, certain negative covenants in the indentures governing the Senior Notes 2028 and Senior Notes 2029 were suspended, and the related guarantees were released. The Senior Notes due 2033 are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Booz Allen Hamilton Holding Corporation, pursuant to the relevant indenture.

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Interest Expense

Interest expense consisted of the following:

| | Three Months Ended June 30, | |
|---|--|------------------|
| | 2024 | 2023 |
| | (In thousands) | |
| Term Loan A | 26,789 | 26,103 |
| Revolving Credit Facility | — | 17 |
| Senior Notes | 21,450 | 11,781 |
| Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) ⁽¹⁾ | 1,351 | 1,027 |
| Interest Rate Swaps | (3,760) | (3,568) |
| Other | 101 | 114 |
| Total Interest Expense | \$ 45,931 | \$ 35,474 |

⁽¹⁾ DIC and OID on the Term Loans and Senior Notes are recorded as a reduction of long-term debt in the condensed consolidated balance sheet and are amortized ratably over the life of the related debt using the effective rate method. DIC on the Company's Revolving Credit Facility is recorded as a long-term asset on the condensed consolidated balance sheet and amortized ratably over the term of the Revolving Credit Facility.

9. Derivatives

The Company utilizes derivative financial instruments to manage interest rate risk related to its variable rate debt. The Company's objectives in using these interest rate derivatives, which were designated as cash flow hedges, are to manage its exposure to interest rate movements and reduce volatility of interest expense.

The following table summarizes the material terms of the Company's outstanding interest rate swap derivative contracts as of June 30, 2024:

| Effective Date | Maturity Date | Terms | Notional Amount |
|-----------------------|----------------------|-------------------|------------------------|
| April 28, 2023 | June 30, 2025 | Variable to Fixed | \$ 200,000 |
| June 30, 2023 | June 30, 2026 | Variable to Fixed | 150,000 |
| June 28, 2024 | June 30, 2027 | Variable to Fixed | 200,000 |
| Total \$ | | | 550,000 |

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

Derivative instruments are recorded in the condensed consolidated balance sheet on a gross basis at estimated fair value. As of June 30, 2024, \$8.3 million, \$0.6 million and \$1.7 million were classified as other current assets, other long-term assets and other long-term liabilities, respectively, on the condensed consolidated balance sheet. As of March 31, 2024, \$8.7 million and \$1.6 million were classified as other current assets and other long-term assets, respectively, on the condensed consolidated balance sheet.

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

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| Derivatives in Cash Flow Hedging Relationships | Location of Gain or (Loss) Recognized in Income on Derivatives | Pre-Tax Gain Recognized in AOCI on Derivatives | | Pre-Tax Gain Reclassified from AOCI into Income | |
|--|--|--|----------|---|----------|
| | | Three Months Ended June 30, | | Three Months Ended June 30, | |
| | | 2024 | 2023 | 2024 | 2023 |
| Interest rate swaps | Interest expense | \$ 739 | \$ 8,599 | \$ 3,760 | \$ 3,568 |

Over the next 12 months, the Company estimates that \$8.3 million will be reclassified as a decrease to interest expense. Cash flows associated with periodic settlements of interest rate swaps will be classified as operating activities in the condensed consolidated statement of cash flows.

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

10. Income Taxes

The Company's effective income tax rates were 22.9% and 19.7% for the three months ended June 30, 2024 and 2023, respectively. Our effective tax rates for these periods differ from the federal statutory rate of 21.0% primarily due to the inclusion of state and foreign income taxes and permanent rate differences, which are predominantly related to certain executive compensation and the accrual of reserves for uncertain tax positions, offset by research and development tax credits, excess tax benefits for employee share-based compensation, and the Foreign Derived Intangible Income deduction.

As of June 30, 2024 and March 31, 2024 the Company recorded \$120.0 million and \$115.4 million, respectively, of reserves for uncertain tax positions primarily related to research and development tax credits.

As of June 30, 2024 and March 31, 2024, the Company has recorded both a current income tax receivable (classified as prepaid expenses and other current assets) and a current income tax payable (classified as other current liabilities) on its condensed consolidated balance sheet. These amounts are reflective of fiscal 2024 and 2025 tax accruals in each U.S. Federal, state, and foreign jurisdiction, as adjusted for estimated payments made to date. In addition, as of both June 30, 2024 and March 31, 2024, the Company has recorded a long-term income tax receivable of \$152.5 million, which represents the amended U.S. federal return refund claims for research and development tax credits and the carryback claim for the fiscal 2021 net operating loss which is classified as other long-term assets on the condensed consolidated balance sheet. The Company is currently under federal audit by the IRS for fiscal years 2016, 2017 and 2019-2021 and the receipt of our U.S federal return refund claims is contingent upon the completion of the ongoing IRS audits.

11. Employee Benefit Plans

The Company sponsors the Employees' Capital Accumulation Plan (the "ECAP") which is a qualified defined contribution plan that covers eligible U.S. and certain international employees. The ECAP provides for distributions to participants by reason of retirement, death, disability, or termination of employment. The Company provides an annual matching contribution of up to 6% of eligible annual compensation. Total expense recognized for matching contributions under the ECAP were \$61.7 million and \$54.3 million for the three months ended June 30, 2024 and 2023, respectively.

The Company also provides post-retirement healthcare benefits to former officers under a medical indemnity insurance plan, with premiums paid by the Company. As of June 30, 2024 and March 31, 2024, the unfunded status of the post-retirement medical plan was \$127.5 million and \$127.0 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets. Balance sheet and income statement impacts of any remaining benefit plans are immaterial for all periods presented in these condensed consolidated financial statements.

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12. Accumulated Other Comprehensive Income

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

| | Three Months Ended June 30, 2024 | | |
|---|---|---|-----------------|
| | Post- retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | \$ 1,976 | \$ 7,556 | \$ 9,532 |
| Other comprehensive income before reclassifications ⁽¹⁾ | — | 548 | 548 |
| Amounts reclassified from accumulated other comprehensive income ⁽²⁾ | 111 | (2,788) | (2,677) |
| Net current-period other comprehensive income (loss) | 111 | (2,240) | (2,129) |
| End of period | <u>\$ 2,087</u> | <u>\$ 5,316</u> | <u>\$ 7,403</u> |

⁽¹⁾ Changes in other comprehensive income before reclassification for derivatives designated as cash flow hedges are recorded net of tax expense of \$0.2 million for the three months ended June 30, 2024. The tax impact of other comprehensive income before reclassification for post-retirement plans for the three months ended June 30, 2024 was immaterial.

