

Booz Allen Hamilton Holding Corp
Form 10-K
May 19, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2016

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

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

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

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

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

(703) 902-5000

Registrant's telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock	New York Stock Exchange

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those sections.

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 ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of September 30, 2015, the market value of the voting and non-voting common equity held by non-affiliates based on the closing price as of that day was \$2,657,825,391.

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 May 16, 2016
Class A Common Stock	148,001,462
Class B Non-Voting Common Stock	—
Class C Restricted Common Stock	—
Class E Special Voting Common Stock	—

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled for July 28, 2016 are incorporated by reference into Part III.

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INTRODUCTORY NOTE

Unless the context otherwise indicates or requires, as used in this Annual Report on Form 10-K for the fiscal year ended March 31, 2016 references to: (i) “we,” “us,” “our” or our “company” refer to Booz Allen Hamilton Holding Corporation, its consolidated subsidiaries and predecessors; (ii) “Booz Allen Holding” refers to Booz Allen Hamilton Holding Corporation exclusive of its subsidiaries; (iii) “Booz Allen Investor” refers to Booz Allen Hamilton Investor Corporation, a wholly-owned subsidiary of Booz Allen Holding; (iv) “Booz Allen Hamilton” refers to Booz Allen Hamilton Inc., our primary operating company and a wholly-owned subsidiary of Booz Allen Holding; and (v) “fiscal,” when used in reference to any twelve-month period ended March 31, refers to our fiscal years ended March 31. Unless otherwise indicated, information contained in this Annual Report is as of March 31, 2016. We have made rounding adjustments to reach some of the figures included in this Annual Report and, unless otherwise indicated, percentages presented in this Annual Report are approximate.

Cautionary Note Regarding Forward-Looking Statements

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

- 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 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;
- 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;

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;

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;
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;
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;
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 ID/IQ, contracts; and
other risks and factors listed under "Item 1A. Risk Factors" and elsewhere in this Annual Report.

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

PART I

Item 1. Business

Overview

Booz Allen Hamilton is a leading provider of management and technology, consulting, and engineering services to the U.S. and international governments, major corporations, and not-for-profit organizations. A steadfast organization in a constantly evolving market, we remain focused on the long term with investments in capabilities, markets, and talent to ensure our ability to provide clients with solutions to their ever changing challenges. Our people are problem solvers whose ideas are inspired by the missions of our clients and the communities in which we live and work. This is our heritage, and it is as true today as when the company was founded in 1914.

A collaborative culture is an integral part of our unique operating model, which encourages our people to bring a diversity of the best talents to every client engagement as we help solve their most challenging problems. Building on our legacy of innovative client service and guided by our comprehensive strategy - Vision 2020 - we are positioning for our next century by blending deep expertise in management consulting with advanced technical capabilities to deliver end-to-end solutions. By investing in markets, capabilities, and talent and building new business models, including ventures, partnerships, and product offerings, we believe we are creating sustainable quality growth for the company.

Our ability to deliver value to our clients has always been, and continues to be, a product of the character and expertise of our people. Our talent base of approximately 22,600 employees deliver value and results to our clients by combining core consulting skills and domain expertise with functional expertise in areas such as engineering and science, systems delivery, cyber, and analytics, 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 client 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, and federal contract vehicles, as well as increasingly for top-tier commercial and international clients. We support these clients by addressing complex and pressing challenges such as combating global terrorism, improving cyber capabilities, transforming the healthcare system, improving efficiency and managing change within the government. 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 new and growing presence in Southeast Asia.

History and Corporate Structure

We were founded in 1914 by Edwin Booz, one of the pioneers of management consulting. In 1940, we began serving the U.S. government by advising the Secretary of the Navy in preparation for World War II. As the needs of our clients have grown more complex, we have expanded beyond our management consulting foundation to develop deep expertise in the fields of engineering and science, systems delivery, cyber, and analytics.

We are organized and operate as a corporation. Our use of the term “partnership” reflects our collaborative culture, and our use of the term “partner” refers to our Chief Executive Officer and our Senior and Executive Vice Presidents. The use of the terms “partnership” and “partner” is not meant to create any implication that we operate our company as, or have any intention to create a legal entity that is, a partnership.

Booz Allen Holding was incorporated in Delaware in May 2008 to serve as the top-level holding company for the consolidated Booz Allen Hamilton U.S. government consulting business. On July 31, 2008, Booz Allen Hamilton completed the separation of its U.S. government consulting business from its legacy commercial and international consulting business, the spin off of the commercial and international business, and the sale of 100% of its outstanding common stock to Booz Allen Holding, which was majority owned by The Carlyle Group and certain of its affiliated investment funds, or Carlyle. Our company is a corporation that is the successor to the U.S. government consulting business of Booz Allen Hamilton following the separation. The aforementioned transactions are referred to in this Annual Report as the acquisition.

Our Institution and Operating Model

We operate as a single profit/loss center with a single bonus pool for Partners, Vice Presidents, Principals, and Senior Associates. Our operating model also encourages and enables continuous investment in the right markets, capabilities, and talent to position the company for further growth by anticipating what government and commercial clients will need next. Through our unique operating model, which is designed to encourage collaboration across the company, and our partnership-style culture, we bring a mix of the best talent to every client engagement. As a result, we are able to go to market as a whole firm rather than as a collection of individual competing business units or profit centers. This commitment to teamwork is deeply ingrained in our company and our partnership-style culture is critical to maintaining this feature of our operating model.

