

Booz Allen Hamilton Holding Corp
Form 10-Q
August 07, 2017

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, 2017

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

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

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

Delaware 26-2634160
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

8283 Greensboro Drive, McLean, Virginia 22102
(Address of principal executive offices) (Zip Code)
(703) 902-5000

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | Shares Outstanding as of August 2, 2017 |
|-------------------------------------|---|
| Class A Common Stock | 148,676,105 |
| Class B Non-Voting Common Stock | — |
| Class C Restricted Common Stock | — |
| Class E Special Voting Common Stock | — |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2017 | March 31, 2017 |
|--|--|-------------------|
| | (Unaudited) | |
| | (Amounts in thousands, except share and per share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 337,487 | \$ 217,417 |
| Accounts receivable, net of allowance | 1,073,968 | 991,810 |
| Prepaid expenses and other current assets | 95,521 | 85,253 |
| Total current assets | 1,506,976 | 1,294,480 |
| Property and equipment, net of accumulated depreciation | 138,912 | 139,167 |
| Intangible assets, net of accumulated amortization | 267,893 | 271,880 |
| Goodwill | 1,571,186 | 1,571,190 |
| Other long-term assets | 90,558 | 96,388 |
| Total assets | \$ 3,575,525 | \$ 3,373,105 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 63,150 | \$ 193,150 |
| Accounts payable and other accrued expenses | 508,430 | 504,117 |
| Accrued compensation and benefits | 227,036 | 263,816 |
| Other current liabilities | 146,651 | 140,318 |
| Total current liabilities | 945,267 | 1,101,401 |
| Long-term debt, net of current portion | 1,798,655 | 1,470,174 |
| Other long-term liabilities | 232,576 | 227,939 |
| Total liabilities | 2,976,498 | 2,799,514 |
| Commitments and contingencies (Note 18) | | |
| Stockholders' equity: | | |
| Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 156,800,716 shares at June 30, 2017 and 155,901,485 shares at March 31, 2017; outstanding, 148,676,105 shares at June 30, 2017 and 148,887,708 shares at March 31, 2017 | 1,568 | 1,559 |
| Treasury stock, at cost — 8,124,611 shares at June 30, 2017 and 7,013,777 shares at March 31, 2017 | (230,421) | (191,900) |
| Additional paid-in capital | 312,874 | 302,907 |
| Retained earnings | 532,230 | 478,102 |
| Accumulated other comprehensive loss | (17,224) | (17,077) |
| Total stockholders' equity | 599,027 | 573,591 |
| Total liabilities and stockholders' equity | \$ 3,575,525 | \$ 3,373,105 |

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

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

| | Three Months Ended June 30, | |
|-------------------------------------|--|-------------|
| | 2017 | 2016 |
| | (Amounts in thousands, except per share data) | |
| Revenue | \$1,493,570 | \$1,422,722 |
| Operating costs and expenses: | | |
| Cost of revenue | 698,538 | 656,954 |
| Billable expenses | 451,664 | 432,265 |
| General and administrative expenses | 188,455 | 189,701 |
| Depreciation and amortization | 15,449 | 14,501 |
| Total operating costs and expenses | 1,354,106 | 1,293,421 |
| Operating income | 139,464 | 129,301 |
| Interest expense | (18,747) | (17,828) |
| Other income (expense), net | 761 | 1,891 |
| Income before income taxes | 121,478 | 113,364 |
| Income tax expense | 41,938 | 45,547 |
| Net income | \$79,540 | \$67,817 |
| Earnings per common share (Note 3): | | |
| Basic | \$0.53 | \$0.46 |
| Diluted | \$0.53 | \$0.45 |
| Dividends declared per share | \$0.17 | \$0.15 |

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

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

| | Three Months Ended June 30, | |
|---|--------------------------------|-----------|
| | 2017 | 2016 |
| | (Amounts in thousands) | |
| Net income | \$ 79,540 | \$ 67,817 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized loss on derivatives designated as cash flow hedges | (510) | — |
| Change in postretirement plan costs | 363 | 457 |
| Total other comprehensive (loss) income, net of tax | (147) | 457 |
| Comprehensive income | \$ 79,393 | \$ 68,274 |

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

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

| | Three Months Ended June 30, | |
|---|--------------------------------|------------|
| | 2017 | 2016 |
| | (Amounts in thousands) | |
| Cash flows from operating activities | | |
| Net income | \$79,540 | \$67,817 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,449 | 14,501 |
| Stock-based compensation expense | 5,249 | 5,889 |
| Excess tax benefits from stock-based compensation | (6,864) | (3,546) |
| Amortization of debt issuance costs | 1,289 | 2,083 |
| Losses on dispositions | 174 | 3 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (82,158) | (60,508) |
| Prepaid expenses and other current assets | (3,249) | 36,206 |
| Other long-term assets | 5,504 | (15,980) |
| Accrued compensation and benefits | (36,203) | (34,533) |
| Accounts payable and other accrued expenses | 1,832 | (20,776) |
| Accrued interest | 4,698 | 1,658 |
| Other current liabilities | 14,487 | 13,195 |
| Other long-term liabilities | 4,247 | 5,638 |
| Net cash provided by operating activities | 3,995 | 11,647 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (11,536) | (6,171) |
| Payments for business acquisitions, net of cash acquired | (204) | (851) |
| Net cash used in investing activities | (11,740) | (7,022) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock | 1,779 | 1,571 |
| Stock option exercises | 3,263 | 2,338 |
| Excess tax benefits from stock-based compensation | — | 3,546 |
| Repurchases of common stock | (48,428) | (4,566) |
| Cash dividends paid | (25,412) | (22,349) |
| Dividend equivalents paid to option holders | (890) | (2,157) |
| Repayment of debt | (175,788) | (175,563) |
| Proceeds from debt issuance | 373,291 | 185,000 |
| Net cash provided by (used in) financing activities | 127,815 | (12,180) |
| Net increase (decrease) in cash and cash equivalents | 120,070 | (7,555) |
| Cash and cash equivalents—beginning of period | 217,417 | 187,529 |
| Cash and cash equivalents—end of period | \$337,487 | \$179,974 |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Interest | \$12,652 | \$14,051 |
| Income taxes | \$17,016 | \$1,490 |

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. BUSINESS OVERVIEW

Organization

Booz Allen Hamilton Holding Corporation, including its wholly owned subsidiaries, or Holding, the Company or we, us, and our, was incorporated in Delaware in May 2008. The Company provides management and technology consulting, engineering, analytics, digital solutions, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. The Company reports operating results and financial data in one reportable segment. The Company is headquartered in McLean, Virginia, with approximately 23,400 employees as of June 30, 2017.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC, and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2017. The interim period unaudited condensed consolidated financial statements are presented as described below. Certain information and disclosures normally required for annual financial statements have been condensed or omitted pursuant to GAAP and SEC rules and regulations. In the opinion of management, all adjustments considered necessary for fair presentation of the results of the interim period presented have been included. The Company's fiscal year ends on March 31 and unless otherwise noted, references to fiscal year or fiscal are for fiscal years ended March 31. The results of operations for the three months ended June 30, 2017 are not necessarily indicative of results to be expected for the full fiscal year. The condensed consolidated financial statements and notes of the Company include its subsidiaries, and the joint ventures and partnerships over which the Company has a controlling financial interest. The Company uses the equity method to account for investments in entities that it does not control if it is otherwise able to exert significant influence over the entities' operating and financial policies.

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

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment award transactions related to accounting for income taxes, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification of employee taxes paid on the statements of cash flows when an employer withholds shares for tax-withholding purposes. The Company adopted ASU 2016-09 in the current period. Certain of the simplification provisions were not applicable to the Company. The Company will continue its existing practice of estimating the number of forfeitures that are expected to occur rather than account for forfeitures when they occur as permitted under the new guidance. The primary impacts of adopting ASU 2016-09 were those related to excess tax benefits and tax deficiencies. The new guidance requires that such amounts be recognized as income tax expense or benefit in the statement of operations, which could result in fluctuations in the Company's effective tax rate period over period depending on how many awards vest, or options are exercised, in a quarter. The guidance also requires that the cash flows associated with these transactions be presented with other income tax related cash flows in the operating activities section of the statement

of cash flows. The Company recognized excess tax benefits of \$6.9 million during the quarter ended June 30, 2017, as a reduction to income tax expense in the condensed consolidated statement of operations. As discussed further in Note 10, the effect of adopting ASU 2016-09 resulted in a decrease in the Company's current period effective tax rate. As permitted, the Company adopted the guidance related to the presentation of excess tax benefits in the condensed consolidated statement of cash flows on a prospective basis. Prior period amounts were not adjusted.

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)

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which will change the presentation of net periodic benefit cost components on the condensed consolidated statement of operations. Under this guidance, the service cost component of net benefit cost will continue to be presented in the same line items as other employee compensation costs, while the remaining components of net periodic benefit costs are to be presented outside operating income. ASU 2017-07 is effective for annual reporting periods beginning after December 15, 2017 and is to be applied retrospectively, with early adoption permitted. The Company is assessing the effect that the adoption of this guidance will have on its condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, to increase transparency and comparability of accounting for lease transactions. The new standard requires lessees to recognize lease assets and lease liabilities on their balance sheet for all leases with a lease term of greater than 12 months. Lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is assessing what effect the adoption of this standard may have on its condensed consolidated financial statements.

In May 2014, the FASB, issued Accounting Standard Codification, or ASC, topic, Revenue from Contracts with Customers, as amended (Topic 606) that will replace existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. In July 2015, the FASB approved a one-year delay in the effective date of the standard, which will now be effective for the Company beginning on April 1, 2018 (i.e., beginning with the first quarter fiscal 2019 interim financial statements). The Company anticipates adopting the new revenue standard using the full retrospective transition method; however, the Company's ability to adopt using the full retrospective method is dependent on system and process readiness and the completion of our analysis of information necessary to recast our prior period financial statements.

A dedicated team has been established that continues to make progress toward completing the evaluation of the impact of the new standard. An initial accounting assessment of the new standard has been completed and the Company is not currently expecting significant changes related to recognizing revenue and earnings over time for long-term contracts as work progresses because of the continuous transfer of control to the customer, generally using an input measure (e.g., costs incurred) to reflect progress. Nevertheless, the Company expects the standard will result in several changes to the way it recognizes revenue, including how the Company determines the transaction price for performance-based or unfunded components associated with our fixed price contracts, the period of time for recognizing revenue primarily in non-federal government contracts, and with certain types of option exercises that may be evaluated as separate performance obligations or new arrangements for accounting purposes. The Company is continuing the process of quantifying the financial statement impacts, revising current accounting policies, evaluating changes to internal controls, and determining the appropriate changes to business processes.