⁽²⁾ The reclassifications from accumulated other comprehensive income to net income for derivatives designated as cash flow hedges are recorded net of tax expense of \$1.0 million for the three months ended June 30, 2024. The tax impact of reclassifications from accumulated other comprehensive income to net income for post-retirement plans for the three months ended June 30, 2024 was immaterial.

| | Three Months Ended June 30, 2023 | | |
|---|---|---|------------------|
| | Post-retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | \$ 19,450 | \$ 9,883 | \$ 29,333 |
| Other comprehensive income before reclassifications ⁽³⁾ | — | 6,356 | 6,356 |
| Amounts reclassified from accumulated other comprehensive income ⁽⁴⁾ | (383) | (2,615) | (2,998) |
| Net current-period other comprehensive (loss) income | (383) | 3,741 | 3,358 |
| End of period | <u>\$ 19,067</u> | <u>\$ 13,624</u> | <u>\$ 32,691</u> |

⁽³⁾ Changes in other comprehensive income before reclassification for derivatives designated as cash flow hedges are recorded net of tax expense of \$2.2 million for the three months ended June 30, 2023. The tax impact of other comprehensive income before reclassification for post-retirement plans for the three months ended June 30, 2023 was immaterial.

⁽⁴⁾ The reclassifications from accumulated other comprehensive income to net income for derivatives designated as cash flow hedges are recorded net of tax expense of \$0.9 million for the three months ended June 30, 2023. The tax impact of reclassifications from accumulated other comprehensive income to net income for post-retirement plans for the three months ended June 30, 2023 was immaterial.

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13. Stock-Based Compensation

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

| | Three Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------------|
| | 2024 | 2023 |
| Cost of revenue | \$ 7,359 | \$ 7,914 |
| General and administrative expenses | 12,569 | 9,771 |
| Total | <u>\$ 19,928</u> | <u>\$ 17,685</u> |

The following table summarizes the total stock-based compensation expense recognized in the condensed consolidated statements of operations by the following types of equity awards, including stock options, time-based and performance-based restricted stock awards. Compensation expense for performance-based awards is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria of each tranche during the respective performance periods:

| | Three Months Ended June 30, | |
|-----------------------------------|--------------------------------|------------------|
| | 2024 | 2023 |
| Equity Incentive Plan Options | \$ 248 | \$ 320 |
| Restricted Stock and other awards | 19,680 | 17,365 |
| Total | <u>\$ 19,928</u> | <u>\$ 17,685</u> |

As of June 30, 2024, there was \$123.1 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. Absent the effect of forfeiture or acceleration of stock compensation cost for any departures of employees, the following table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized (excludes any future award):

| | June 30, 2024 | |
|-------------------------------|-----------------------------------|---|
| | Unrecognized Compensation Cost | Weighted Average Remaining Period to be Recognized (in years) |
| Equity Incentive Plan Options | \$ 2,214 | 3.45 |
| Restricted Stock Awards | 120,884 | 2.04 |
| Total | <u>\$ 123,098</u> | |

Equity Incentive Plan

During the three months ended June 30, 2024, the Board of Directors granted 0.5 million time-based and performance-based restricted stock units to certain employees of the Company. The aggregate value of these awards was \$82.5 million based on the grant date fair value. The performance-based awards granted during the three months ended June 30, 2024 included additional market conditions related to the Company's total shareholder return relative to its peer group over the three-year performance period. The Company recognizes compensation expense for these performance-based awards with market conditions based on the grant-date fair value calculated using a Monte Carlo model.

14. Fair Value Measurements

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

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

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| | Recurring Fair Value Measurements as of June 30, 2024 | | | |
|---|--|-----------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Current derivative instruments ⁽¹⁾ | \$ — | \$ 8,289 | \$ — | \$ 8,289 |
| Long-term derivative instruments ⁽¹⁾ | — | 645 | — | 645 |
| Long-term deferred compensation plan asset ⁽²⁾ | 37,163 | — | — | 37,163 |
| Total Assets | \$ 37,163 | \$ 8,934 | \$ — | \$ 46,097 |
| Liabilities: | | | | |
| Long-term derivative instruments ⁽¹⁾ | — | 1,686 | — | 1,686 |
| Long-term deferred compensation plan liability ⁽²⁾ | 37,163 | — | — | 37,163 |
| Total Liabilities | \$ 37,163 | \$ 1,686 | \$ — | \$ 38,849 |

| | Recurring Fair Value Measurements as of March 31, 2024 | | | |
|---|---|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Current derivative instruments ⁽¹⁾ | \$ — | \$ 8,713 | \$ — | \$ 8,713 |
| Long-term derivative instruments ⁽¹⁾ | — | 1,556 | — | 1,556 |
| Long-term deferred compensation plan asset ⁽²⁾ | 28,957 | — | — | 28,957 |
| Total Assets | \$ 28,957 | \$ 10,269 | \$ — | \$ 39,226 |
| Liabilities: | | | | |
| Long-term deferred compensation plan liability ⁽²⁾ | 28,957 | — | — | 28,957 |
| Total Liabilities | \$ 28,957 | \$ — | \$ — | \$ 28,957 |

⁽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, "Derivatives," to the condensed consolidated financial statements 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 and liabilities represent investments held in a consolidated trust to fund the Company's non-qualified deferred compensation plan and are recorded in other long-term assets and other long-term liabilities on our condensed consolidated balance sheets.

The fair value of the Company's cash and cash equivalents, which are Level 1 inputs, approximated its carrying value at June 30, 2024 and March 31, 2024. The Company's cash and cash equivalent balances presented on the accompanying condensed consolidated balance sheets include \$98.2 million and \$192.7 million of marketable securities in money market funds as of June 30, 2024 and March 31, 2024, respectively.

The Company's long-term debt is carried at amortized cost and is measured at fair value quarterly for disclosure purposes. The estimated fair values are determined using quoted prices or other market information obtained from recent trading activity of the debt in markets that are not active (Level 2 inputs). The fair value is corroborated by prices derived from the interest rate spreads of recently completed leveraged loan transactions of a similar credit profile, industry, and terms to that of the Company. The fair value of the Senior Notes are determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs). The carrying amount and estimated fair value of long-term debt consists of the following:

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| | June 30, 2024 | | March 31, 2024 | |
|------------------------------|-----------------|----------------------|-----------------|----------------------|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Term Loan A | \$ 1,577,813 | \$ 1,573,868 | \$ 1,588,125 | \$ 1,582,170 |
| 3.875% Senior Notes due 2028 | 700,000 | 659,785 | 700,000 | 656,677 |
| 4.000% Senior Notes due 2029 | 500,000 | 469,020 | 500,000 | 465,470 |
| 5.950% Senior Notes due 2033 | 650,000 | 667,654 | 650,000 | 672,815 |

For our investments that are measured at fair value on a non-recurring basis, we did not have any material measurement adjustments during the three months ended June 30, 2024, with the exception of the assets and liabilities acquired through our acquisitions (see Note 5, "Acquisition, Goodwill and Intangible Assets," to the condensed consolidated financial statements).