Across all markets, we address our clients' complex and evolving needs by deploying teams of staff with a combination of deep mission understanding, market-leading functional capabilities, consulting talent, and true technical and engineering expertise. Our multifaceted client-facing teams, which are fundamental to our differentiated value proposition, better position us to create market-relevant growth strategies and plan for and meet current, future, and prospective market needs, and help us identify and deliver against diverse client needs in a more agile manner. Our significant win rates during fiscal year 2016 on new and re-competed contracts of 62% and 88%, respectively, demonstrate the strength of this approach.

Our People

The breadth and depth of our expertise begins with our people. Our approximately 22,600 highly educated individuals develop and deliver our functional and innovation service offerings. Our engineers, scientists, software developers, technologists, and consultants are problem-solvers who approach their clients, work, and communities with passion and purpose. Our people at a glance:

85 partners

Nearly 30% of the workforce are Veterans, including 48 senior leaders

Approximately 85% of the workforce hold bachelor's degrees; approximately 40% hold masters degrees; and approximately 4% hold doctoral degrees

69% of the workforce hold security clearances

Beyond their client work, our people are similarly passionate and purposeful in serving others. For more than a decade, Booz Allen has mentored young innovators through the nonprofit FIRST® LEGO® League Expo and was recently named a FIRST Strategic Partner, one of only 18 organizations to achieve such recognition.

Building on our commitment to innovation, and to enhance Booz Allen's ability to attract and retain top talent, we are reinvigorating Booz Allen's century-old spirit of entrepreneurialism through engaging events, programs, and tools such as the Garage, the Combustion Chamber, and Ideas Festival, which allow Booz Allen staff to collaborate and contribute in innovative ways while tackling a common challenge or pitching new products and capabilities. During fiscal year 2016, our data science team co-sponsored with Kaggle the first-ever National Data Science Bowl. The competition attracted more than 1,000 teams and 15,000 submissions from across the world. And in the end, the winning algorithm was a major advance for both data science and marine research. Through these initiatives, we are generating active engagement with our people while enabling Booz Allen to attract a broader talent base to drive growth across the company.

The importance that we place on our people continues to receive external recognition. Our people are ranked by Vault.com as #1 in public sector consulting, and the company was named as one of the World's Most Admired Companies by Fortune. We have also been recognized in receipt of the Alliance for Workplace Excellence Award, the Military Times' Best Employers for Vets, and Working Mother's Best Companies Hall of Fame.

Functional Service Offerings

Our functional service offerings, supported by skilled technical staff, drive our capabilities and capacity to meet market demand in coordination with our markets and accounts. They are charged with developing and moving talent in line with demand with the ultimate goal of driving growth across our business. Listed below are our functional service offerings and the supporting functional capabilities.

Our functional service offerings are:

Systems Delivery brings together the technical and organizational change management skills necessary to successfully deliver mission-critical systems. Through the combination of our technical expertise, our understanding of clients' mission needs based on longstanding relationships, and our consulting heritage, we are able to successfully deliver systems while preparing organizations for the change management challenges ahead. Component capabilities include:

Our Cloud experts help clients design cloud architecture solutions, select the data that is most applicable to storage in the cloud, develop analytical solutions to gain valuable insights from large data sets and then strategically use that knowledge to drive mission success, save money, and improve effectiveness.

Our Software Developers and Systems Architects provide development of small and large scale information technology applications, embedded systems, and mobile applications. We deliver expertise across an extensive list of programming languages applicable to traditional, cloud, mobile, and embedded applications. We rely on quality standards such as the variants of ISO 9000 and the Carnegie Mellon Maturity model (CMM) at various levels depending on the project. We employ traditional and agile development methods depending on the application. Engineering and Science delivers in-depth technical solutions to our clients' most challenging problems with core capabilities in Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), which are supported by our Systems Engineering & Integration and Sustainment Engineering functions. Our engineering capabilities include external industry standard certifications (e.g., ISO 90001 and AS9100). Component capabilities include:

Our Engineers offer Rapid Prototyping, Reverse Engineering, Systems Engineering & Integration, and Applied Engineering disciplines. We use design and manufacturing techniques to convert functional requirements into useable prototypes that can be deployed to test and confirm the requirements are met.

Our experts in Networks & Information Technology Infrastructure (NITI) provide solutions in the areas of enterprise operations, network services and communications, data center operations, and data storage. We apply our NITI expertise to physical, virtualized, cloud, and hybrid form factors networks.

Our Scientists offer scientific research and the development and management of technology. We have a number of facilities and laboratories that are developing new methods of detection, designing and conducting research, and helping clients address mission challenges using a broad range of scientific disciplines.

Cyber focuses on prevention, which includes abilities to secure platforms and enterprises against cyber-attacks, and detection, which is the instrumentation of networks to provide lead indicators of penetrations. Our cyber capabilities are rooted in our decades of service to the U.S. federal intelligence community, and today affords us the opportunity to maintain deep technical expertise in network security. We help clients understand the business value of cyber risk management as well as prepare clients for future cyber security needs with a lens toward efficiency and effectiveness. Additionally, to continue to position us as a leader across the broad and growing range of areas requiring cyber-related services, we are focused on hiring new employees with related expertise and cross training existing employees through our Cyber University program. Component capabilities include:

Our Cyber Security capabilities are rooted in deep technical, analytic, and cyber mission experience and help clients anticipate threats to their networks and their data, ensure their cyber posture is consistent with established best practices, and respond to cyber events. We have a significant Cyber Security business based on our military and intelligence work with the federal government and we have invested in the development of capabilities needed to address the dynamic environment of cyber security.