Other accounting and reporting pronouncements issued after June 30, 2017 are not expected to have a material impact on the Company's condensed consolidated financial statements.

3. EARNINGS PER SHARE

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

The Company currently has outstanding shares of Class A Common Stock. Unvested Class A Restricted Common Stock holders are entitled to participate in non-forfeitable dividends or other distributions. These unvested restricted shares participated in the Company's dividends declared and were paid in the first quarter of fiscal 2018 and 2017. As such, EPS is calculated using the two-class method whereby earnings are reduced by distributed earnings as well as any available undistributed earnings allocable to holders of unvested restricted shares. A reconciliation of the income used to compute basic and diluted EPS for the periods presented are as follows:

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

| | Three Months Ended June 30, | |
|---|--------------------------------|-------------|
| | 2017 | 2016 |
| Earnings for basic computations (1) | \$78,955 | \$ 67,247 |
| Weighted-average common shares outstanding for basic computations | 147,714,997 | 147,241,782 |
| Earnings for diluted computations (1) | \$78,961 | \$ 67,254 |
| Dilutive stock options and restricted stock | 2,153,280 | 2,392,810 |
| Weighted-average common shares outstanding for diluted computations | 149,868,277 | 149,634,592 |
| Earnings per common share | | |
| Basic | \$0.53 | \$ 0.46 |
| Diluted | \$0.53 | \$ 0.45 |

(1) During the three months ended June 30, 2017 and 2016, approximately 1.1 million and 1.2 million participating securities were paid dividends totaling \$0.2 million and \$0.2 million, respectively. For both the three months ended June 30, 2017 and 2016, there were undistributed earnings of \$0.4 million allocated to the participating class of securities in both basic and diluted EPS. The allocated undistributed earnings and the dividends paid comprise the difference between net income presented on the condensed consolidated statements of operations and earnings for basic and diluted computations for the three months ended June 30, 2017 and 2016.

The EPS calculation for three months ended June 30, 2017 and 2016 excludes 0.2 million and 0.5 million options, respectively, as their impact was anti-dilutive.

4. ACQUISITION

On January 24, 2017, the Company acquired eGov Holdings, Inc., which we refer to as "Aquilent". As a result of the transaction, eGov Holdings, Inc. became a wholly owned subsidiary of Booz Allen Hamilton Inc., or Booz Allen Hamilton. Aquilent is an architect of IT solutions for the U.S. federal government. We expect the acquisition will further expand the Company's ability to blend its consulting heritage with advanced technical expertise.

The acquisition of Aquilent has been accounted for under the acquisition method of accounting, which requires the total acquisition consideration to be allocated to the assets acquired and liabilities assumed based on an estimate of the acquisition date fair value, with the difference reflected in goodwill. During the first quarter of fiscal 2018, the Company finalized Aquilent's post-closing working capital, which resulted in an immaterial adjustment to the total estimated purchase consideration transferred.

The following table summarizes the preliminary determination of the total consideration transferred as of June 30, 2017, reflecting such adjustment:

| | |
|---|-----------|
| Cash purchase price paid to Aquilent shareholders | \$250,000 |
| Working capital and other closing adjustments | (1,729) |
| Acquired cash on hand | 2,998 |
| Acquisition-related compensation expenses | (1,291) |
| Acquisition-related contingent consideration | 3,576 |
| Total estimated purchase consideration transferred at closing | \$253,554 |

As part of the acquisition, the Company and the selling shareholders of Aquilent agreed to jointly make an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, or the Code, to treat the acquisition as an asset purchase for income tax purposes. The Company agreed to contractually reimburse the selling stockholders for previously unrealized tax consequences on Aquilent's prior tax-return positions that became realized upon acquisition; and agreed to indemnify the selling stockholders for potential, incremental increases in income taxes and related costs as a result of the Section 338(h)(10) election. The indemnity was evaluated to be acquisition-related contingent consideration, which was preliminarily estimated at the acquisition date fair value of \$3.6 million. The acquisition-related contingent consideration was estimated using probability-

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)

weighted cash flows and significant unobservable inputs (Level 3) as described under the fair value hierarchy of ASC 820, Fair Value Measurements, or ASC 820.

The Company recorded, on a preliminary basis, the assets acquired and liabilities assumed at their acquisition date fair value, with the difference between the fair value of the net assets acquired and the acquisition consideration reflected as goodwill. The following table represents the preliminary fair value of assets acquired and liabilities assumed as of the acquisition date:

Preliminary allocation:

| | |
|---|-----------|
| Current assets | \$ 15,809 |
| Other tangible assets | 1,144 |
| Customer-relationship intangible assets | 69,000 |
| Goodwill | 199,826 |
| Current liabilities | (8,450) |
| Tax liability | (13,554) |
| Income tax uncertainty | (10,221) |

Total purchase consideration transfer at closing \$253,554

The identifiable customer-relationship intangible assets of \$69 million were valued using the excess earnings method discounted cash flow approach, incorporating Level 3 inputs as described under the fair value hierarchy of ASC 820.

These unobservable inputs reflect the Company's own assumptions about which assumptions market participants would use in pricing an asset on a non-recurring basis. This asset will be amortized over the estimated useful life of 12 years.

As part of the acquisition, the Company agreed to contractually reimburse the selling stockholders for previously unrealized tax consequences on Aquilent's prior tax-return positions that become realized with the acquisition. Accordingly, the Company recognized a tax liability of \$13.6 million. The obligation was relieved and paid during the first quarter of fiscal 2018. The Company continues to carry a related reserve of \$10.2 million for income tax uncertainties created with the acquisition resulting from uncertainty in the sustainability of Aquilent's prior tax-return positions under examination with the relevant tax authorities.

The goodwill of \$199.8 million was primarily attributed to the specialized workforce and the expected synergies between the Company and Aquilent. The majority of the goodwill is expected to be deductible for tax purposes. The fair values of assets acquired and liabilities assumed are preliminary and based on valuation estimates and assumptions that are subject to change and could result in material changes since the timing of the acquisition and related judgments required to make certain valuation estimates could necessitate the use of the one year measurement period to adequately analyze and assess a number of factors used in establishing the fair value of the net assets acquired. Although the Company does not currently expect material changes to the initial value of net assets acquired, the Company continues to evaluate assumptions associated with the customer-relationship intangibles and assumptions underlying income tax uncertainty.

5. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net consisted of the following:

| | June 30, 2017 | March 31, 2017 |
|---------------------------------------|------------------|-------------------|
| Current | | |
| Accounts receivable—billed | \$442,028 | \$340,716 |
| Accounts receivable—unbilled | 632,809 | 651,094 |
| Allowance for doubtful accounts | (869) | — |
| Accounts receivable, net of allowance | 1,073,968 | 991,810 |

Long-term

| | | |
|--------------------------------|-------------|-------------|
| Accounts receivable—unbilled | 60,201 | 59,913 |
| Total accounts receivable, net | \$1,134,169 | \$1,051,723 |

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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)

Unbilled amounts represent revenues for which billings have not been presented to customers at quarter-end or year-end. These amounts are usually billed and collected within one year. Long-term unbilled receivables not anticipated to be billed and collected within one year, which are primarily related to retainage, holdbacks, and long-term rate settlements to be billed at contract closeout, are included in other long-term assets in the accompanying condensed consolidated balance sheets. The Company recognized a provision for doubtful accounts (including certain unbilled reserves) of \$0.8 million and \$0.7 million for the three months ended June 30, 2017 and 2016, respectively. The primary financial instruments, other than derivatives, that potentially subject the Company to concentrations of credit risk are accounts receivable. The Company's primary customers are U.S. federal government agencies and prime contractors under contracts with the U.S. government. The Company continuously reviews its accounts receivable and records provisions for doubtful accounts as needed.

6. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses consisted of the following:

| | June 30, 2017 | March 31, 2017 |
|---|------------------|-------------------|
| Vendor payables | \$269,853 | \$268,630 |
| Accrued expenses | 238,577 | 235,487 |
| Total accounts payable and other accrued expenses | \$508,430 | \$504,117 |

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

7. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following:

| | June 30, 2017 | March 31, 2017 |
|---|------------------|-------------------|
| Bonus | \$20,790 | \$77,765 |
| Retirement | 47,405 | 31,879 |
| Vacation | 129,289 | 124,486 |
| Other | 29,552 | 29,686 |
| Total accrued compensation and benefits | \$227,036 | \$263,816 |

8. DEBT

Debt consisted of the following:

| | June 30, 2017 | | March 31, 2017 | |
|--|---------------|-------------|----------------|-------------|
| | Rate | Balance | Rate | Balance |
| Term Loan A | 3.22% | \$1,138,638 | 2.98% | \$1,153,425 |
| Term Loan B | 3.34% | 397,000 | 3.08% | 398,000 |
| Revolving Credit Facility (ABR) | —% | — | 5.00% | 80,000 |
| Revolving Credit Facility (LIBOR) | —% | — | 2.98% | 50,000 |
| Senior Notes | 5.13% | 350,000 | —% | — |
| Less: Unamortized debt issuance costs and discount on debt | | (23,833) | | (18,101) |
| Total | | 1,861,805 | | 1,663,324 |
| Less: Current portion of long-term debt | | (63,150) | | (193,150) |
| Long-term debt, net of current portion | | \$1,798,655 | | \$1,470,174 |

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)

Term Loans and Revolving Credit Facility

On February 6, 2017, Booz Allen Hamilton, Booz Allen Hamilton Investor Corporation, or Investor, and certain wholly-owned subsidiaries of Booz Allen Hamilton entered into the Fourth Amendment, or the Fourth Amendment, to the Credit Agreement, or the Credit Agreement, dated as of July 31, 2012, among Booz Allen Hamilton, Investor, certain wholly owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, and the Third Amendment to the Credit Agreement, dated as of July 13, 2016). Pursuant to the Fourth Amendment, the Company reduced the interest rate spread applicable to Term Loan B. The interest rate spread applicable to Term Loan A remained unchanged.