15. Commitments and Contingencies

Letters of Credit and Third-Party Guarantees

As of June 30, 2024 and March 31, 2024, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$4.8 million and \$4.4 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2024 and March 31, 2024, respectively, approximately \$1.7 million and \$1.3 million of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$7.5 million facility of which \$4.4 million was available to the Company at both June 30, 2024 and March 31, 2024.

Government Contracting Matters - Provision for Claimed Indirect Costs

For the three months ended June 30, 2024 and 2023, approximately 99% and 98%, respectively, of the Company's revenue was generated from contracts where the end user was an agency or department of the U.S. government, including contracts where the Company performed either as a prime contractor or subcontractor, and regardless of the geographic location in which the work was performed. As noted in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024, in the ordinary course of business, agencies of the U.S. government, including the Defense Contract Audit Agency ("DCAA"), audit the Company's claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts. Based upon DCAA's recent audit findings, the Company reduced a portion of its provision for claimed indirect costs related to fiscal 2022 by approximately \$18.3 million during the second quarter of fiscal 2024, which resulted in a corresponding increase to revenue, to reflect our best estimate of the final indirect cost rates for fiscal 2022. Operating income for the fiscal year ended March 31, 2024 was accordingly increased by \$18.3 million and net income was increased by \$13.5 million (or \$0.10 of basic and diluted earnings per common share for the fiscal year ended March 31, 2024). Our final indirect cost rates for fiscal 2022 remain subject to negotiation with the Defense Contract Management Agency ("DCMA") Administrative Contracting Officer. Management believes it has recorded the appropriate provision for claimed indirect costs for any audit, inquiry, or investigation of which it is aware that may be subject to any reductions and/or penalties. As of June 30, 2024 and March 31, 2024, the Company had recorded liabilities of approximately \$374.8 million and \$363.7 million, respectively, for estimated adjustments to claimed indirect costs based on its historical DCAA audit results, including the final resolution of such audits with DCMA, for claimed indirect costs incurred subsequent to fiscal 2011, and for contracts not yet closed that are subject to audit and final resolution.

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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 both June 30, 2024 and March 31, 2024, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings as either the amounts are immaterial or the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with these matters.

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, 2024 filed with the Securities and Exchange Commission on May 24, 2024, or Annual Report, and under Part II, “Item 1A. Risk Factors,” and “—Special Note Regarding Forward Looking Statements” of this Quarterly Report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

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

Overview

Trusted to transform missions with the power of tomorrow’s technologies, Booz Allen advances the nation’s most critical civil, defense, and national security priorities. Our ability to deliver value to our clients has always been, and continues to be, a product of the strong character, expertise and tremendous passion of our people. Our approximately 35,100 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, cyber and artificial intelligence, all fostered by a culture of innovation that extends to all reaches of the Company.

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

Financial and Other Highlights

During the first quarter of fiscal 2025, the Company generated year over year revenue growth and increased client staff headcount.

Revenue increased 10.8% to \$2,941.8 million in the three months ended June 30, 2024 from \$2,654.5 million in the three months ended June 30, 2023. The increase was primarily driven by strong demand for our services and solutions as well as continued headcount growth.

Operating income increased 8.9% to \$255.2 million in the three months ended June 30, 2024 from \$234.4 million in the three months ended June 30, 2023 and operating margin decreased from 8.8% in the prior year period to 8.7%. Operating income was primarily driven by revenue growth, but operating margin was negatively impacted by higher than anticipated expenses.

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

- “Revenue, Excluding Billable Expenses” represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our client staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.
- “Adjusted Operating Income” represents operating income before acquisition and divestiture costs, significant acquisition amortization, and the reserve associated with the U.S. Department of Justice investigation disclosed in Note 20, “Commitments and Contingencies,” in the Annual Report on Form 10-K for the fiscal year ended March 31, 2024. 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 acquisition and divestiture costs and the reserve associated with the U.S. Department of Justice investigation disclosed in Note 20, “Commitments and Contingencies,” in the Annual Report on Form 10-K for the fiscal year ended March 31, 2024. “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) acquisition and divestiture costs, (ii) significant acquisition amortization, (iii) the reserve associated with the U.S. Department of Justice investigation disclosed in Note 20, “Commitments and Contingencies,” in the Annual Report on Form 10-K for the fiscal year ended March 31, 2024, and (iv) amortization and write-off of debt issuance costs and debt discount, in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view Adjusted Net Income as an important indicator of performance consistent with the manner in which management measures and forecasts the Company's performance and the way in which management is incentivized to perform.
- “Adjusted Diluted EPS” represents diluted EPS calculated using Adjusted Net Income as opposed to net income. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the condensed consolidated financial statements.
- “Free Cash Flow” represents the net cash generated from operating activities less the impact of purchases of property, equipment, and software. “Free Cash Flow Conversion” is calculated as Free Cash Flow divided by Adjusted Net Income.

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

| (In thousands, except share and per share data) | Three Months Ended June 30, | |
|---|--|---------------------|
| | 2024 | 2023 |
| | (Unaudited) | |
| <i>Revenue, Excluding Billable Expenses</i> | | |
| Revenue | \$ 2,941,797 | \$ 2,654,486 |
| Less: Billable expenses | 944,981 | 812,304 |
| Revenue, Excluding Billable Expenses | <u>\$ 1,996,816</u> | <u>\$ 1,842,182</u> |
| <i>Adjusted Operating Income</i> | | |
| Operating income | \$ 255,164 | \$ 234,418 |
| Acquisition and divestiture costs (a) | 5,670 | 3,268 |
| Significant acquisition amortization (b) | 12,684 | 13,108 |
| Legal matter reserve (c) | — | 27,453 |
| Adjusted Operating Income | <u>\$ 273,518</u> | <u>\$ 278,247</u> |
| <i>EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin on Revenue & Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses</i> | | |
| Net income | \$ 165,233 | \$ 161,388 |
| Income tax expense | 49,128 | 39,480 |
| Interest and other, net (d) | 40,803 | 33,550 |
| Depreciation and amortization | 41,129 | 41,847 |
| EBITDA | 296,293 | 276,265 |
| Acquisition and divestiture costs (a) | 5,670 | 3,268 |
| Legal matter reserve (c) | — | 27,453 |
| Adjusted EBITDA | <u>\$ 301,963</u> | <u>\$ 306,986</u> |
| Net income margin | 5.6% | 6.1% |
| Adjusted EBITDA Margin on Revenue | 10.3% | 11.6% |
| Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses | 15.1% | 16.7% |