Analytics focuses on delivering transformational solutions in the traditional areas of decision analytics (including Operations Research and Cost Estimation), intelligence analysis (including All Source analysis) and tradecraft, as well as new or emerging areas such as Data Science and Machine Intelligence. Component capabilities include:

Our Decision Analysts' capabilities help clients make informed choices to maximize performance at an appropriate cost, while delivering on schedule and minimizing risks. We leverage a wide range of problem-solving techniques including simulation, mathematical optimization, queuing theory, and machine learning to improve decision making and efficiency.

Our Data Scientists apply advanced analytic techniques such as data mining, text mining, statistical analysis, and predictive modeling, to extract meaning from data. We also create analytic tools that support end users by providing access to data, analytic outputs, and visualizations.

Consulting focuses on the talent and expertise needed to solve client problems and develop mission-oriented solutions for specific domains, business strategies, human capital, and operations through new and innovative approaches. We ensure clients achieve their intended results through a combination of our consulting heritage with our client mission understanding and our technical depth. Component capabilities include:

Our Acquisition, Program Management, and Logistics experts help clients imagine, implement, and deliver a wide range of operational programs including those related to acquisition and contracts, supplier, and budget management. Our Human Capital and Learning experts offer a wide range of strategy and transformation expertise to help clients address workforce and leadership challenges in a resource constrained environment. We design, develop, and deliver instructional classroom and on-line learning programs for all levels within a client's organization.

Our Management Consultants build on experience gained over our 100-year consulting history and include expertise in strategy development, organizational design, efficiency, transformation, and a range of other consulting offerings.

Innovation Service Offerings

Our Innovation Agenda is focused on developing transformative solutions that build lasting value for our clients. By building the company's presence and brand in the external innovation ecosystem, enabling a vibrant innovation culture, and bringing a solutions mindset to our market place and sales force, we are advancing and creating the infrastructure and mechanics for new and disruptive business models. We are creating value for the company, our clients, and our employees by advancing external partnerships and alliances. We are becoming an essential partner in regional innovation communities all over the country. We're physically co-locating, co-creating, mentoring, incubating, contributing, and investing with organizations in Boston, MA (the epicenter of the data science revolution); Austin, TX (the tech start-up oasis); Seattle, WA to San Diego, CA (the corridor of venture capitalists and digital powerhouses); and Charleston, SC (home to our growing systems delivery community). Our Innovation Service Offerings harness next-generation technologies being created in the academic, start-up, and big technology firms to imagine and incubate new offerings, new solutions, and growth for the company.

Our innovation service offerings are:

- Digital transforms clients from closed, proprietary systems to open agile enterprises. We help clients modernize mission execution through the open integration and reuse of digital capabilities across the enterprise to achieve transformational change. Our digital services blend strategy, creative, technology, and analytics solutions to help clients overcome their digital challenges.

Cyber Futures develops differentiated cyber solutions and disruptive business models to address emerging threats and vulnerabilities against clients' emerging expanding digital enterprise, Internet of Things landscape, and connected platforms. Our solutions are based on our world-class cyber tradecraft, big data analytics, advanced engineering, and technology along with strategic alliances across the broader industrial ecosystem.

Next Generation Analytics offers cutting-edge analytics solutions across our entire client set. Using our large set of Data Science experts and products, we help clients use and think differently about their data to fundamentally transform the way they perform their missions and run their organizations. We are continuing to develop new capabilities in exciting areas such as quantum computing, machine intelligence, and computer vision, all of which have an opportunity to transform the way analysis is performed.

- Directed Energy technologies use high-energy lasers or high-powered microwaves to efficiently disrupt or damage targets with non-kinetic, speed-of-light engagement. Through our Directed Energy business, we can help clients either as a technology maturation agent, integrator, or solutions provider.

Our Long - Term Growth Strategy

Vision 2020 is a comprehensive strategy to transform Booz Allen and create sustainable quality growth for the company. Fiscal year 2016 was the third year of implementing the strategy, but its design reaches back to before the government market began to contract in 2011-2012. We anticipated the market downturn and set in place a strategy that would allow us to emerge in a strong position vis-à-vis our competitors. Under Vision 2020, we are:

- Increasing our capacity to serve as an essential partner to clients through a combination of deep domain understanding, market-leading consulting expertise, and broader technical capabilities;
- Investing heavily in advanced technical capabilities, including engineering, systems delivery, cyber, and analytics;
- Pursuing an innovation agenda that has produced new solutions, new business partners and alliances, and a reinvigorated culture of innovation inside the company;
- Expanding into the commercial and international markets; and
- Building distinctive business and people models to support growth.

The success of our strategy can be seen in recent contract wins, strong performance in the commercial and international markets, and Booz Allen's return to revenue growth in fiscal year 2016. We have won highly technical, mission-critical work across our federal government business because we bring differentiated offerings that meet our clients' toughest challenges. For example, we are helping to identify and mitigate global threats, protecting critical networks and infrastructure against cyber-attacks, creating systems to collect and distribute health records and insurance data, enhancing real-time battle information for warfighters, and ensuring the effective operation of the nation's tax collection process. We have experienced growth in our U.S. commercial market and in the Middle East and North Africa (MENA) region, have established a new presence in Singapore, and have executed against our capability focused acquisition strategy, most recently via the acquisition of the software services unit of the Charleston, SC technology firm SPARC, LLC in November 2015 to enhance our agile software development capabilities.