As of June 30, 2017, the Credit Agreement, as amended, provided the Company with a \$1,138.6 million Term Loan A ("Term Loan A"), a \$397.0 million Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans"), and a \$500.0 million revolving credit facility (the "Revolving Credit Facility", and together with the Term Loans, the "Secured Credit Facility"), with a sublimit for letters of credit of \$100.0 million. As of June 30, 2017, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was June 30, 2021 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement, as amended, are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor, and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement, as amended, and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) \$400 million plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

At Booz Allen Hamilton's option, borrowings under the Secured Credit Facility bear interest based either on LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or a base rate (equal to the highest of (x) the administrative agent's prime corporate rate, (y) the overnight federal funds rate plus 0.50%, and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%), in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan B is 2.25% for LIBOR loans and 1.25% for base rate loans. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, in each case based on Booz Allen Hamilton's consolidated total net leverage ratio. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.30% to 0.40% based on Booz Allen Hamilton's consolidated total net leverage ratio.

Booz Allen Hamilton occasionally borrows under the Revolving Credit Facility in anticipation of cash demands. During the first quarter of fiscal 2018, Booz Allen Hamilton accessed a total of \$30.0 million of the \$500.0 million Revolving Credit Facility. As of June 30, 2017, there were no amounts outstanding under the Revolving Credit Facility. As of March 31, 2017, there was \$130.0 million outstanding under the Revolving Credit Facility.

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

The Credit Agreement, as amended, contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) sale and lease back transactions; (viii) change in fiscal periods;

(ix) negative pledges; (x) restrictive agreements; (xi) line of business; and (xii) speculative hedging. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control. In addition, Booz Allen Hamilton is required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios.

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Senior Notes

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes, or the Senior Notes, under an Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors, or the Subsidiary Guarantors, and Wilmington Trust, National Association, as trustee, or the Trustee, as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. Each of Booz Allen Hamilton's existing and future domestic restricted subsidiaries that guarantee its obligations under the Secured Credit Facility and certain other indebtedness will guarantee the Senior Notes on a senior unsecured basis. Interest is payable semi-annually on May 1 and November 1 of each year, beginning on November 1, 2017, and principal is due at maturity on May 1, 2025. In connection with the Senior Notes, the Company recognized \$6.7 million of issuance costs, which were recorded as an offset against the carrying value of debt and will be amortized to interest expense over the term of the Senior Notes. As of June 30, 2017 and March 31, 2017, Booz Allen Hamilton was in compliance with all financial covenants associated with its debt and debt-like instruments.

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

| | Three Months Ended June 30, | |
|---|-----------------------------------|----------|
| | 2017 | 2016 |
| | (In thousands) | |
| Term Loan A Interest Expense | \$8,777 | \$5,506 |
| Term Loan B Interest Expense | 3,273 | 7,974 |
| Interest on Revolving Credit Facility | — | 230 |
| Senior Notes Interest Expense | 3,289 | — |
| Deferred Payment Obligation Interest ⁽¹⁾ | 2,011 | 2,000 |
| Amortization of Debt Issuance Cost (DIC) and Original Issue Discount (OID) ⁽²⁾ | 1,289 | 2,083 |
| Other | 108 | 35 |
| Total Interest Expense | \$18,747 | \$17,828 |

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

⁽²⁾ DIC and OID on the Term Loans and Senior Notes are recorded as a reduction of long term debt in the condensed consolidated balance sheet and are amortized ratably over the life of the related debt using the effective rate method. DIC on the Revolving Credit Facility is recorded as a long term asset on the 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 term loans. 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 to interest expense. During the first quarter of fiscal 2018, the Company entered into several forward starting floating-to-fixed interest rate swap agreements with multiple financial institutions with a start date of April 30, 2018. The aggregate notional amount of these interest rate swap agreements was \$450 million as of June 30, 2017. The swaps have staggered maturities, ranging from June 30, 2021 to June 30, 2022. These swaps mature within the last tranche of the Company's floating rate debt (June 30, 2023).

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

Derivative instruments are recorded in the condensed consolidated balance sheet at estimated fair value. As of June 30, 2017, \$0.3 million, \$0.3 million and \$0.8 million, were classified as other long term assets, other current liabilities, and other long term liabilities, respectively, on the condensed consolidated balance sheet. For interest rate swaps designated as cash flow hedges, the effective portion of changes in the fair value of derivatives is recorded in Accumulated Other Comprehensive Income, or AOCI, net of taxes, and is subsequently reclassified into interest expense in the period that the hedged forecasted interest payments are made on the Company's variable-rate debt. As of June 30, 2017, a \$0.8 million loss has been recognized in AOCI, and there were no amounts reclassified into interest expense. The ineffective portion of the change in fair value of the

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derivatives is recognized directly in earnings. During the first quarter of fiscal 2018, there was no ineffectiveness recognized in earnings.

Over the next 12 months, the Company estimates that \$0.4 million will be reclassified as an increase to interest expense. Cash flows associated with periodic settlements of interest rate swaps will be classified as operating activities in the condensed consolidated statement of cash flows.

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

10. INCOME TAXES

The Company's effective income tax rate was 34.5% and 40.2% for the three months ended June 30, 2017 and 2016, respectively. The decrease in the effective tax rate for the three months ended June 30, 2017 as compared to the same period last fiscal year was primarily due to the Company's adoption of ASU 2016-09 in the first quarter of fiscal 2018 as discussed in Note 2. As a result, the Company recorded excess tax benefits related to employee share-based payment awards within income tax (benefit) expense as a discrete item during the reporting period in which they occurred, instead of recording those benefits as adjustments to additional paid-in-capital. The Company recognized excess tax benefits of \$6.9 million in the first quarter of fiscal 2018. The three months effective tax rates of 34.5% and 40.2% differ from the federal statutory rate of 35.0% primarily due to the inclusion of state income taxes and permanent rate differences, which primarily relate to meals and entertainment, offset in the current three months by the discrete tax item referenced above.

11. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

| | June 30, 2017 | March 31, 2017 |
|------------------------------------|------------------|-------------------|
| Deferred rent | \$65,990 | \$63,854 |
| Postretirement benefit obligations | 124,986 | 123,492 |
| Other (1) | 41,600 | 40,593 |
| Total other long-term liabilities | \$232,576 | \$227,939 |

(1) Balance at June 30, 2017 includes the Company's long-term disability obligation of \$22.5 million as well as contingent consideration of \$3.6 million related to the Company's acquisition as discussed in Note 4.

12. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Company sponsors the Employees' Capital Accumulation Plan, or ECAP, which is a qualified defined contribution plan that covers eligible U.S. and international employees. ECAP provides for distributions, subject to certain vesting provisions, to participants by reason of retirement, death, disability, or termination of employment. Effective April 1, 2014, the Company transitioned from a discretionary employer contribution to an annual matching contribution of up to 6% of eligible annual income as determined by the Code for the ECAP. Total expense recognized under ECAP was \$31.1 million and \$28.8 million for the three months ended June 30, 2017 and 2016, respectively. The Company-paid contributions were \$15.6 million and \$15.3 million for the three months ended June 30, 2017 and 2016, respectively.

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Defined Benefit Plan and Other Postretirement Benefit Plans

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

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

| | Three Months Ended June 30, | |
|--------------------------------------|-----------------------------------|---------|
| | 2017 | 2016 |
| Service cost | \$1,116 | \$1,213 |
| Interest cost | 1,252 | 1,196 |
| Net actuarial loss | 568 | 762 |
| Total postretirement medical expense | \$2,936 | \$3,171 |

As of June 30, 2017 and March 31, 2017, the unfunded status of the post-retirement medical plan was \$119.6 million and \$118.1 million, respectively, which is included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

| | Three Months Ended June 30, 2017 | | |
|--|-------------------------------------|--|------------|
| | Post-retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | \$(17,077) | \$ — | \$(17,077) |
| Other comprehensive income (loss) before reclassifications (1) | — | (510) | (510) |
| Amounts reclassified from accumulated other comprehensive loss | 363 | — | 363 |
| Net current-period other comprehensive income (loss) | 363 | (510) | (147) |
| End of period | \$(16,714) | \$ (510) | \$(17,224) |

(1) Changes in other comprehensive income (loss) before reclassification for derivatives designated as cash flow hedges are recorded net of tax benefits of \$0.3 million.

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| | Three Months Ended June 30, 2016 | | |
|---|-------------------------------------|--|-------------|
| | Post-retirement plans | Derivatives designated as cash flow hedges | Totals |
| Beginning of period | \$(19,613) | \$ — | —\$(19,613) |
| Other comprehensive income (loss) before reclassifications | — | — | — |
| Amounts reclassified from accumulated other comprehensive loss | 457 | — | 457 |
| Net current-period other comprehensive income (loss) | 457 | — | 457 |
| End of period | \$(19,156) | \$ — | —\$(19,156) |

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

| | Three Months Ended June 30, 2017 2016 | |
|--|---|--------|
| Amounts reclassified from accumulated other comprehensive loss: | | |
| Amortization of net actuarial loss included in net periodic benefit cost (See Note 12) | \$597 | \$762 |
| Tax benefit | (234) | (305) |
| Net of tax | 363 | 457 |

14. STOCKHOLDERS' EQUITY

Common Stock

The common stock shares activity consisted of the following:

| | Class A Common Stock | Treasury Stock |
|--------------------------------|-------------------------|-------------------|
| Balance at March 31, 2016 | 153,391,058 | 5,398,596 |
| Issuance of common stock | 578,932 | — |
| Stock options exercised | 1,931,495 | — |
| Repurchase of common stock (1) | — | 1,615,181 |
| Balance at March 31, 2017 | 155,901,485 | 7,013,777 |
| Issuance of common stock | 465,989 | — |
| Stock options exercised | 433,242 | — |
| Repurchase of common stock (2) | — | 1,110,834 |
| Balance at June 30, 2017 | 156,800,716 | 8,124,611 |

During fiscal 2017, the Company purchased 1.3 million shares of the Company's Class A Common Stock in a series of open market transactions for \$46.4 million. Additionally, the Company repurchased shares during fiscal 2017 to (1) cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on March 31, 2017. The Company also repurchased shares to cover the minimum statutory withholding taxes on restricted stock for departing officers, as they are no longer subject to a substantial risk of forfeiture.

(2)

During the first quarter of fiscal 2018, the Company purchased 1.0 million shares of the Company's Class A Common Stock in a series of open market transactions for \$33.9 million. Additionally, the Company repurchased shares during the first quarter of fiscal 2018 to cover the minimum statutory withholding taxes on restricted stock awards and restricted stock units that vested on June 30, 2017.

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For the quarterly offering period that closed on June 30, 2017, 57,445 Class A Common Stock shares were purchased by employees under the Company's Employee Stock Purchase Plan, or ESPP. Since the program's inception, 1,992,352 shares have been purchased by employees.