| (In thousands, except share and per share data) | Three Months Ended June 30, | |
|---|--------------------------------|--------------------|
| | 2024 | 2023 |
| | (Unaudited) | |
| Adjusted Net Income | | |
| Net income | \$ 165,233 | \$ 161,388 |
| Acquisition and divestiture costs (a) | 5,670 | 3,268 |
| Significant acquisition amortization (b) | 12,684 | 13,108 |
| Legal matter reserve (c) | — | 27,453 |
| Amortization and write-off of debt issuance costs and debt discount | 1,076 | 782 |
| Adjustments for tax effect (e) | (5,052) | (12,942) |
| Adjusted Net Income | <u>\$ 179,611</u> | <u>\$ 193,057</u> |
| Adjusted Diluted Earnings Per Share | | |
| Weighted-average number of diluted shares outstanding | 129,917,263 | 131,530,633 |
| Diluted earnings per share | \$ 1.27 | \$ 1.22 |
| Adjusted Net Income Per Diluted Share (f) | <u>\$ 1.38</u> | <u>\$ 1.47</u> |
| Free Cash Flow | | |
| Net cash provided by (used in) operating activities | \$ 52,128 | \$ (71,532) |
| Less: Purchases of property, equipment and software | (32,442) | (10,488) |
| Free cash flow | <u>\$ 19,686</u> | <u>\$ (82,020)</u> |
| Operating cash flow conversion | 32% | (44)% |
| Free cash flow conversion | 11% | (42)% |

- (a) Represents costs associated with the acquisition efforts of the Company related to transactions for which the Company has entered into a letter of intent to acquire a controlling financial interest in the target entity. Transactions primarily include the acquisitions of EverWatch Corp. (“EverWatch”) in fiscal 2023 and PAR Government Systems Corporation (“PGSC”) in fiscal 2025. See Note 5, “Acquisition, Goodwill, and Intangible Assets,” See Note 5, “Acquisition, Goodwill and Intangible Assets,” to the condensed consolidated financial statements for further information.
- (b) Amortization expense associated with acquired intangibles from significant acquisitions.
- (c) Reserve associated with the U.S. Department of Justice's investigation of the Company. See Note 20, “Commitments and Contingencies,” in the Annual Report on Form 10-K for the fiscal year ended March 31, 2024 for further information about this item.
- (d) Reflects the combination of Interest expense and Other income, net from the condensed consolidated statement of operations.
- (e) Reflects the tax effect of adjustments at an assumed effective tax rate of 26%, which approximates the blended federal and state tax rates, and consistently excludes the impact of other tax credits and incentive benefits realized. The tax effect of certain discrete items is calculated specifically and may vary from the general 26% rate.
- (f) Excludes adjustments of approximately \$0.8 million and \$1.2 million of net earnings for the three months ended June 30, 2024 and June 30, 2023, respectively, associated with the application of the two-class method for computing diluted earnings per share.

Factors and Trends Affecting Our Results of Operations

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

Business Environment and Key Trends in Our Markets

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

- uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to approve funding of the U.S. government, address budgetary constraints, including caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 (“BCA”) and subsequently adjusted by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, the Bipartisan Budget Act of 2015, the Bipartisan Budget Act of 2018, and the Bipartisan Budget Act of 2019, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), and the Consolidated Appropriations Act of 2021, and address the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps;
- budget deficits and the growing U.S. national debt increasing pressure on the U.S. government to reduce federal spending across all federal agencies together with associated uncertainty about the size and timing of those reductions;
- cost-cutting and efficiency initiatives, current and future budget restrictions, continued implementation of Congressionally mandated automatic spending cuts, and other efforts to reduce U.S. government spending could cause clients to reduce or delay funding for orders for services or invest appropriated funds on a less consistent or rapid basis or not at all, particularly when considering long-term initiatives and in light of current uncertainty around Congressional efforts to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits, and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- delays in the completion of future U.S. government’s budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;
- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence, defense-related programs as certain overseas operations end, and continued increased spending on cybersecurity, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration, and healthcare, including as a result of the presidential and administration transition;
- the extent, nature and effect of disease outbreaks, pandemics and widespread health epidemics, such as COVID-19, including the impact on federal budgets, current and pending procurements, supply chains, demand for services, deployment and productivity of our employees and the economic and societal impact of a pandemic, and the expected continued volatility in billable expenses;
- increased inflationary pressure that could impact the cost of doing business and/or reduce customer buying power;
- risks related to a possible recession and volatility or instability of the global financial system, including bank failures and the resulting impact on counterparties and business conditions generally;
- legislative and regulatory changes, or shifts in regulatory priorities as a result of U.S. administration transitions, including limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- efforts by the U.S. government to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors;
- increased audit, review, investigation, and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws;
- the federal focus on refining the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments, which will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;
- negative publicity and increased scrutiny of government contractors in general, including us, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information;

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

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our client staff and, to a lesser extent, our subcontractors. Funding for our contracts and task orders is generally linked to trends in budgets and spending across various U.S. government agencies and departments. We provide services under a large portfolio of contracts and contract vehicles to a broad client base, and we believe that our diversified contract and client base lessens potential volatility in our business; however, a reduction in the amount of services that we are contracted to provide to the U.S. government or any of our significant U.S. government clients could have a material adverse effect on our business and results of operations. In particular, the Department of Defense is one of our significant clients, and the BCA originally required nine automatic spending cuts (referred to as “sequestration”) of \$109 billion annually from 2013 to 2021, half of which was intended to come from defense programs, though less than \$1 billion has been cut for defense programs per year under the BCA. Mandatory sequestrations under the BCA were subsequently extended by the Bipartisan Budget Acts of 2013, 2015, 2018 and 2019, the Military Retired Pay Restoration Act, the CARES Act and the Infrastructure Investment and Jobs Act. The extension of the mandatory sequestration applies an 8.3% reduction in defense spending in each year from 2021 through 2031. This could result in a commensurate reduction in the amount of services that we are contracted to provide to the Department of Defense and could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions required by the BCA may return and/or be applied, we are unable to predict the nature or magnitude of the potential adverse effect.