As we enter fiscal year 2017, we are focused on further operationalizing our strategy by deploying our functional and innovation service offerings more broadly and deeply across our client base and building scale in well-defined growth areas.

Our Clients

Through our commitment to client success, we have fostered strong client relationships with a diverse client base of government, commercial, and international clients. We believe that the U.S. government is the world's largest consumer of management and technology consulting services. The U.S. government's budget for the fiscal year ended September 30, 2015 was close to \$3.9 trillion, excluding authorizations from Overseas Contingency Operations and supplemental funding for the Department of Defense. Of this amount, approximately \$1.1 trillion was for discretionary budget authority, including \$623 billion for the Department of Defense and Intelligence Community and \$563 billion for civil agencies. Based on data from the Federal Procurement Data System, approximately \$438 billion of the U.S. government's fiscal year 2015 discretionary outlays were non-intelligence agency funding-related products and services procured from private contractors. We estimate that \$112 billion of the spending directed towards private contractors in U.S. government fiscal year 2015 was for management, technology, and engineering services, with \$63.3 billion spent by the Department of Defense and \$49.4 billion spent by civil agencies. The agencies of the U.S. Intelligence Community that we serve represent an additional market. These numbers also exclude a large addressable market for our services and capabilities in the commercial and international markets where we have a modest but growing footprint.

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. During fiscal 2016, we derived 97% of our revenue from services under more than 5,100 contracts and task orders. The revenue was generated from contracts where the end client was an agency or department of the U.S. government, including contracts where Booz Allen performed in either a prime or subcontract position, and regardless of the geographic location in which the work was performed. The single largest entity that we served in fiscal 2016 was the U.S. Army, which represented approximately 15% of our revenue in that period. We derived 90% of our revenue in fiscal 2016 from engagements for which we acted as the prime contractor.

Selected Long-Term Client Relationships

Client (1)	Relationship Length (Years)
U.S. Navy	75+
U.S. Army	65+
U.S. Air Force	35+
Department of Energy	35+
National Security Agency	30+
Department of Homeland Security	30+
Department of Health and Human Services	20+
Federal Bureau of Investigation	20+
National Reconnaissance Office	20+
A U.S. intelligence agency	20+
Internal Revenue Service	20+

(1) Includes predecessor organizations.

Defense Clients

Our reputation and track record in serving the U.S. military and defense agencies spans more than 75 years, starting with the U.S. Navy in WWII, and over that time we have provided a broad range of capabilities to our defense clients. Revenue generated from defense clients was \$2.6 billion, or approximately 48.3% of our revenue in fiscal 2016 as compared to \$2.6 billion, or approximately 49.6% of our revenue in fiscal 2015. Our defense work spans a full spectrum of services and solutions, providing strategy and technology expertise in systems engineering; personnel and mission readiness; integration and interoperability; intelligence, surveillance, and reconnaissance; and cyber security, among others. Our key defense clients include the Army, Navy/Marine Corps, Air Force, and Joint Combatant Commands. Revenue generated from defense clients also includes foreign military sales to non U.S. government clients.

Foreign military sales to non U.S. government clients has been realigned from global commercial revenue to defense revenue in fiscal 2016. Fiscal 2015 revenue for both global commercial and defense has been revised to reflect the new alignment.

Intelligence Clients

We have provided the government agencies and organizations that carry out national security and intelligence activities for the U.S. government with a wide range of services and capabilities for over 30 years. This critical business area requires specialized expertise and high-level security clearances. Revenue generated from intelligence clients was \$1.3 billion, or approximately 23.4% of our revenue in fiscal 2016 as compared to \$1.3 billion, or approximately 24.9% of our revenue in fiscal 2015. Our intelligence work covers a wide range of areas including, among others: strategic planning and business operations; intelligence analysis and training; system delivery and engineering; integration and acquisition; organizational change and strategy; counterintelligence and human intelligence expertise; Intelligence Surveillance Reconnaissance planning and operations; and simulation and gaming based training. Our major intelligence clients include:

- U.S. Intelligence Agencies, such as the National Security Agency, National Geospatial-Intelligence Agency, and National Reconnaissance Office; and

- Military Intelligence Agencies, such as the Defense Intelligence Agency, Service Intelligence Centers, and Intelligence Surveillance Reconnaissance units.

Civil Clients

We provide support to the wide-ranging missions of our U.S. government civilian agency clients. Revenue generated from civilian clients in the U.S. government was \$1.4 billion, or approximately 26.0% of our revenue in fiscal 2016 as

compared to \$1.2 billion, or approximately 23.6% of our revenue in fiscal 2015. Our civil work includes a full spectrum of capabilities, services, and solutions in engineering and science, systems delivery, cyber, and analytics across the breadth of civil agency offices. Our civil government clients include Health and Human Services, Veterans Affairs, Homeland Security, Treasury, Justice, Energy, Transportation, Labor, National Science Foundation, Agriculture, National Aeronautics and Space Administration (NASA), General Services Administration, Environmental Protection Agency,

Commerce, Interior, State, Office of Personnel Management, and work performed outside of the U.S. for the U.S. Agency for International Development (USAID).