15. STOCK-BASED COMPENSATION

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

| | Three Months Ended June 30, 2017 2016 | |
|-------------------------------------|--|---------|
| Cost of revenue | \$1,459 | \$1,508 |
| General and administrative expenses | 3,790 | 4,381 |
| Total | \$5,249 | \$5,889 |

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

| | Three Months Ended June 30, 2017 2016 | |
|---------------------------------|--|---------|
| Equity Incentive Plan Options | \$476 | \$1,258 |
| Class A Restricted Common Stock | 4,773 | 4,631 |
| Total | \$5,249 | \$5,889 |

As of June 30, 2017, there was \$26.5 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. The unrecognized compensation cost as of June 30, 2017 is expected to be fully amortized over the next 4.75 years. Absent the effect of accelerating stock compensation cost for any departures of employees who may continue to vest in their equity awards, the following table summarizes the unrecognized compensation cost and the weighted-average period the cost is expected to be amortized.

| | June 30, 2017 Unrecognized Compensation Cost | | Weighted Average Remaining Period to be Recognized (in years) |
|---------------------------------|--|------|---|
| Equity Incentive Plan Options | \$4,154 | 4.16 | |
| Class A Restricted Common Stock | 22,353 | 2.35 | |
| Total | \$26,507 | | |

Equity Incentive Plan

On May 17, 2017, 211,822 options were granted under the Amended and Restated Equity Incentive Plan, or EIP. The estimated fair value of the per-option grant was \$9.32, resulting in a total fair value of \$2.0 million.

On May 19, 2017, 158,283 options were granted under the EIP. The estimated fair value of the per-option grant was \$9.48, resulting in a total fair value of \$1.5 million.

As of June 30, 2017, there were 3,751,067 EIP options outstanding, of which 937,633 were unvested.

Grants of Restricted Stock Units and Class A Restricted Common Stock

On May 17, 2017, the Board of Directors granted 6,848 shares of Class A restricted common stock to members of the Board of Directors. The aggregate value of these awards was estimated at \$0.2 million based on the stock price of \$35.63 on the grant date.

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On May 17, 2017, the Board of Directors granted 47,405 restricted stock units to certain newly hired and newly promoted vice presidents. The aggregate fair value was estimated at \$1.7 million based on the stock price of \$35.63 on the grant date.

On May 17 and May 19, 2017, the Board of Directors granted a total of 266,291 and 134,904 restricted stock units with service-based and performance-based vesting terms, respectively. Service-based restricted stock units vest in equal installments over a three-year period subject to the grantee's continued service on each applicable vesting date and are settled for shares of the Company's common stock. Dividend equivalents are paid in respect of the service-based restricted stock units when dividends are paid on the Company's common stock.

Performance-based awards vest at the end of a three-year period subject to certain specified financial performance criteria and the grantee's continued service through the period. These awards are settled for Company common stock and dividend equivalents. Compensation expense for performance-based awards during the performance period is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria and is adjusted to the extent the expected achievement changes. The fair value of all awards issued on May 17, 2017 and May 19, 2017 was estimated at \$9.5 million and \$4.9 million, respectively, based on the stock price of \$35.63 on May 17 and \$35.95 on May 19, 2017.

As permitted under the terms of the EIP, the Compensation Committee, as Administrator of the EIP, authorized the withholding of taxes not to exceed the minimum statutory withholding amount, through the surrender of restricted stock units upon the vesting of restricted stock units and the surrender of shares of Class A Common Stock issuable upon the vesting of restricted stock. The participants surrendered 140,534 shares of Class A Common Stock issuable upon the vesting of restricted stock and recorded them as treasury shares at a cost of \$4.6 million during the three months ended June 30, 2017.

16. FAIR VALUE MEASUREMENTS

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

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

| | Recurring Fair Value Measurements as of June 30, 2017 | | | |
|--|--|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents: | | | | |
| Cash and cash equivalents | \$45,425 | \$— | \$— | \$45,425 |
| Money market funds (1) | — | 292,062 | — | 292,062 |
| Total cash and cash equivalents | \$45,425 | \$292,062 | \$— | \$337,487 |
| Other Assets: | | | | |
| Derivative instruments (3) | — | 258 | — | 258 |
| Total Other Assets | \$— | \$258 | \$— | \$258 |
| Liabilities: | | | | |
| Contingent consideration liability (2) | — | — | 3,576 | 3,576 |
| Current derivative instruments (3) | — | 348 | — | 348 |

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| | | | | |
|--------------------------------------|-----|---------|---------|---------|
| Long-term derivative instruments (3) | — | 752 | — | 752 |
| Total Liabilities | \$— | \$1,100 | \$3,576 | \$4,676 |

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| | Recurring Fair Value Measurements as of March 31, 2017 | | | |
|--|---|-----------|------------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents: | | | | |
| Cash and cash equivalents | \$59,825 | \$— | \$— | \$59,825 |
| Money market funds (1) | — | 157,592 | — | 157,592 |
| Total cash and cash equivalents | \$59,825 | \$157,592 | \$— | \$217,417 |
| Liabilities: | | | | |
| Contingent consideration liability (2) | — | — | 3,576 | 3,576 |
| Total Liabilities | \$— | \$— | \$3,576 | \$3,576 |

(1) Level 2 cash and cash equivalents are invested in money market funds that are intended to maintain a stable net asset value of \$1.00 per share by investing in liquid, high quality U.S. dollar-denominated money market instruments. Therefore, the fair value approximates the carrying value. Depending on our short-term liquidity needs, we make regular transfers between money market funds and other cash equivalents.

(2) As discussed in Note 4, the Company recognized a contingent consideration liability in connection with the acquisition of Aquilent. As of June 30, 2017 and March 31, 2017, the estimated fair value of the contingent consideration liability was \$3.6 million and was valued using probability-weighted cash flows, which is based on the use of Level 3 fair value measurement inputs. The liability is recorded in other long-term liabilities in the consolidated balance sheet.

(3) The Company's interest rate swaps are considered over-the-counter derivatives and fair value is estimated based on valuation models that use Level 2 observable interest rate yield curves as inputs. See Note 9 for further discussion on the Company's derivative instruments designated as cash flow hedges.

The fair value of the Company's debt, as well as the Senior Notes, approximates their carrying value at June 30, 2017 and March 31, 2017. The fair value of debt is determined using quoted prices or other market information obtained from recent trading activity of each debt tranche in markets that are not active (Level 2 inputs). The fair value is corroborated by prices derived from the interest rate spreads of recently completed leveraged loan transactions of a similar credit profile, industry, and terms to that of the Company. The fair value of the Senior Notes is determined using quoted prices or other market information obtained from recent trading activity in the high-yield bond market (Level 2 inputs).

17. RELATED-PARTY TRANSACTIONS

In March 2017, the Company supported the formation of the Booz Allen Foundation, a nonprofit corporation organized and operated exclusively for charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code. The Company is the sole member of the foundation, which gives it the authority to appoint two of five of the Booz Allen Foundation's directors and consent rights regarding certain extraordinary corporate actions approved by the board of directors. The Company has made a binding and irrevocable pledge of \$5.0 million to the Booz Allen Foundation and recorded the pledge obligation in other current liabilities on the consolidated balance sheet of the Company in March 2017. As of June 30, 2017, the pledge remains unpaid.

18. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Third-Party Guarantees

As of June 30, 2017 and March 31, 2017, the Company was contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$8.0 million and \$8.6 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2017 and March 31, 2017, approximately \$1.2 million and \$1.7 million, respectively, of these

instruments reduce the available borrowings under the Revolving Credit Facility. The remainder are guaranteed under a separate \$10.0 million facility established in fiscal 2015 of which \$3.1 million was available to the Company at June 30, 2017 and March 31, 2017.

Government Contracting Matters

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For the three months ended June 30, 2017 and 2016, approximately 97% 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. U.S. government contracts and subcontracts are subject to extensive legal and regulatory requirements. From time to time and in the ordinary course of business, agencies of the U.S. government audit our contract costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether the Company's operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts. U.S. government audits, inquiries, or investigations of the Company, whether related to the Company's U.S. government contracts or subcontracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including withholding of payments, suspension of payments, repayments, fines, or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. government contracting. Management believes it has recorded the appropriate provision for any audit, inquiry, or investigation of which it is aware. Management believes it has recorded the appropriate provision for the estimated losses that may be experienced from any such reductions and/or penalties. As of June 30, 2017 and March 31, 2017, the Company has recorded a liability of approximately \$178.3 million and \$175.7 million, respectively, for its current best estimate of amounts to be refunded to customers for potential adjustments from audits or reviews of contract costs incurred subsequent to fiscal year 2011, and for contracts not yet closed that are impacted by settlement of audits or reviews of contract costs incurred in prior fiscal years.

Litigation

The Company is 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, management does not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on the Company's financial condition and results of operations. As of June 30, 2017, there are no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

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

upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and are on appeal before the United States Court of Appeals for the Second Circuit. On December 15, 2016, hearings relating to the appeal were held before the United States Court of Appeals for the Second Circuit. As of June 30, 2017, the United States Court of Appeals for the Second Circuit has not ruled on this appeal. As of June 30, 2017 and March 31, 2017, the aggregate alleged damages sought in these three remaining suits was approximately \$241.7 million (substantially all of which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. On July 13, 2017, the United States Court of Appeals for the Second Circuit ruled on the case and affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim. The United States Court of Appeals for the Second Circuit remanded the case to the United States District Court for the Southern District of New York to give the plaintiff leave to file another amended complaint to attempt to plead a securities fraud claim. As of August 3, 2017, the aggregate alleged damages that will be sought in the remaining suit is unknown.

BOOZ ALLEN HAMILTON HOLDING CORPORATION
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(Amounts in tables in thousands, except share and per share data or unless otherwise noted)

Although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, management does not expect them to have a material adverse effect on our financial condition and results of operations.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent the Company in connection with this matter and respond to the government's requests. The Company is continuing to cooperate with the DOJ in order to bring the matter to an appropriate resolution. The total cost associated with the investigation will depend on many factors, including the length and findings of the investigation. At this stage of the investigation, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the investigation.