Contract Types

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

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

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

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

The table below presents the percentage of total revenue for each type of contract as of the respective periods presented:

| | Three Months Ended June 30, | |
|--------------------|--------------------------------|------|
| | 2024 | 2023 |
| Cost-reimbursable | 56% | 55% |
| Time-and-materials | 23% | 24% |
| Fixed-price | 21% | 21% |

Contract Diversity and Revenue Mix

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

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

Our People

Revenue from our contracts is derived from services delivered by client staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of June 30, 2024 and 2023, we employed approximately 35,100 and 32,600 people, respectively, of which approximately 32,000 and 29,700, respectively, were client staff.

Contract Backlog

We define backlog to include the following three components:

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

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

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

| | June 30, 2024 | June 30, 2023 |
|----------------|------------------|------------------|
| | (In millions) | |
| Backlog (1): | | |
| Funded | \$ 5,136 | \$ 4,903 |
| Unfunded | 10,119 | 9,045 |
| Priced options | 20,923 | 17,329 |
| Total backlog | <u>\$ 36,178</u> | <u>\$ 31,277</u> |

(1) Backlog presented as of June 30, 2024 includes approximately \$230.5 million of backlog acquired from the Company's acquisition of PAR Government Systems Corporation ("PGSC").

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the period of performance has expired, and unexercised option period and other unexercised optional orders. As of June 30, 2024 and March 31, 2024, the Company had \$9.6 billion and \$8.7 billion of remaining performance obligations, respectively. We expect to recognize approximately 70% of the remaining performance obligations as of June 30, 2024 as revenue over the next 12 months, and approximately 80% 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, 2024, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all. Our backlog includes orders under contracts that in some cases extend for several years. The U.S. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We view growth in total backlog and client staff headcount as the two key measures of our potential business growth. Growing and deploying client staff is the primary means by which we are able to achieve profitable revenue growth. To the extent that we are able to hire additional client staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog increased by 15.7% from June 30, 2023 to June 30, 2024. Additions to funded backlog during the twelve months ended June 30, 2024 and 2023 totaled \$11.2 billion and \$10.5 billion, respectively, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options. We report internally on our backlog on a monthly basis and review backlog upon occurrence of certain events to determine if any adjustments are necessary.

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

In addition, contract backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the U.S. government's fiscal year. The revenue value of orders included in contract backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 4.8% of total backlog as of June 30, 2024 or during any of the three preceding fiscal quarters.

We expect to recognize revenue from a substantial portion of funded backlog as of June 30, 2024 within the next twelve months. However, given the uncertainties discussed above, as well as the risks described in "Part I, Item 1A. Risk Factors," of our fiscal 2024 Annual Report on Form 10-K, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

Government Audit Impact on Operating Income

As noted in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024, in the ordinary course of business, agencies of the U.S. government for which the Company is engaged as a prime contractor or a subcontractor, including the Defense Contract Audit Agency, audit the Company's claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts. Such audits may result in, and have historically resulted in, the Company's inability to retain certain claimed indirect costs, including executive and employee compensation, due to differing views of the allowability and reasonableness of such costs.

Following the settlement of the civil and criminal investigation of the Company by the U.S. Department of Justice ("DOJ") previously disclosed in Note 20, "Commitments and Contingencies," to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024, audits for years subsequent to the Company's fiscal year 2011 have resumed and remain subject to final resolution. As discussed in Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements, the Company recognized a reserve for estimated adjustments to historical claimed indirect costs in respect of the years subsequent to fiscal 2011. As audits of the periods subsequent to 2011 are completed, our estimates of adjustment to claimed indirect costs for these periods could change. Any such change could materially impact our reported revenue, operating income, net income and basic and diluted earnings per common share.

Operating Costs and Expenses

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

Our most significant operating costs and expenses are described below.

- *Cost of Revenue.* Cost of revenue includes direct labor, related employee benefits, and overhead. Overhead consists of indirect costs, including indirect labor relating to infrastructure, management and administration, and other expenses.
- *Billable Expenses.* Billable expenses include direct subcontractor expenses, travel expenses, and other expenses incurred to perform on contracts.
- *General and Administrative Expenses.* General and administrative expenses include indirect labor of executive management and corporate administrative functions, marketing and bid and proposal costs, legal costs, and other discretionary spending.

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

Seasonality

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

Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period. See "Part I, Item 1A. Risk Factors," of our fiscal 2024 Annual Report on Form 10-K.

Critical Accounting Estimates and Policies

Our critical accounting estimates and policies are disclosed in the Critical Accounting Estimates and Policies section in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended March 31, 2024. There were no material changes to our critical accounting policies, estimates or judgments that occurred during the periods covered by this report.

Results of Operations

The following table sets forth items from our condensed consolidated statements of operations for the three months ended June 30, 2024 and June 30, 2023:

| | Three Months Ended June 30, | | Percent Change |
|-------------------------------------|--|--------------------|---------------------------|
| | 2024 | 2023 | |
| | (Unaudited) | (Unaudited) | |
| | (In thousands) | | |
| Revenue | \$ 2,941,797 | \$ 2,654,486 | 10.8 % |
| Operating costs and expenses: | | | |
| Cost of revenue | 1,371,234 | 1,251,916 | 9.5 % |
| Billable expenses | 944,981 | 812,304 | 16.3 % |
| General and administrative expenses | 329,289 | 314,001 | 4.9 % |
| Depreciation and amortization | 41,129 | 41,847 | (1.7)% |
| Total operating costs and expenses | 2,686,633 | 2,420,068 | 11.0 % |
| Operating income | 255,164 | 234,418 | 8.9 % |
| Interest expense | (45,931) | (35,474) | 29.5 % |
| Other income, net | 5,128 | 1,924 | 166.5 % |
| Income before income taxes | 214,361 | 200,868 | 6.7 % |
| Income tax expense | 49,128 | 39,480 | 24.4 % |
| Net income | \$ 165,233 | \$ 161,388 | 2.4 % |

Revenue

Revenue increased 10.8% to \$2.9 billion, primarily driven by strong demand for our services and solutions as well as continued headcount growth. Total headcount as of June 30, 2024 increased by approximately 2,500 as compared to June 30, 2023.

Cost of Revenue

Cost of revenue increased 9.5% to \$1.4 billion, and decreased as a percentage of revenue to 46.6% from 47.2%. The increase was primarily due to increases in salaries and salary-related benefits of \$135.2 million driven by increased headcount and salary increases, partially offset by a decrease in other business expenses and professional fees of \$19.3 million as compared to the prior year.