Work performed outside of the U.S. for USAID has been realigned from global commercial to civil revenue in fiscal 2016. Fiscal 2015 revenue for both global commercial and civil has been revised to reflect the new alignment.

Global Commercial Clients

Our revenue generated with commercial and international clients, which includes work for private sector clients inside and outside of the U.S. and foreign government entities, was \$122.2 million, or approximately 2.3% of our revenue in fiscal 2016 as compared to \$97.6 million, or approximately 1.8% of our revenue in fiscal 2015. Our global commercial work encompasses a broad range of areas including, among others, data analytics, regulatory compliance, IT infrastructure, cyber defense diagnostics, mission assurance and risk management, technology, strategy transformation, and program management. Our commercial and international clients include:

- Commercial clients, such as large commercial and investment banks, utilities, oil and gas companies, major retailers, auto manufacturers, major pharmaceutical manufacturers, and healthcare providers.

- International clients, such as non-U.S. governments and commercial entities in the Middle East North Africa (MENA) region, and select Asian markets.

Foreign military sales to non U.S. government clients and work performed outside of the U.S. for USAID have been realigned from global commercial revenue to defense revenue and civil revenue, respectively in fiscal 2016. Fiscal 2015 revenue for global commercial, defense, and civil have been revised to reflect the new alignment.

Contracts

Booz Allen's approach has long been to ensure that we have prime or subcontractor positions on a wide range of contracts that allow clients maximum opportunity to access our services. Our diverse contract base provides stability to our business. This diversity is seen in the fact that over 76% of our revenue for fiscal 2016 was derived from over 3,300 active task orders under indefinite delivery, indefinite quantity (ID/IQ) contract vehicles. Our top ID/IQ contract vehicle represented approximately 4.5% of our revenue in our fiscal year 2016. Our largest task order under an ID/IQ contract vehicle accounted for approximately 2.4% of our revenue in our fiscal year 2016. Our largest definite contract represented approximately 2.8% of our revenue in our fiscal year 2016.

There are two predominant contracting methods by which the U.S. government procures services: definite contracts and indefinite contract vehicles. Each of these is described below:

Definite contracts call for the performance of specified services or the delivery of specified products. The U.S. government procures services and solutions through single award, definite contracts that specify the scope of services that will be delivered and identify the contractor that will provide the specified services. When an agency recognizes a need for services or products, it develops an acquisition plan, which details the means by which it will procure those services or products. During the acquisition process, the agency may release a request for information to determine if qualified bidders exist, a draft request for a proposal to allow the industry to comment on the scope of work and acquisition strategy, and finally a formal request for a proposal. Following the evaluation of submitted proposals, the agency will award the contract to the winning bidder.

Indefinite contract vehicles provide for the issuance by the client of orders for services or products under the terms of the contract. Indefinite contracts are formally known as ID/IQ contracts and are often referred to as contract vehicles or ordering contracts. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Under a multiple award ID/IQ contract, there is no guarantee of work as contract holders must compete for individual work orders. ID/IQ contracts will often include pre-established labor categories and rates, and the ordering process is streamlined (usually taking less than a month from recognition of a need to an established order with a contractor). ID/IQ contracts often have multi-year terms and unfunded ceiling amounts, thereby enabling but not committing the U.S. government to purchase substantial amounts of products and services from one or more contractors in a streamlined procurement process.

Listed below are our top definite contracts for fiscal 2016 and 2015 and revenue recognized under these contracts in fiscal 2016 and 2015. Classified contracts that cannot be named are noted generically in the table with consistent names in both fiscal years for comparability purposes.

	Fiscal 2016	% of Total Revenue	Expiration Date
	(in millions)		
Classified Contract A	\$ 153.9	2.8 %	12/31/2020(1)
InnoVision Future Solutions Program	70.5	1.3 %	11/30/2017
Classified Contract B	57.6	1.1 %	9/30/2017
Classified Contract C	54.5	1.0 %	3/7/2023
Classified Contract D	45.9	0.8 %	6/30/2018
Classified Contract E	45.3	0.8 %	10/31/2018
Classified Contract F	35.2	0.7 %	11/30/2017
Launch and Test Range System - Systems Engineering and Integration	26.5	0.5 %	4/30/2016
Integrated Personnel and Pay System - Army	24.2	0.4 %	6/30/2016
Classified Contract G	20.0	0.4 %	7/29/2017

(1) Contract is approaching its awarded value ceiling, which may result in a recompete of such contract prior to its expiration.

	Fiscal 2015	% of Total Revenue	Expiration Date
	(in millions)		
Classified Contract A	\$ 137.8	2.6 %	12/31/2020
InnoVision Future Solutions Program	60.6	1.1 %	11/30/2017
Classified Contract D	41.7	0.8 %	6/30/2018
Classified Contract C	39.3	0.7 %	3/7/2023
Classified Contract E	38.0	0.7 %	12/19/2018
Classified Contract F	27.6	0.5 %	12/30/2017
Business Support Services	23.7	0.4 %	10/31/2015
Launch and Test Range System - Systems Engineering and Integration	21.2	0.4 %	12/31/2015
Classified Contract G	18.6	0.4 %	7/29/2017
Integrated Personnel and Pay System - Army	17.6	0.3 %	1/31/2016

Listed below are our top ID/IQ contracts for fiscal 2016 and 2015, in each case including revenue associated with GSA Schedules and GWACS, and the number of active task orders under these contracts as of March 31, 2016 and March 31, 2015.