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 naming the Company, its Chief Executive Officer and its Chief Financial Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company concerning the Company's business, results of operations and compliance policies relating to the Company's contracts with the United States government. The plaintiff seeks to recover from the Company and the individual defendants an unspecified amount of damages class members allegedly incurred by buying the Company's securities at an allegedly inflated price. The Company believes the suit lacks merit and intends to defend against the lawsuit. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

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

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

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 filed with the Securities and Exchange Commission on May 22, 2017, or Annual Report, and under Part II, "Item 1A. Risk Factors," and "— Special Note Regarding Forward Looking Statements" of this Quarterly Report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

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

Overview

We are a leading provider of management and technology consulting, engineering, analytics, digital solutions, mission operations, and cyber expertise to U.S. and international governments, major corporations, and not-for-profit organizations. Our ability to deliver value to our clients has always been, and continues to be, a product of the strong character, deep expertise and tremendous passion of our people. Our talent base of approximately 23,400 employees endeavor to solve problems that matter by making clients' missions their own, combining decades of consulting and domain expertise with functional expertise in areas such as analytics, digital solutions, engineering, and cyber, all fostered by a culture of innovation that extends to all reaches of the company.

Through our dedication to our clients' missions, and a commitment to evolving our business to address clients' needs, we have longstanding and deep relationships with our clients, some more than 75 years. We support critical missions for a diverse base of federal government clients, including nearly all of the U.S. government's cabinet-level departments, as well as increasingly for top-tier commercial and international clients. We support these 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. Our U.S. commercial clients are primarily in the financial services, healthcare and life sciences, energy, high-tech manufacturing, retail, and automotive industries. Our international clients are primarily in the Middle East, along with a growing presence in Southeast Asia.

Financial and Other Highlights

During the first quarter of fiscal 2018, the Company generated year over year revenue growth, delivered improved earnings over the prior year period, increased headcount, and grew in backlog.

Revenue increased 5.0% from the three months ended June 30, 2016 to the three months ended June 30, 2017 primarily driven by continued strength in client demand, which led to increased staff headcount and direct client staff labor productivity over the prior year period. This increase was partially offset by a decrease in spending as compared to the prior year as the level of spending contributes to revenue recognized on cost reimbursable and fixed price contracts. Growth in revenue was also due to an increase in billable expenses over the prior year period.

Operating income increased 7.9% to \$139.5 million in the three months ended June 30, 2017 from \$129.3 million in the three months ended June 30, 2016, while operating margin increased to 9.3% from 9.1% in the comparable period. The increase in operating income was primarily driven by the same factors driving revenue and reduced spending as compared to the prior year period.

Non-GAAP Measures

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

"Revenue, Excluding Billable Expenses" represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.

"Adjusted Operating Income" represents operating income before adjustments related to the amortization of intangible assets resulting from the acquisition of our Company by The Carlyle Group (the "Acquisition"). 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. "Adjusted EBITDA Margin" is calculated as Adjusted EBITDA divided by revenue. The Company prepares Adjusted EBITDA and Adjusted EBITDA Margin 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) adjustments related to the amortization of intangible assets resulting from the Acquisition, and (ii) amortization or write-off of debt issuance costs and write-off of original issue 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.

"Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income.

• Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the condensed consolidated financial statements.

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

Below is a reconciliation of Revenue, Excluding Billable Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, 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, | |
|---|--------------------------------|--------------|
| | 2017 | 2016 |
| | (Unaudited) | |
| Revenue, Excluding Billable Expenses | | |
| Revenue | \$ 1,493,570 | \$ 1,422,722 |
| Billable expenses | 451,664 | 432,265 |
| Revenue, Excluding Billable Expenses | \$ 1,041,906 | \$ 990,457 |
| Adjusted Operating Income | | |
| Operating Income | \$ 139,464 | \$ 129,301 |
| Amortization of intangible assets (a) | — | 1,126 |
| Adjusted Operating Income | \$ 139,464 | \$ 130,427 |
| EBITDA, Adjusted EBITDA & Adjusted EBITDA Margin | | |
| Net income | \$ 79,540 | \$ 67,817 |
| Income tax expense | 41,938 | 45,547 |
| Interest and other, net (b) | 17,986 | 15,937 |
| Depreciation and amortization | 15,449 | 14,501 |
| EBITDA & Adjusted EBITDA | \$ 154,913 | \$ 143,802 |
| Revenue | \$ 1,493,570 | \$ 1,422,722 |
| Adjusted EBITDA Margin | 10.4 | % 10.1 |
| Adjusted Net Income | | |
| Net income | \$ 79,540 | \$ 67,817 |
| Amortization of intangible assets (a) | — | 1,126 |
| Amortization or write-off of debt issuance costs and write-off of original issue discount | 658 | 1,289 |
| Adjustments for tax effect (c) | (263) | (966) |
| Adjusted Net Income | \$ 79,935 | \$ 69,266 |
| Adjusted Diluted Earnings Per Share | | |
| Weighted-average number of diluted shares outstanding | 149,868,273 | 149,634,592 |
| Adjusted Net Income Per Diluted Share (d) | \$ 0.53 | \$ 0.46 |
| Free Cash Flow | | |
| Net cash provided by operating activities | \$ 3,995 | \$ 11,647 |
| Less: Purchases of property and equipment | (11,536) | (6,171) |
| Free Cash Flow | \$ (7,541) | \$ 5,476 |

(a) Reflects amortization of intangible assets resulting from the Acquisition for the three months ended June 30, 2016.

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

(c) Reflects tax effect of adjustments at an assumed effective tax rate of 40%.

Excludes an adjustment of approximately \$0.6 million of net earnings for both the three months ended June 30,

(d) 2017 and 2016, 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 address budgetary constraints, caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act of 2011 and subsequently adjusted by the American Tax Payer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015, and 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 uncertainty around Congressional efforts to approve funding of the U.S. government and to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits and generally in the current political environment, there is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings, alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. government in the period before the end of the U.S. government's fiscal year on September 30, delay requests for new proposals and contract awards, rely on short-term extensions and funding of current contracts, or reduce staffing levels and hours of operation;
- delays in the completion of future U.S. government's budget processes, which have in the past and could in the future delay procurement of the products, services, and solutions we provide;
- changes in the relative mix of overall U.S. government spending and areas of spending growth, with lower spending on homeland security, intelligence and defense-related programs as certain overseas operations end, and continued increased spending on cyber-security, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), advanced analytics, technology integration and healthcare;
- legislative and regulatory changes to limitations on the amount of allowable executive compensation permitted under flexibly priced contracts following implementation of interim rules adopted by federal agencies pursuant to the Bipartisan Budget Act of 2013, which substantially further reduce the amount of allowable executive compensation under these contracts and extend these limitations to a larger segment of our executives and our entire contract base;
- efforts by the U.S. government to address organizational conflicts of interest and related issues and the impact of those efforts on us and our competitors;
- increased audit, review, investigation and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws;
- the federal focus on refining the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments, which will continue to drive pockets of insourcing in various agencies, particularly in the intelligence market;
- negative publicity and increased scrutiny of government contractors in general, including us, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information;

U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;

increased competition from other government contractors and market entrants seeking to take advantage of certain of the trends identified above, and an industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us;

cost cutting and efficiency and effectiveness efforts by U.S. civilian agencies with a focus on increased use of performance measurement, “program integrity” efforts to reduce waste, fraud and abuse in entitlement programs, and renewed focus on improving procurement practices for and interagency use of IT services, including through the use of cloud based options and data center consolidation;

restrictions by the U.S. government on the ability of federal agencies to use lead system integrators, in response to cost, schedule and performance problems with large defense acquisition programs where contractors were performing the lead system integrator role;

increasingly complex requirements of the Department of Defense and the U.S. Intelligence Community, including cyber-security, managing federal health care cost growth and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare;

increasing small business regulations across the Department of Defense and civilian agency clients continue to gain traction whereby agencies are required to meet high small business set aside targets, and large business prime contractors are required to subcontract in accordance with considerable small business participation goals necessary for contract award; and

changes in agency and mission priorities anticipated in the Department of Defense and Civilian agency landscape with the presidential and administration transition.

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our consulting staff and, to a lesser extent, our subcontractors. Funding for our contracts and task orders is generally linked to trends in budgets and spending across various U.S. government agencies and departments. We provide services under a large portfolio of contracts and contract vehicles to a broad client base, and we believe that our diversified contract and client base lessens potential volatility in our business; however, a reduction in the amount of services that we are contracted to provide to the U.S. government or any of our significant U.S. government clients could have a material adverse effect on our business and results of operations. In particular, the Department of Defense is one of our significant clients, and the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015), provides for automatic spending cuts (referred to as sequestration) totaling approximately \$1.2 trillion between 2013 and 2021, including an estimated \$500 billion in federal defense spending cuts over this time period. The Bipartisan Budget Act of 2015 raised existing spending caps on defense spending by \$15 billion for government fiscal 2017, but did not address spending caps beyond fiscal 2017. For example, under the Budget Control Act of 2011, as amended, approximately \$91 billion in spending cuts are anticipated for the government fiscal 2018. A reduction in the amount of services that we are contracted to provide to the Department of Defense could have a material adverse effect on our business and results of operations, and given the uncertainty of when and how these automatic reductions may 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 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.

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Time-and-Materials Contracts. Under a time-and-materials contract, 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. 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 pre-determined 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 pre-determined 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-competed and new business could influence the percentage/mix in unanticipated ways.

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

| | Three Months Ended June 30, 2017 2016 | |
|-----------------------|---|-----|
| Cost-reimbursable (1) | 50% | 49% |
| Time-and-materials | 26% | 27% |
| Fixed-price (2) | 24% | 24% |

(1) Includes both cost-plus-fixed-fee and cost-plus-award-fee contracts.

(2) Includes fixed-price level of effort contracts.

Contract Diversity and Revenue Mix

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

We generate revenue under our contracts and task orders through our provision of services as both a prime contractor and subcontractor, as well as from the provision of services by subcontractors under contracts and task orders for which we act as the prime contractor. The mix of these types of revenue affects our operating margin. Substantially all

of our operating margin is derived from direct consulting staff labor, as the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. We view growth in direct consulting staff labor as the primary driver of earnings growth. Direct consulting staff labor growth is driven by consulting staff headcount growth, after attrition, and total backlog growth.

Our People

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Revenue from our contracts is derived from services delivered by consulting staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of June 30, 2017 and 2016, we employed approximately 23,400 and 22,500 people, respectively, of which approximately 21,100 and 20,200, respectively, were consulting staff.

Contract Backlog

We define backlog to include the following three components:

Funded Backlog. Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.

Unfunded Backlog. Unfunded backlog represents the revenue value of orders 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.

Backlog does not include any task orders under IDIQ contracts, except to the extent that task orders have been awarded to us under those contracts.