Billable Expenses

Billable expenses increased 16.3% to \$945.0 million, and increased as a percentage of revenue to 32.1% from 30.6%. The increases were primarily attributable to increases in the use of subcontractors driven by client demand and timing of client needs, as well as increases in expenses from contracts requiring the Company to incur other direct expenses and travel on behalf of clients as compared to the prior year.

General and Administrative Expenses

General and administrative expenses increased 4.9% to \$329.3 million, and decreased as a percentage of revenue to 11.2% from 11.8%. Fiscal 2024 general and administrative expenses were impacted by a \$27.5 million reserve associated with the U.S. Department of Justice's investigation of the Company, partially offset by increases in salary and salary related benefits of \$19.1 million and increases in other business expenses and professional fees of \$18.9 million as compared to the prior year.

Depreciation and Amortization

Depreciation and amortization expense decreased 1.7% to \$41.1 million, primarily driven by intangible amortization related to acquisitions.

Interest Expense

Interest expense increased 29.5% to \$45.9 million, primarily due to an increase of approximately \$9.7 million in bond interest expense related to the \$650.0 million Senior Notes due 2033, issued by the Company in August of fiscal 2024.

Other Income, net

Other income, net increased to \$5.1 million from \$1.9 million, primarily driven by an increase in interest income of \$2.6 million due to a higher average cash balance combined with a slightly higher interest rate environment.

Income Tax Expense

Income tax expense increased 24.4% to \$49.1 million. The effective tax rate increased to 22.9% from 19.7%, primarily due to indirect benefits of Section 174 research and development capitalization recognized during fiscal 2024 and excess tax benefits from stock based compensation.

Liquidity and Capital Resources

As of June 30, 2024, our total liquidity was \$1.3 billion, consisting of \$297.7 million of cash and cash equivalents and \$998.3 million available under the Revolving Credit Facility. In the opinion of management, we will be able to meet our liquidity and cash needs through a combination of cash flows from operating activities, available cash balances, and available borrowing under the Revolving Credit Facility. If these resources need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities.

The following table presents selected financial information as of June 30, 2024 and March 31, 2024 and for the first three months of fiscal 2025 and 2024:

| | June 30, 2024 | March 31, 2024 |
|---|--|---------------------------|
| | (Unaudited) | (Unaudited) |
| | (In thousands) | |
| Cash and cash equivalents | \$ 297,664 | \$ 554,257 |
| Total debt | \$ 3,402,539 | \$ 3,411,816 |
| | Three Months Ended June 30, | |
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | (In thousands) | |
| Net cash provided by (used in) operating activities | \$ 52,128 | \$ (71,532) |
| Net cash used in investing activities | (127,327) | (15,054) |
| Net cash used in financing activities | (181,394) | (108,636) |
| Net decrease in cash and cash equivalents | <u>\$ (256,593)</u> | <u>\$ (195,222)</u> |

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.

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

- operating expenses, including salaries;
- working capital requirements to fund both organic and inorganic growth of our business;
- capital expenditures which primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support our operations;
- the ongoing maintenance around all financial management systems;
- commitments and other discretionary investments;
- debt service requirements for borrowings under our Credit Agreement and interest payments for the Senior Notes due 2028, Senior Notes due 2029 and Senior Notes due 2033; and
- cash taxes to be paid.

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

On June 7, 2024, the Company completed the acquisition of PAR Government Systems Corporation (“PGSC”), a wholly owned subsidiary of PAR Technology Corporation, for approximately \$94.8 million, net of post-closing adjustments and incurred transaction costs as part of the acquisition. See Note 5, “Acquisition, Goodwill and Intangible Assets,” to our condensed consolidated financial statements for additional information related to the acquisition of PGSC.

During the first quarter of fiscal 2024, we borrowed \$75.0 million on our Revolving Credit Facility for working capital needs, which was subsequently repaid in the second quarter of fiscal 2024. We have not borrowed on our Revolving Credit Facility in the first quarter of fiscal 2025.

Cash Flows

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

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

Operating Cash Flow

Net cash provided by operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect cash from clients in a timely manner, our ability to manage our vendor payments and the timing of cash paid for income taxes. Continued uncertainty in global economic conditions, including any potential impact of the U.S. government's failure to raise the debt ceiling, may also affect our business as customers and suppliers may decide to downsize, defer, or cancel contracts, which could negatively affect our operating cash flows. Net cash provided by operations was \$52.1 million for the three months ended June 30, 2024 compared to \$71.5 million of net cash used in operations in the prior year period. Operating cash was primarily driven by strong collections and overall revenue growth, partially offset by increased disbursements.

Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for U.S. based research and development. This provision negatively impacted our fiscal 2024 cash from operations, but had an offsetting impact on the deferred tax asset. The Company expects a similar impact in fiscal 2025, although the impact to cash and deferred taxes is expected to be smaller than in fiscal 2024. Prospectively, the future impact of this provision will depend on if and when this provision is deferred, modified, or repealed by Congress, including if retroactively, any guidance issued by the Treasury Department regarding the identification of appropriate costs for capitalization, and the amount of future research and development expenses paid or incurred (among other factors). While the largest impact was to fiscal 2023 cash from operations, the impact will continue over the five year amortization period, but will decrease over the period and is expected to be less significant in year six.

Investing Cash Flow

Net cash used in investing activities was \$127.3 million in the three months ended June 30, 2024 compared to \$15.1 million in the prior year period. The increase in investing cash used over the prior year was primarily due to the Company's acquisition of PGSC.

Financing Cash Flow

Net cash used in financing activities was \$181.4 million in the three months ended June 30, 2024 compared to \$108.6 million in the prior year period. The increase in financing cash used year over year was primarily due to a \$75.0 million draw on the Company's revolving credit facility in the prior year, not present this year, partially offset by a decrease of \$12.1 million in share repurchases year over year.

Dividends and Share Repurchases

On July 26, 2024, the Company announced a regular quarterly cash dividend in the amount of \$0.51 per share. The quarterly dividend is payable on August 30, 2024 to stockholders of record on August 14, 2024.

During the three months ended June 30, 2024, a quarterly cash dividend of \$0.51 per share was declared and paid totaling \$66.4 million.

On December 12, 2011, the Board of Directors approved a share repurchase program, which was most recently increased by \$525.0 million to \$3,085.0 million on May 22, 2024. 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 three months of fiscal 2025, the Company purchased 0.5 million shares of the Company's Class A Common Stock for an aggregate of \$78.3 million. As of June 30, 2024, the Company had approximately \$929.9 million remaining under the repurchase program.