	Fiscal 2016	% of Total Revenue	Number of Task Orders as of March 31, 2016	Expiration Date
	(in millions)			
Survivability/Vulnerability Information Analysis Center	\$ 244.6	4.5 %	125	7/8/2015
Mission Oriented Business Integrated Services	244.3	4.5 %	259	9/30/2017
Alliant	243.3	4.5 %	36	4/30/2019
System Engineering and Analysis/Advanced Technology Support	214.5	4.0 %	49	4/4/2019
Information Technology Schedule 70	206.8	3.8 %	133	3/22/2019
VA TAC Transformation Twenty One Total Technology	174.7	3.2 %	77	6/30/2016
Booz Allen Engineering Services - Alliant	167.1	3.1 %	63	4/30/2019
Encore II IT Solutions	148.1	2.7 %	29	5/31/2018
Rapid Response Third Generation	143.7	2.7 %	18	10/28/2016
Total Information Processing Support Services 4	117.2	2.2 %	20	12/27/2020
	Fiscal 2015	% of Total Revenue	Number of Task Orders as of March 31, 2015	Expiration Date
	(in millions)			
Survivability/Vulnerability Information Analysis Center (1)	\$ 642.0	12.2 %	170	7/8/2015
System Engineering and Analysis/Advanced Technology Support	242.6	4.6 %	77	4/4/2019
Mission Oriented Business Integrated Services	229.5	4.4 %	284	9/30/2017
Alliant	181.8	3.4 %	31	4/30/2019
Information Technology Schedule 70	177.8	3.4 %	161	3/22/2019
Booz Allen Engineering Services - Alliant	171.6	3.3 %	43	4/30/2019
Encore II IT Solutions	125.5	2.4 %	37	5/31/2018
Strategic Services Sourcing	114.2	2.2 %	14	4/24/2017
VA TAC Transformation Twenty One Total Technology	112.3	2.1 %	62	3/24/2019
Total Information Processing Support Services 4	103.8	2.0 %	19	11/27/2020

(1) While the contract end date is 7/8/2015, there are several task orders that extend beyond the contract end date with the longest duration task order end date on 9/30/2016.

Listed below for each specified revenue band is the number of, revenue derived from, and average duration of our task orders as of March 31, 2016. The table includes revenue earned during fiscal 2016 under all task orders that were active during fiscal 2016 under these ID/IQ contracts and the number of active task orders on which this revenue was earned. Average duration reflected in the table below is calculated based on the inception date of the task order, which may be prior to the beginning of fiscal 2016, and the completion date which may have been prior or subsequent to March 31, 2016. As a result, the actual average remaining duration for task orders included in this table may be less than the average duration shown in the table, and task orders included in the table may have been complete on March 31, 2016.

Segmentation of Task Order by Revenue Fiscal 2016	Number of Task Orders Active During Fiscal 2016	Fiscal 2016 Revenue (in millions)	% of Total Fiscal 2016 Revenue	Average Duration (Years)
Less than \$1 million	2,500	\$ 644.3	12 %	1.5
Between \$1 million and \$3 million	514	903.2	17 %	2.1
Between \$3 million and \$5 million	133	522.9	10 %	2.1
Between \$5 million and \$10 million	101	704.0	13 %	2.4
Greater than \$10 million	70	1,303.0	24 %	2.5
Total	3,318	\$ 4,077.4	76 %	1.6

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 ID/IQ contracts, including GWACs and GSA schedules, except to the extent that task orders have been awarded to us under those contracts.

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

	As of March 31,	
	2016	2015
	(In millions)	
Funded	\$2,673	\$2,691
Unfunded (1)	2,546	2,121
Priced options	6,595	4,548
Total backlog	\$11,814	\$9,360

Amount as of March 31, 2015 reflects a reduction by management to the revenue value of orders for services under (1) one then existing single award ID/IQ contract the Company had for several years, based on an established pattern of funding under this contract by the U.S. government.

We may never realize all of the revenue that is included in our total backlog, and there is a higher degree of risk in this regard with respect to unfunded backlog and priced options. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Sources of Revenue — Contract Backlog" for additional disclosure regarding our backlog. See also "Item 1A. Risk Factors — Risks Related to Our Business — We may not realize the full value of our backlog, which may result in lower than expected revenue."

Competition

The government services market is highly fragmented and competition within the government professional services industry has intensified due to market pressure. In addition to professional service companies like ours that focus principally on the provision of services to the U.S. government, other companies active in our markets include large defense contractors; diversified consulting, technology, and outsourcing service providers; and small businesses. Changing government policies and market dynamics also are helping to reshape the competitive landscape. Some large prime contractors are beginning to divest their professional services business units due to the U.S. government's increased sensitivity to organizational conflicts of interest and these divested companies will be free to compete with us without their former organizational conflicts of interest constraints. The formal adoption of the Federal Acquisition Regulation, or FAR, organizational conflicts of interest rules, or additional more restrictive rules by U.S. government agencies could cause further such divestitures which could further increase competition in our markets. At the other end of the spectrum, small businesses are growing in the government services industry due in large part to a push by both the Obama and Bush administrations to bolster the economy by helping small business owners. Finally, due to the foregoing factors and the drive in our markets to quickly build competencies in growth areas and achieve economies of scale, we believe that consolidation activity among market participants will increase.