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

| | As of | |
|----------------|---------------|----------|
| | June 30, | |
| | 2017 | 2016 |
| | (In millions) | |
| Backlog: | | |
| Funded | \$2,517 | \$2,639 |
| Unfunded | 3,243 | 2,873 |
| Priced options | 8,309 | 6,504 |
| Total backlog | \$14,069 | \$12,016 |

Our backlog includes orders under contracts that in some cases extend for several years. The U.S. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract. We view growth in total backlog and consulting staff headcount as the two key measures of our potential business growth. Growing and deploying consulting staff is the primary means by which we are able to achieve profitable revenue growth. To the extent that we are able to hire additional consulting staff and deploy them against funded backlog, we generally recognize increased revenue. Total backlog increased by 17.1% from June 30, 2016 to June 30, 2017. Additions to funded backlog during both the twelve months ended June 30, 2017 and 2016 totaled \$5.7 billion, as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated, and the exercise and subsequent funding of priced options. We report internally on our backlog on a monthly basis and review backlog upon occurrence of certain events to determine if any adjustments are necessary.

We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period and we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost cutting initiatives and other efforts to reduce U.S. government spending, which could reduce or delay funding for orders for services; and delayed funding of our contracts due to delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions by the U.S. government to fund its operations. Funded 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 pre-determined expiration date such as the end of the U.S. government's fiscal year. The revenue value of orders included in

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funded backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 7.8% of funded backlog as of the end of any of the four fiscal quarters preceding the fiscal quarter ended June 30, 2017. 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.

Operating Costs and Expenses

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

Our most significant operating costs and expenses are described below.

• **Cost of Revenue.** Cost of revenue includes direct labor, related employee benefits, and overhead. Overhead consists of indirect costs, including indirect labor relating to infrastructure, management and administration, and other expenses.

• **Billable Expenses.** Billable expenses include direct subcontractor expenses, travel expenses, and other expenses incurred to perform on contracts.

• **General and Administrative Expenses.** General and administrative expenses include indirect labor of executive management and corporate administrative functions, marketing and bid and proposal costs, and other discretionary spending.

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

Seasonality

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds. 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.

Critical Accounting Estimates and Policies

There have been no material changes during the period covered by this Quarterly Report to the information 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.

Recent Accounting Pronouncements

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

Results of Operations

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

| | Three Months Ended | | Percent |
|-------------------------------------|---------------------------------|---------------------|---------|
| | June 30, 2017 (Unaudited) | 2016 (Unaudited) | |
| | (In thousands) | | |
| Revenue | \$ 1,493,570 | \$ 1,422,722 | 5.0 % |
| Operating costs and expenses: | | | |
| Cost of revenue | 698,538 | 656,954 | 6.3 % |
| Billable expenses | 451,664 | 432,265 | 4.5 % |
| General and administrative expenses | 188,455 | 189,701 | (0.7)% |
| Depreciation and amortization | 15,449 | 14,501 | 6.5 % |
| Total operating costs and expenses | 1,354,106 | 1,293,421 | 4.7 % |
| Operating income | 139,464 | 129,301 | 7.9 % |
| Interest expense | (18,747) | (17,828) | 5.2 % |
| Other income (expense), net | 761 | 1,891 | NM |
| Income before income taxes | 121,478 | 113,364 | 7.2 % |
| Income tax expense | 41,938 | 45,547 | (7.9)% |
| Net income | \$ 79,540 | \$ 67,817 | 17.3 % |

NM - Not meaningful

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Revenue

Revenue increased to \$1,493.6 million from \$1,422.7 million, or a 5.0% increase, primarily driven by continued strength in client demand, which led to increased staff headcount and direct client staff labor productivity over the prior year period, partially offset by a decrease in spending as compared to the prior year as the level of spending contributes to revenue recognized on cost reimbursable and fixed price contracts. Growth in revenue was also due to an increase in billable expenses over the prior year period.

Cost of Revenue

Cost of revenue increased to \$698.5 million from \$657.0 million, or a 6.3% increase. The increase was primarily due to increases in salaries and salary-related benefits of \$36.3 million and incentive compensation of \$4.4 million driven by increased headcount. Cost of revenue as a percentage of revenue was 46.8% and 46.2% for the three months ended June 30, 2017 and 2016, respectively.

Billable Expenses

Billable expenses increased to \$451.7 million from \$432.3 million, or a 4.5% increase, primarily attributable to an increase in the use of subcontractors in the current year driven by client demand. However, contracts which require the Company to incur direct expenses on behalf of clients decreased over the prior year period, partially offsetting the overall increase in billable expenses. Billable expenses as a percentage of revenue were 30.2% and 30.4% for the three months ended June 30, 2017 and 2016, respectively.

General and Administrative Expenses

General and administrative expenses decreased to \$188.5 million from \$189.7 million, or a 0.7% decrease, primarily due to decreases in business expenses of \$5.6 million and lower incentive compensation of \$2.4 million, partially offset by increases in salaries and salary-related benefits of \$6.0 million, driven by an increase in headcount growth as well as annual base salary increases. General and administrative expenses as a percentage of revenue were 12.6% and 13.3% for the three months ended June 30, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization increased to \$15.4 million from \$14.5 million, or a 6.5% increase, primarily due to increases in intangible asset amortization related to the Company's acquisition of Aquilent in fiscal 2017, partially offset by decrease from amortization of other amortizable intangible asset fully amortized in fiscal 2017.

Interest Expense

Interest expense increased to \$18.7 million from \$17.8 million, or a 5.2% increase, primarily as a result of interest expense related to the issuance of the Senior Notes in April 2017, partially offset by an overall decrease in interest expense related to our Term Loans.

Income Tax Expense

Income tax expense decreased to \$41.9 million from \$45.5 million, or a 7.9% decrease. The effective tax rate decreased from 40.2% to 34.5% primarily due to the recognition of excess tax benefits of \$6.9 million being reflected in earnings in the first quarter of fiscal 2018. This was driven by the Company's initial adoption of new accounting guidance whereby excess tax benefits on employee share-based payment awards are now recognized in earnings instead of as an adjustment to additional paid-in-capital, as was the case historically. See Note 2 - Basis of Presentation - to our unaudited condensed consolidated financial statements in this Form 10-Q for additional information on how this accounting change could impact earnings in future periods.

Liquidity and Indebtedness

The following table presents selected financial information as of June 30, 2017 and March 31, 2017 and for the first three months of fiscal 2018 and 2017:

| | June 30, 2017 (Unaudited) | March 31, 2017 (Unaudited) |
|--|---------------------------------|----------------------------------|
| | (In thousands) | |
| Cash and cash equivalents | \$337,487 | \$217,417 |
| Total debt | 1,861,805 | 1,663,324 |
| | Three Months Ended | |
| | June 30, 2017 (Unaudited) | 2016 (Unaudited) |
| | (In thousands) | |
| Net cash provided by operating activities | \$3,995 | \$11,647 |
| Net cash used in investing activities | (11,740) | (7,022) |
| Net cash provided by (used in) financing activities | 127,815 | (12,180) |
| Total increase (decrease) in cash and cash equivalents | \$120,070 | \$(7,555) |

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, recurring 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 cost-cutting, reductions or delays in the U.S. government appropriations and spending process and other budgetary matters, it may be necessary from time-to-time in the future to borrow under our Secured Credit Facility to meet cash demands. While the timing and financial magnitude of these possible actions are currently indeterminable, we expect to be able to manage and adjust our capital structure to meet our liquidity needs. Our expected liquidity and capital structure may also be impacted by discretionary investments and

acquisitions that we could pursue. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our revolving credit facility (the "Revolving Credit Facility") will be sufficient to meet our anticipated cash requirements for the next twelve months, which primarily include:

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

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

Cash Flows

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

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth with other short-term fluctuations related to the payment practices of our clients. Our accounts receivable reflect amounts billed to our clients as of each balance sheet date. Our clients generally pay our invoices within 30 days of the invoice date. 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. Total accounts receivable (billed and unbilled combined, net of allowance for doubtful accounts) days sales outstanding, or DSO, which we calculate by dividing total accounts receivable by revenue per day during the relevant fiscal quarter, was 69 as of June 30, 2017 and 60 as of March 31, 2017. DSO increased as a result of sustained revenue growth, the timing of billings associated with higher indirect spending compared to the prior year period and administrative delays in client collections.

Operating Cash Flow

Net cash from operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect cash from clients in a timely manner, and our ability to manage vendor payments. Continued uncertainty in global economic conditions may also affect our business as customers and suppliers may decide to downsize, defer, or cancel contracts, which could negatively affect the operating cash flows. Net cash provided by operations was \$4.0 million in the three months ended June 30, 2017 compared to \$11.6 million in the prior year period, or a 65.7% decrease. The decline in cash from operations was primarily the result of a \$13.6 million one-time tax payment as a condition of our acquisition of Aquilent and an increase in accounts receivable, which is the result of revenue growth and the timing to convert such revenue to billings and collections, as well as administrative delays in client collections.

Investing Cash Flow

Net cash used in investing activities was \$11.7 million in the three months ended June 30, 2017 compared to \$7.0 million in the prior year period, or a 67.2% increase. The increase in net cash used in investing activities was due to an increase in capital expenditures over the prior year primarily related to the timing of the leasehold improvements to update existing office space.

Financing Cash Flow

Net cash provided by financing activities was \$127.8 million in the three months ended June 30, 2017 compared to \$12.2 million of net cash used in financing activities in the prior year period. The increase was primarily due to net proceeds of \$343.3 million received from the issuance of the Senior Notes, partially offset by a decrease in borrowings on the Revolving Credit Facility of \$155.0 million as compared to the prior year period. In addition,

during the first quarter of fiscal 2018, the Company repurchased 1.0 million shares of Class A Common Stock in a series of open market transactions for \$33.9 million, with no repurchases in the first quarter of fiscal 2017.

Dividends and Share Repurchases

On August 7, 2017, the Company announced a regular quarterly cash dividend in the amount of \$0.17 per share. The quarterly dividend is payable on August 31, 2017 to stockholders of record on August 14, 2017.

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

| | Three Months Ended June 30, | |
|--------------------------|-----------------------------------|----------|
| | 2017 | 2016 |
| Recurring dividends (1) | \$25,412 | \$22,349 |
| Dividend equivalents (2) | 890 | 2,157 |
| Total distributions | \$26,302 | \$24,506 |

(1) Amounts represent recurring dividends of \$0.17 per share and \$0.15 per share that were declared and paid during the first quarter of fiscal 2018 and fiscal 2017, respectively.