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

Indebtedness

Booz Allen Hamilton Inc. (“Booz Allen Hamilton”), Booz Allen Hamilton Investor Corporation (“Investor”), and certain wholly owned subsidiaries of Booz Allen Hamilton are parties to a Credit Agreement dated as of July 31, 2012, as amended (the “Credit Agreement”), with certain institutional lenders and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender. As of June 30, 2024, the Credit Agreement provided Booz Allen Hamilton with a \$1,577.8 million Term Loan A (“Term Loan A”) and a \$1.0 billion revolving credit facility (the “Revolving Credit Facility”), with a sub-limit for letters of credit of \$200.0 million. As of June 30, 2024, the maturity date of Term Loan A and the Revolving Commitments is September 7, 2027. Voluntary prepayments of Term Loan A and the Revolving Loans are permitted at any time, in minimum principal amounts, without premium or penalty. Booz Allen Hamilton’s obligations and the guarantors’ guarantees under the Credit Agreement were secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement and related documentation; such security was released in connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody’s and S&P. On September 7, 2022 (the “Ninth Amendment Effective Date”), the previously outstanding Term Loan B loans under the Credit Agreement were prepaid in full.

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

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

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

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

The Company occasionally borrows under the Revolving Credit Facility for our working capital needs. During the first quarter of fiscal 2024, we borrowed \$75.0 million on our Revolving Credit Facility for working capital needs, which was subsequently repaid in the second quarter of fiscal 2024. There were no borrowings during the first quarter of fiscal 2025 and as of June 30, 2024 and March 31, 2024, respectively, there was no outstanding balance on the Revolving Credit Facility.

Borrowings under Term Loan A, and if used, the Revolving Credit Facility, incur interest at a variable rate. As of June 30, 2024, Booz Allen Hamilton had interest rate swaps with an aggregate notional amount of \$550.0 million. These instruments hedge the variability of cash outflows for interest payments on the Credit Agreement. The Company’s objectives in using cash flow hedges are to reduce volatility due to interest rate movements and to add stability to interest expense. See Note 9, “Derivatives,” to our condensed consolidated financial statements for further information.

Interest payments made on the Company's term loan during the quarter ended June 30, 2024 and 2023, respectively, were \$26.8 million and \$26.1 million.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. In connection with Booz Allen Hamilton obtaining investment grade ratings from both Moody's and S&P, certain activities previously restricted by certain negative covenants are permitted subject to pro forma compliance with the financial covenants and no events of default having occurred or are continuing. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, specifically the consolidated net total leverage ratio. As of June 30, 2024 and March 31, 2024, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

As of June 30, 2024 and March 31, 2024, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$4.8 million and \$4.4 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2024 and March 31, 2024, respectively, approximately \$1.7 million and \$1.3 million of these instruments reduced the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$7.5 million facility of which \$4.4 million was available to the Company at both June 30, 2024 and March 31, 2024.

Senior Notes

The following table summarizes the material terms of the Company's Senior Notes as of June 30, 2024:

| | Indenture Date | Principal | Interest Rate | Maturity Date | Interest Payable | Issuance Costs |
|-----------------------|----------------|---------------------|---------------|---------------|-----------------------|------------------|
| Senior Notes due 2033 | 8/4/2023 | \$ 650,000 | 5.950% | 8/4/2033 | February and August 4 | \$ 12,400 |
| Senior Notes due 2029 | 6/17/2021 | 500,000 | 4.000% | 7/1/2029 | July and January 1 | 6,500 |
| Senior Notes due 2028 | 8/24/2020 | 700,000 | 3.875% | 9/1/2028 | March and September 1 | 9,200 |
| Total | | <u>\$ 1,850,000</u> | | | | <u>\$ 28,100</u> |

Interest is payable semi-annually in cash in arrears, with the principal due at maturity. Issuance Costs were recorded as an offset against the carrying value of respective debt and are being amortized to interest expense over the term of the respective debt. For further information on the Senior Notes, including terms, conditions, restrictions and redemption options, see Note 10, "Debt," of the Company's consolidated financial statements included in the fiscal 2024 Annual Report on Form 10-K.

All Senior Notes' indentures contain certain covenants, events of default and other customary provisions. In connection with the Senior Notes obtaining investment grade ratings from Moody's and S&P, in January 2023, certain negative covenants in the indentures governing the Senior Notes 2028 and Senior Notes 2029 were suspended, and the related guarantees were released. The Senior Notes due 2033 are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Booz Allen Hamilton Holding Corporation, pursuant to the relevant indenture.

Summarized Financial Information

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

The tables below present the summarized financial information as combined for the Company and Booz Allen Hamilton as of March 31, 2024 and as of and for the three months ended June 30, 2024, after the elimination of intercompany transactions and balances between the Company and Booz Allen Hamilton and excluding the subsidiaries of the Company that are not issuers or guarantors of the Senior Notes due 2033, including earnings from and investments in these entities. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under Regulation S-X and is not intended to present our financial position or results of operations in accordance with GAAP.

Summarized Statements of Financial Condition
(in thousands)

| | June 30, 2024 | March 31, 2024 |
|---|---------------|----------------|
| Intercompany receivables from non-guarantor subsidiaries | \$ 90,297 | \$ 62,012 |
| Total other current assets | \$ 2,541,992 | \$ 2,618,239 |
| Goodwill and intangible assets, net of accumulated amortization | \$ 1,502,823 | \$ 1,499,616 |
| Total other non-current assets | \$ 897,697 | \$ 853,623 |
| Intercompany payables to non-guarantor subsidiaries | \$ 18,943 | \$ 13,408 |
| Total other current liabilities | \$ 1,699,081 | \$ 1,641,369 |
| Long-term debt, net of current portion | \$ 3,330,351 | \$ 3,349,941 |
| Total other non-current liabilities | \$ 471,330 | \$ 457,290 |

Summarized Statement of Operations
(in thousands)

| | Three Months Ended June 30, 2024 |
|--|-------------------------------------|
| Revenue | \$ 2,760,256 |
| Revenue from non-guarantor subsidiaries | \$ 150,625 |
| Operating income | \$ 106,482 |
| Operating income from non-guarantor subsidiaries | \$ 143,119 |
| Net income | \$ 161,015 |
| Net income attributable to the Obligor Group | \$ 161,015 |

Capital Structure and Resources

Our stockholders' equity amounted to \$1,083.9 million as of June 30, 2024, an increase of \$37.3, compared to stockholders' equity of \$1,046.6 million as of March 31, 2024. The increase was primarily due to net income of \$165.2 million and stock-based compensation expense of \$19.9 million during the three months ended June 30, 2024, partially offset by \$89.9 million in treasury stock resulting from the repurchase of shares of our Class A Common Stock, and \$67.4 million in quarterly dividend payments for the three months ended June 30, 2024.