In the course of doing business, we compete and collaborate with companies of all types and sizes. We strive to maintain positive and productive relationships with these organizations. Some of them hire us as a subcontractor, and we hire some of them to work with us as our subcontractors. Our major competitors include: (i) contractors focused principally on the provision of services to the U.S. government (ii) large defense contractors that provide both products and services to the U.S. government, and (iii) diversified service providers. We compete on the basis of our technical expertise and client knowledge, our ability to successfully recruit appropriately skilled and experienced talent, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationship with our clients, our past performance, security clearances, and the size and scale of our company. In addition, in order to maintain our competitive position, we routinely review our operating structure, capabilities, and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets, and successfully building a platform intended to provide the foundation for the future growth of our business.

Patents and Proprietary Information

Our management and technology consulting services and related products are not generally dependent upon patent protection. We claim a proprietary interest in certain of our service offerings and related products, methodologies, and know-how. We have a few patents but we do not consider our business to be materially dependent on the protection of such patents. Additionally, we have a number of trade secrets that contribute to our success and competitive position, and we endeavor to protect this proprietary information. While protecting trade secrets and proprietary information is important, we are not materially dependent on any specific trade secret or group of trade secrets. Other than licenses to commercially available third-party software, we have no licenses to intellectual property that are significant to our business.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent, and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information.

Our most important trademark is the "Booz Allen Hamilton" mark, registered in the United States and certain foreign countries. Generally, registered trademarks have perpetual life, provided that they are renewed on a timely basis and continue to be used properly as trademarks. We have four registered trademarks related to our name and logo with the earliest renewal in March 2020.

For our work under U.S. government funded contracts and subcontracts, the U.S. government obtains certain rights to data, software, and related information developed under such contracts or subcontracts. These rights generally allow the U.S. government to disclose such data, software, and related information to third parties, which third parties may

include our competitors in some instances. In the case of our work as a subcontractor, our prime contractor may also have certain rights to data, information, and products we develop under the subcontract.

Booz Allen Hamilton®, the Booz Allen Cyber Solutions Network®, the Booz Allen Hamilton logo, and other trademarks or service marks of Booz Allen Hamilton Inc. appearing in this Annual Report are property of Booz Allen Hamilton Inc. Trade names, trademarks, and service marks of other companies appearing in this Annual Report are the property of their respective owners.

Regulation

As a contractor to the U.S. government, as well as state and local governments, we are heavily regulated in most fields in which we operate. We deal with numerous U.S. government agencies and entities, and when working with these and other entities, we must comply with and are affected by unique laws and regulations relating to the formation, administration, and performance of public government contracts. Some significant laws and regulations that affect us include:

- FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;

- the False Claims Act and False Statements Act, which impose civil and criminal liability for presenting false or fraudulent claims for payments or reimbursement, and making false statements to the U.S. government, respectively;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification, or task order;

- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;

- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the U.S. government;

- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the U.S. government and deploy former employees of the U.S. government;

- laws, regulations, and executive orders restricting the use and dissemination of information classified for national security purposes or determined to be “controlled unclassified information” or “for official use only” and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work;

- laws, regulations, and executive orders regulating the handling, use, and dissemination of personally identifiable information in the course of performing a U.S. government contract;

- laws, regulations, and executive orders governing organizational conflicts of interest that may restrict our ability to compete for certain U.S. government contracts because of the work that we currently perform for the U.S. government or may require that we take measures such as firewalling off certain employees or restricting their future work activities due to the current work that they perform under a U.S. government contract;

- laws, regulations and executive orders that impose requirements on us to ensure compliance with requirements and protect the government from risk related to our supply chain;

- laws, regulations and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a government contract;

- the Contractor Business Systems rule, which authorizes Department of Defense agencies to withhold a portion of our payments if we are determined to have a significant deficiency in our accounting, cost estimating, purchasing, earned value management, material management and accounting, and/or property management system; and

- the Cost Accounting Standards and Cost Principles, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

Given the magnitude of our revenue derived from contracts with the Department of Defense, the Defense Contract Audit Agency, or DCAA, is our cognizant government audit agency. The DCAA audits the adequacy of our internal control systems and policies including, among other areas, compensation. As a result of its audits, the DCAA may determine that a portion of our employee compensation is unallowable. See “Item 1A. Risk Factors — Risk Related to Our Industry — Our contracts, performance, and administrative processes and systems are subject to audits, reviews,

investigations, and cost adjustments by the U.S. government, which could reduce our revenue, disrupt our business, or

otherwise materially adversely affect our results of operations.” We are also subject to audit by Inspectors General of other U.S. government agencies.

The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. In order to help ensure compliance with these laws and regulations, all of our employees are required to attend ethics training at least annually, as well as other compliance training relevant to their position. Internationally, we are subject to special U.S. government laws and regulations (such as the Foreign Corrupt Practices Act), local government regulations and procurement policies and practices, including regulations relating to import-export control, investments, exchange controls, and repatriation of earnings, as well as varying currency, political, and economic risks.

U.S. government contracts are, by their terms, subject to termination by the U.S. government either for its convenience or default by the contractor. In addition, U.S. government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance may take many years. As is common in the industry, our company is subject to business risks, including changes in governmental appropriations, national defense policies, service modernization plans, and availability of funds. Any of these factors could materially adversely affect our company’s business with the U.S. government in the future.