(2) Dividend equivalents are distributions made to option holders equal to the previously declared special dividends. On December 12, 2011, the Board of Directors authorized the repurchase of up to \$30.0 million of shares. On January 27, 2015, the share repurchase authorization was increased to \$180.0 million. On January 25, 2017, the Board of Directors approved an increase to share repurchase authorization from \$180.0 million to \$410.0 million. During the first quarter of fiscal 2018, the Company purchased 1.0 million shares of the Company's Class A Common Stock for an aggregate of \$33.9 million, with no repurchases in the prior year period. Following the aforementioned repurchases, as of June 30, 2017, the Company had \$221.4 million remaining under the repurchase program.

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

Indebtedness

On February 6, 2017, Booz Allen Hamilton, Booz Allen Hamilton Investor Corporation ("Investor") and certain wholly-owned subsidiaries of Booz Allen Hamilton entered into the Fourth Amendment, to the Credit Agreement, dated as of July 31, 2012, among Booz Allen Hamilton, Investor, certain wholly owned subsidiaries of Booz Allen Hamilton and Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Lender (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013, the Second Amendment to the Credit Agreement, dated as of May 7, 2014, and the Third Amendment to the Credit Agreement, dated as of July 13, 2016). Pursuant to the Fourth Amendment, the Company reduced the interest rate spread applicable to Term Loan B (as defined below). The interest rate spread applicable to Term Loan A (as defined below) remained unchanged. As of June 30, 2017, the Credit Agreement, as amended, provided the Company with a \$1,138.6 million Term Loan A ("Term Loan A"), a \$397.0 million Term Loan B ("Term Loan B" and, together with Term Loan A, the "Term Loans"), and a \$500.0 million Revolving Credit Facility (and together with the Term Loans, the "Secured Credit Facility"), with a sub-limit for letters of credit of \$100.0 million. As of June 30, 2017, the maturity date of Term Loan A and the termination date for the Revolving Credit Facility was June 30, 2021 and the maturity date of Term Loan B was June 30, 2023. Booz Allen Hamilton's obligations and the guarantors' guarantees under the Credit Agreement, as amended, are secured by a first priority lien on substantially all of the assets (including capital stock of subsidiaries) of Booz Allen Hamilton, Investor and the subsidiary guarantors, subject to certain exceptions set forth in the Credit Agreement, as amended, and related documentation. Subject to specified conditions, without the consent of the then-existing lenders (but subject to the receipt of commitments), the Term Loans or Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the existing facilities) by up to (i) \$400 million plus (ii) the aggregate principal amount under which pro forma consolidated net secured leverage remains less than or equal to 3.50:1.00.

Booz Allen Hamilton occasionally borrows under our Revolving Credit Facility in anticipation of cash demands. During the first quarter of fiscal 2018, Booz Allen Hamilton accessed a total of \$30.0 million of its \$500.0 million Revolving Credit Facility. As of June 30, 2017 there were no amounts outstanding under the Revolving Credit

Facility. As of March 31, 2017, there was \$130.0 million outstanding on the Revolving Credit Facility. The Credit Agreement, as amended, requires quarterly principal payments of 1.25% of the stated principal amount of Term Loan A until maturity and quarterly principal payments of 0.25% of the stated principal amount of Term Loan B until maturity.

At our option, borrowings under the Secured Credit Facility bear interest based either on LIBOR (adjusted for maximum reserves, and subject to a floor of zero) for the applicable interest period or a base rate (equal to the highest of (x) the administrative agent's prime corporate rate, (y) the overnight federal funds rate plus 0.50% and (z) three-month LIBOR (adjusted for maximum reserves, and subject to a floor of zero) plus 1.00%), in each case plus an applicable margin, payable at the end of the applicable interest period and in any event at least quarterly. The applicable margin for Term Loan B is 2.25% for LIBOR loans and 1.25% for base rate loans. The applicable margin for Term Loan A and borrowings under the Revolving Credit Facility ranges from 1.50% to 2.25% for LIBOR loans and 0.50% to 1.25% for base rate loans, in each case based on Booz Allen Hamilton's consolidated total net leverage ratio. Unused commitments under the Revolving Credit Facility are subject to a quarterly fee ranging from 0.30% to 0.40% based on Booz Allen Hamilton's consolidated total net leverage ratio.

We also have agreed to pay customary letter of credit and agency fees. As of June 30, 2017 and March 31, 2017, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$8.0 million and \$8.6 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At June 30, 2017 and March 31, 2017, approximately \$1.2 million and \$1.7 million, respectively, of these instruments reduce the available borrowings under the Revolving Credit Facility. The remainder is guaranteed under a separate \$10.0 million facility established in fiscal 2015 of which \$3.1 million and \$3.1 million, respectively, was available to us at June 30, 2017 and March 31, 2017. As of June 30, 2017, we had \$498.8 million of capacity available for additional borrowings under the Revolving Credit Facility. The Credit Agreement, as amended, contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations on the following, in each case subject to certain exceptions: (i) indebtedness and liens, (ii) mergers, consolidations or amalgamations, liquidations, wind-ups or dissolutions, and disposition of all or substantially all assets; (iii) dispositions of property; (iv) restricted payments; (v) investments; (vi) transactions with affiliates; (vii) sale and lease back transactions; (viii) change in fiscal periods; (ix) negative pledges; (x) restrictive agreements; (xi) line of business; and (xii) speculative hedging. In addition, we are required to meet certain financial covenants at each quarter end, namely Consolidated Net Total Leverage and Consolidated Net Interest Coverage Ratios. As of June 30, 2017, we were compliant with these covenants. The events of default include the following, in each case subject to certain exceptions: (a) failure to make required payments under the Secured Credit Facility; (b) material breaches of representations or warranties under the Secured Credit Facility; (c) failure to observe covenants or agreements under the Secured Credit Facility; (d) failure to pay or default under certain other material indebtedness; (e) bankruptcy or insolvency; (f) certain ERISA events; (g) certain material judgments; (h) actual or asserted invalidity of the Guarantee and Collateral Agreements or the other security documents or failure of the guarantees or perfected liens thereunder; and (i) a change of control.

On April 25, 2017, Booz Allen Hamilton issued \$350 million aggregate principal amount of its 5.125% Senior Notes (the "Senior Notes") due 2025 under an Indenture, dated April 25, 2017, among Booz Allen Hamilton, certain subsidiaries of Booz Allen Hamilton, as guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of April 25, 2017, among Booz Allen Hamilton, the Subsidiary Guarantors and the Trustee. A portion of the proceeds was used to repay all outstanding loans under the Revolving Credit Facility. We intend to use the remaining proceeds for working capital and other general corporate purposes, which may include the repayment of a portion or all of the outstanding DPO. (See Note 8 in our condensed consolidated financial statements).

Borrowings under our term loans and, if used, our Revolving Credit Facility, incur interest at a variable rate. In accordance with our risk management strategy between April 6, 2017 and May 24, 2017, Booz Allen Hamilton executed a series of interest rate swaps. As of June 30, 2017, we had interest rate swaps with an aggregate notional amount of \$450 million. These instruments hedge the variability of cash outflows for interest payments on the floating portion of our term loan debt. The Company's objectives in using cash flow hedges are to reduce volatility to interest rate movements and to add stability to interest expense (See Note 9 in our condensed consolidated financial statements).

Capital Structure and Resources

Our stockholders' equity amounted to \$599.0 million as of June 30, 2017, an increase of \$25.4 million compared to stockholders' equity of \$573.6 million as of March 31, 2017. The increase was primarily due to net income of \$79.5 million in the three months ended June 30, 2017, stock-based compensation expense of \$5.2 million, and stock option exercises of \$3.3 million, partially offset by \$25.4 million in recurring dividend payments and a \$33.9 million increase in treasury stock resulting from the repurchase of shares of our Class A Common Stock during the three months ended June 30, 2017.

Off-Balance Sheet Arrangements

As of June 30, 2017, we did not have any material off-balance sheet arrangements.

Capital Expenditures

Since we do not own any of our facilities, our capital expenditure requirements primarily relate to the purchase of computers, business 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, 2017 and 2016 were \$11.5 million and \$6.2 million, respectively, and the majority of such capital expenditures related to facilities infrastructure, equipment, and information technology. The increase in capital expenditures over the prior year primarily related to the timing of the leasehold improvements to update existing office space. Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across our business. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure.

Commitments and Contingencies

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

Special Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains 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 like, or other 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: cost cutting and efficiency initiatives, budget reductions, Congressionally mandated automatic spending cuts, and other efforts to reduce U.S. government spending, including automatic sequestration required by the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015), which have reduced and delayed contract awards and funding for orders for services especially in the current political environment or otherwise negatively affect our ability to generate revenue under contract awards, including as a result of reduced staffing and hours of operation at U.S. government clients; delayed funding of our contracts due to uncertainty relating to and a possible failure of Congressional efforts to approve funding of the U.S. government and to craft a long-term agreement on the U.S. government’s ability to incur indebtedness in excess of its current limits, or changes in the pattern or timing of government funding and spending (including those resulting from or related to cuts associated with sequestration or other budgetary cuts made in lieu of sequestration); current and continued uncertainty around the timing, extent, nature, and effect of ongoing Congressional and other U.S. government action to address budgetary constraints, including, but not limited to, uncertainty around the outcome of 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 the U.S. deficit; any issue that compromises our relationships with the U.S. government or damages our professional reputation, including negative publicity concerning government contractors in general or us in particular; changes in U.S. government spending, including a continuation of efforts by the U.S. government to decrease spending for management support service contracts, and mission priorities that shift expenditures away from agencies or programs that we support; U.S. government shutdowns due to, among other reasons, a failure by elected officials to fund the government; the size of our addressable markets and the amount of U.S. government spending on private contractors; failure to comply with numerous laws and regulations; our ability to compete effectively in the competitive bidding process and delays or losses of contract awards caused by competitors' protests of major contract awards received by us; the loss of General Services Administration Multiple Award schedule contracts, or GSA schedules, or our position as prime contractor on government-wide acquisition contract vehicles, or GWACs;

changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time, and resources for our contracts;

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continued efforts to change how the U.S. government reimburses compensation related and other expenses or otherwise limit such reimbursements, including recent rules that expand the scope of existing reimbursement limitations, such as a reduction in allowable annual employee compensation to certain contractors as a result of the Bipartisan Budget Act of 2013, and an increased risk of compensation being deemed unallowable or payments being withheld as a result of U.S. government audit, review, or investigation;