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, 2024 and 2023 were \$32.4 million and \$10.5 million, respectively. The increase is primarily driven by an increase in leasehold improvements and secure space updates to our leased facilities in the current period.

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits, and other uncertainties related to our business. For a discussion of these items, refer to Note 15, "Commitments and Contingencies," to our condensed consolidated financial statements.

Special Note Regarding Forward Looking Statements

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

- any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular;
- changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support, or as a result of U.S. administration transitions;

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

- risks related to pending, completed and future acquisitions and dispositions, including the ability to satisfy specified closing conditions for pending transactions, such as those related to receipt of regulatory approval or lack of regulatory intervention, and to realize the expected benefits from completed acquisitions and dispositions;
- the incurrence of additional tax liabilities, including as a result of changes in tax laws or management judgments involving complex tax matters;
- risks inherent in the government contracting environment;
- continued efforts to change how the U.S. government reimburses compensation related costs and other expenses or otherwise limits such reimbursements, and an increased risk of compensation being deemed unreasonable and unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;
- increased insourcing by various U.S. government agencies due to changes in the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the impact of changes in accounting rules and regulations, or interpretations thereof, that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue;
- the impact of ESG-related risks and climate change generally on our and our clients’ businesses and operations; and
- other risks and factors listed under “Item 1A. Risk Factors” and elsewhere in this Quarterly Report, as well as those listed under “Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2024.

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, 2024 filed with the Securities and Exchange Commission on May 24, 2024.

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 the 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 been no 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, 2024 and March 31, 2024, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

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 (“Langley”) naming the Company, its Chief Executive Officer, and its former 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 asserted 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 were the subject of the investigation of the Company by the U.S. Department of Justice (“DOJ”), which has been closed or settled. See Note 20, “Commitments and Contingencies,” to the consolidated financial statements contained within our Annual Report on Form 10-K for the fiscal year ended March 31, 2024. Motions to dismiss were argued on January 12, 2018, and on February 8, 2018, the court dismissed the amended complaint in its entirety without prejudice. On September 22, 2023, plaintiffs filed a motion for leave to amend the dismissed amended complaint or, in the alternative, for relief from the court’s prior dismissal order, and on October 16, 2023, the court denied plaintiffs’ motion. On November 15, 2023, plaintiffs filed with the United States Court of Appeals for the Fourth Circuit a notice of appeal from the district court’s denial of plaintiffs’ motion. On April 22, 2024, plaintiffs filed a motion for the voluntary dismissal with prejudice of the appeal, and on April 23, 2024, the court granted plaintiffs’ motion.

On November 13, 2017, a Verified Shareholder Derivative Complaint was filed in the United States District Court for the District of Delaware styled *Celine Thum v. Rozanski et al.*, C.A. No. 17-cv-01638, naming the Company as a nominal defendant and numerous current and former officers and directors as defendants. The complaint asserts claims for breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act, purportedly relating to matters that are the subject of the DOJ investigation described above. The parties have stipulated to a stay of the proceedings pending the outcome of the securities litigation (described above), which the court so ordered on January 24, 2018. On December 12, 2019, the court ordered that the stay remain in effect and ordered the parties to submit periodic status reports. Starting on May 27, 2020, the parties have submitted periodic status reports as ordered by the court stating that plaintiff believes the stay should remain in effect and defendants do not object to the stay remaining in effect. On May 20, 2024, the parties filed a joint stipulation for the voluntary dismissal without prejudice of the action, and the court so ordered the joint stipulation.

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, 2024 filed with the Securities and Exchange Commission on May 24, 2024.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table shows the share repurchase activity for each of the three months in the quarter ended June 30, 2024:

| 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 2024 | 170,742 | \$146.11 | 170,742 | \$ 458,240,134 |
| May 2024 | 165,502 | \$151.03 | 165,502 | \$ 958,243,633 |
| June 2024 | 186,373 | \$151.91 | 186,373 | \$ 929,931,939 |
| Total | 522,617 | | 522,617 | |

⁽¹⁾ On December 12, 2011, the Board of Directors approved a share repurchase program, which was most recently increased by \$525.0 million to \$3,085.0 million on May 22, 2024. A special committee of the Board of Directors was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. The above table does not factor in any increases to the share repurchase program subsequent to June 30, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information**Disclosure of Trading Arrangements**

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

During the quarter ended June 30, 2024, the following activity occurred requiring disclosure under Item 408(a) of Regulation S-K:

Matthew A. Calderone, our Chief Financial Officer, adopted a new Rule 10b5-1 trading arrangement on June 5, 2024 that will terminate on June 6, 2025. Under the trading arrangement, up to an aggregate of 7,930 shares of common stock are available to be sold by the broker upon reaching pricing targets defined in the trading arrangement.

Nancy J. Laben, our Chief Legal Officer, adopted a new Rule 10b5-1 trading arrangement on May 30, 2024 that will terminate on May 30, 2025. Under the trading arrangement, up to an aggregate of 11,984 shares of common stock are available to be sold by the broker upon reaching pricing targets defined in the trading arrangement.

Item 6. Exhibits

| Exhibit Number | Description |
|----------------|--|
| 22 | List of Guarantors and Subsidiary Issuers of Guaranteed Securities (Incorporated by reference to Exhibit 22 to the Company's Annual Report for the fiscal year ended March 31, 2024 on Form 10-K (File No. 001-34972)). |
| 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, 2024 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2024 and March 31, 2024; (ii) Condensed Consolidated Statements of Operations for the three months ended June 30, 2024 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2024 and 2023; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2024 and 2023; and (v) Notes to Condensed Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed electronically herewith.

SIGNATURES

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

Booz Allen Hamilton Holding Corporation
Registrant

Date: July 26, 2024

By: /s/ Matthew A. Calderone

Matthew A. Calderone
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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

I, Horacio D. Rozanski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

By: /s/ Horacio D. Rozanski
Horacio D. Rozanski
President and Chief Executive Officer
(Principal Executive Officer)

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

I, Matthew A. Calderone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Booz Allen Hamilton Holding Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

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

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the report on Form 10-Q of Booz Allen Hamilton Holding Corporation (the "Company") for the fiscal quarter ended June 30, 2024, 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 26, 2024

By: /s/ Horacio D. Rozanski

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

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

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Executive Vice President and Chief Financial Officer certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2024

By: /s/ Matthew A. Calderone

Matthew A. Calderone
Executive Vice President and Chief Financial Officer (Principal
Financial Officer)

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