- our ability to generate revenue under certain of our contracts;
- our ability to realize the full value of and replenish our backlog and the timing of our receipt of revenue under contracts included in backlog;
- changes in estimates used in recognizing revenue;
- an inability to attract, train, or retain employees with the requisite skills, experience, and security clearances;
- an inability to hire, assimilate, and deploy enough employees to serve our clients under existing contracts;
- an inability to timely and effectively utilize our employees or manage our cost structure;
- failure by us or our employees to obtain and maintain necessary security clearances;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors, including the improper use or release of our clients' sensitive or classified information;
- increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- increased competition from other companies in our industry;
- failure to maintain strong relationships with other contractors, or the failure of contractors with which we have entered into a sub- or prime- contractor relationship to meet their obligations to us or our clients;
- inherent uncertainties and potential adverse developments in legal or regulatory proceedings, including litigation, audits, reviews, and investigations, which may result in materially adverse judgments, settlements, withheld payments, penalties, or other unfavorable outcomes including debarment, as well as disputes over the availability of insurance or indemnification;
- internal system or service failures and security breaches, including, but not limited to, those resulting from external cyber attacks on our network and internal systems;
- risks related to changes to our operating structure, capabilities, or strategy intended to address client needs, grow our business or respond to market developments;
- risks associated with new relationships, clients, capabilities, and service offerings in our U.S. and international businesses;
- failure to comply with special U.S. government laws and regulations relating to our international operations;
- risks related to our indebtedness and credit facilities which contain financial and operating covenants;
- the adoption by the U.S. government of new laws, rules, and regulations, such as those relating to organizational conflicts of interest issues or limits;
- risks related to completed and future acquisitions, including our ability to realize the expected benefits from such acquisitions;
- an inability to utilize existing or future tax benefits, including those related to our stock-based compensation expense, for any reason, including a change in law;
 - variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and indefinite delivery, indefinite quantity, or IDIQ, contracts; and
- other risks and factors described in Part II, "Item 1A. Risk Factors" and elsewhere in this Quarterly Report.

In light of these risks, uncertainties and other factors, the forward-looking statements contained in this Quarterly Report 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

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt and cash equivalents, which consist primarily of funds invested in U.S. government money-market funds, and our cash flow hedges. Our exposure to market risk for changes in prevailing interest rates may impact our interest payments under our Secured Credit Facility. Pursuant to our interest rate risk management strategies, we began using interest rate cash flow hedges in April 2017 with the goal of adding stability to our incurrence of interest rate expense and to manage exposure to related interest rate movement.

As of June 30, 2017, we had interest rate swaps with an aggregate notional amount of \$450 million. These derivative instruments hedge the variability of cash outflows for interest payments on our variable rate term loan debt and are recorded at fair value on our condensed consolidated balance sheet. As of June 30, 2017, a 25 basis point increase in the interest rates would increase the fair value of our interest rate swaps by approximately \$4.0 million and a 25 basis point decrease in the interest rates would decrease the fair value of our interest rate swaps by approximately \$4.0 million.

With the exception of the interest rate swaps discussed above, 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, 2017 filed with the Securities and Exchange Commission on May 22, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q, or Quarterly Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government which may include such investigative techniques as subpoenas or civil investigative demands. Given the nature of our business, these audits, reviews, and investigations may focus, among other areas, on various aspects of procurement integrity, labor time reporting, sensitive and/or classified information access and control, executive compensation, and post government employment restrictions. We are not always aware of our status in such matters, but we are currently aware of certain pending audits and investigations involving labor time reporting, procurement integrity, and classified information access. In addition, from time to time, we are also involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying amounts, none of which are considered material, or are unspecified as to amount. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, we do not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on our financial condition and results of operations. As of June 30, 2017 and March 31, 2017, there were no material amounts accrued in the condensed consolidated financial statements related to these proceedings.

Six former officers and stockholders who had departed the company prior to the Acquisition have filed a total of nine suits in various jurisdictions, with original filing dates ranging from July 3, 2008 through December 15, 2009, against us and certain of our current and former directors and officers. Three of these suits were amended on July 2, 2010 and then further amended into one consolidated complaint on September 7, 2010. Another two of the original nine suits were consolidated into one complaint on September 24, 2014. Each of the suits arises out of the Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Acquisition. Some of the suits also allege that the acquisition price paid to stockholders was insufficient. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil Racketeer Influenced and Corrupt Organizations Act, or RICO, violations, violations of the Employee Retirement Income Security Act, or ERISA, and/or securities and common law fraud. Three of these suits have been dismissed with all appeals exhausted. The two suits that were consolidated into one action on September 24, 2014 were settled on April 16, 2015. One of the remaining suits has been dismissed by the United States District Court for the Southern District of California and such dismissal was upheld by the United States Court of Appeals for the Ninth Circuit. The plaintiff in this suit subsequently filed a Petition for Writ of Certiorari to the United States Supreme Court, which was denied by the United States Supreme Court on January 9, 2017. The other three remaining suits that were previously consolidated on September 7, 2010 have been dismissed by the United States District Court for the Southern District of New York and are on appeal before the United States Court of Appeals for the Second Circuit. On December 15, 2016, hearings relating to the appeal were held before the United States Court of Appeals for the Second Circuit. As of June 30, 2017, the United States Court of Appeals for the Second Circuit has not ruled on this appeal. As of June 30, 2017, the aggregate alleged damages sought in these three remaining suits was approximately \$241.7 million (substantially all of which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. On July 13, 2017, the United States Court of Appeals for the Second Circuit ruled on the case and affirmed the ruling of the United States District Court for the Southern District of New York, except for one plaintiff's securities fraud claim. The United States Court of Appeals for the Second Circuit remanded the case to the United States District Court for the Southern District of New York to give the plaintiff leave to file another amended complaint to attempt to plead a securities fraud claim. As of August 3, 2017, the aggregate alleged damages that will be sought in the remaining suit is unknown. Although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, we do not expect them to have a material adverse effect on our financial condition and results of operations.

On June 7, 2017, Booz Allen Hamilton Inc. was informed that the U.S. Department of Justice (DOJ) is conducting a civil and criminal investigation of the Company. In connection with the investigation, the DOJ has requested

information from the Company relating to certain elements of the Company's cost accounting and indirect cost charging practices with the U.S. government. Since learning of the investigation, the Company has engaged a law firm experienced in these matters to represent the Company in connection with this matter and respond to the government's requests. The Company is continuing to cooperate with the DOJ in order to bring the matter to an appropriate resolution. The total cost associated with the investigation will depend on many factors, including the length and findings of the investigation. At this stage of the investigation, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the investigation.

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 naming the Company, its Chief Executive Officer and its Chief Financial

Officer as defendants purportedly on behalf of all purchasers of the Company's securities from May 19, 2016 through June 15, 2017. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by the Company concerning the Company's business, results of operations and compliance policies relating to the Company's contracts with the United States government. The plaintiff seeks to recover from the Company and the individual defendants an unspecified amount of damages class members allegedly incurred by buying the Company's securities at an allegedly inflated price. The Company believes the suit lacks merit and intends to defend against the lawsuit. At this stage of the lawsuit, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with the lawsuit.

Item 1A. Risk Factors

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 filed with the Securities and Exchange Commission on May 22, 2017.

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

Issuer Purchases of Equity Securities

The following table shows the share repurchase activity during the three months ended June 30, 2017:

| 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 2017 | 970,300 | 34.97 | 33,928,421 | \$221,397,498 |
| May 2017 | — | — | — | \$221,397,498 |
| June 2017 | — | — | — | \$221,397,498 |
| Total | 970,300 | | 33,928,421 | |

(1) On December 12, 2011, the Board of Directors approved a \$30.0 million share repurchase program. On January 27, 2015, the Board of Directors approved an increase to our share repurchase authorization from \$30.0 million to up to \$180.0 million. On January 25, 2017, the Board of Directors approved an increase to our share repurchase authorization from \$180.0 million to up to \$410.0 million. A special committee of the Board of Directors was appointed to evaluate market conditions and other relevant factors and initiate repurchases under the program from time to time. The share repurchase program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. See Note 14 to our unaudited condensed consolidated financial statements in this Form 10-Q for further information about the share repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

| Exhibit Number | Description |
|----------------|--|
| 10.1 | ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. dated as of January 13, 2015 (the "Bank of Tokyo-Mitsubishi Master Agreement"), and the Amendment to the Bank of Tokyo-Mitsubishi Master Agreement, dated as of April 18, 2017 (including the Schedule thereto) (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.2 | ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and Barclays Bank Plc, dated as of December 11, 2014 (the "Barclays Master Agreement"), and the Amendment to the Barclays Master Agreement, dated as of May 18, 2017 (including the Amended and Restated Schedule thereto) (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.3 | ISDA Master Agreement, by and between Booz Allen Hamilton Inc. and Wells Fargo Bank, N.A., dated as of February 13, 2017 (the "Wells Fargo Master Agreement"), including the Schedule thereto (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.4 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., dated as of May 26, 2017 (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.5 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Barclays Bank Plc, dated as of May 30, 2017 (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.6 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Wells Fargo Bank, N.A., dated as of May 25, 2017 (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on May 31, 2017 (File No. 001-34972)) |
| 10.7 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Bank of America, N.A., dated as of April 6, 2017 (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 11, 2017 (File No. 001-34972)) |
| 10.8 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and JPMorgan Chase Bank, N.A., dated as of April 6, 2017 (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 11, 2017 (File No. 001-34972)) |
| 10.9 | Confirmation of transaction, by and between Booz Allen Hamilton Inc. and Fifth Third Bank, dated as of April 6, 2017 (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 11, 2017 (File No. 001-34972)) |
| 10.10 | Assumption Agreement, dated as of April 14, 2017, by eGov Holdings, Inc. and Aquilent, Inc. in favor of Bank of America, N.A., as collateral agent for the banks and other financial institutions or entities party to the Credit Agreement, as amended*# |
| 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, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2017 and March 31, 2017; (ii) Condensed Consolidated Statements of Operations for the three months ended June 30, 2017 and 2016; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2017 and 2016; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2017 and 2016; and (v) Notes to Condensed Consolidated Financial Statements.

*Filed electronically herewith.

† Management contract or compensatory arrangement.

Certain provisions of this exhibit have been omitted and separately filed with the Securities and Exchange Commission pursuant to a request for confidential treatment.

SIGNATURES

Pursuant to the requirements of the Securities and 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: August 7, 2017 By: /s/ Lloyd W. Howell, Jr.
Lloyd W. Howell, Jr.
Executive Vice President, Chief Financial Officer and
Treasurer
(Principal Financial Officer)