The U.S. government has a broad range of actions that it can instigate in order to enforce its procurement law and policies. These include proposing a contractor, certain of its operations or individual employees for debarment or suspending or debarring a contractor, certain of its operations or individual employees from future government business. In addition to criminal, civil and administrative actions by the U.S. government, under the False Claims Act, an individual alleging fraud related to payments under a U.S. government contract or program may file a qui tam lawsuit on behalf of the government against us; if successful in obtaining a judgment or settlement, the individual filing the suit may receive up to 30 percent of the amount recovered by the government.

See “Item 1A. Risk Factors — Risks Related to Our Business — We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations.”

Available Information

We file annual, quarterly, and current reports and other information with the SEC. You may read and copy any documents that we file at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 to obtain further information about the public reference room. In addition, the SEC maintains an Internet website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including us. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and any amendments to those forms) through the “Investors” portion of our Internet website (www.boozallen.com). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this Annual Report as an inactive textual reference only. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, or results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties

described below.

Risks Related to Our Business

We depend on contracts with U.S. government agencies for substantially all of our revenue. If our relationships with such agencies are harmed, our future revenue and operating profits would decline.

The U.S. government is our primary client, with revenue from contracts and task orders, either as a prime or a subcontractor, with U.S. government agencies accounting for 97% of our revenue for fiscal 2016. Our belief is that the successful future growth of our business will continue to depend primarily on our ability to be awarded work under U.S. government contracts, as we expect this will be the primary source of substantially all of our revenue in the foreseeable future.

For this reason, any issue that compromises our relationship with the U.S. government generally or any U.S. government agency that we serve would cause our revenue to decline. Among the key factors in maintaining our relationship with U.S. government agencies are our performance on contracts and task orders, the strength of our professional reputation, compliance with applicable laws and regulations, and the strength of our relationships with client personnel. In addition, the mishandling or the perception of mishandling of sensitive information, such as our failure to maintain the confidentiality of the existence of our business relationships with certain of our clients, including as a result of misconduct or other improper activities by our employees or subcontractors, or a failure to maintain adequate protection against security breaches, including those resulting from cyber attacks, could harm our relationship with U.S. government agencies. Our relationship with the U.S. government could also be damaged as a result of an agency's dissatisfaction with work performed by us, a subcontractor, or other third parties who provide services or products for a specific project for any reason, including due to perceived or actual deficiencies in the performance or quality of our work, and we may incur additional costs to address any such situation and the profitability of that work might be impaired. Further, negative publicity concerning government contractors in general or us in particular may harm our reputation with federal government contractors. To the extent our reputation or relationships with U.S. government agencies is impaired, our revenue and operating profits could materially decline. U.S. government spending and mission priorities could change in a manner that adversely affects our future revenue and limits our growth prospects.

Our business depends upon continued U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. These expenditures have not remained constant over time, have been reduced in certain periods and, recently, have been affected by the U.S. government's efforts to improve efficiency and reduce costs affecting federal government programs generally. Our business, prospects, financial condition, or operating results could be materially harmed, among other causes, by the following:

- budgetary constraints, including Congressionally mandated automatic spending cuts, affecting U.S. government spending generally, or specific agencies in particular, and changes in available funding;
- a shift in expenditures away from agencies or programs that we support;
- reduced U.S. government outsourcing of functions that we are currently contracted to provide, including as a result of 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;
- further efforts to improve efficiency and reduce costs affecting federal government programs;
- changes in U.S. government programs that we support or related requirements;
- a continuation of recent efforts by the U.S. government to decrease spending for management support service contracts;
- U.S. government shutdowns due to a failure by elected officials to fund the government (such as that which occurred during government fiscal year 2014) or weather-related closures in the Washington, DC area (such as that which occurred in the winter of 2016) and other potential delays in the appropriations process;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;
- delays in the payment of our invoices by government payment offices;
- an inability by the U.S. government to fund its operations as a result of a failure to increase the federal government's debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

In addition, any disruption in the functioning of U.S. government agencies, including as a result of U.S. government closures and shutdowns, terrorism, war, natural disasters, destruction of U.S. government facilities, and other potential calamities could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to client locations or facilities as a result of such disruptions.

The U.S. government budget deficits, the national debt, and the prevailing economic condition, and actions taken to address them, could continue to negatively affect the U.S. government expenditures on defense, intelligence, and civil programs for which we provide support. The Department of Defense is one of our significant clients and cost cutting, including through consolidation and elimination of duplicative organizations and insourcing, has become a major initiative for the

Department of Defense. In particular, 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 set spending limits for the government fiscal year 2016 and 2017 budgets across the federal government and increased the prior discretionary spending caps in both defense and non-defense. The new Department of Defense spending limits are approximately \$607 billion for government fiscal year 2016 and \$610 billion for government fiscal year 2017, including an allocation of \$59 billion in overseas contingency operations funding each year. While recent budget actions reflect a more measured and strategic approach to addressing the U.S. government's fiscal challenges, there remains uncertainty as to how exactly budget cuts, including sequestration, will impact us, and we are therefore unable to predict the extent of the impact of such cuts on our business and results of operations. However, a reduction in the amount of or reductions, delays, or cancellations of funding for, services that we are contracted to provide to the Department of Defense as a result of any of these related initiatives, legislation or otherwise could have a material adverse effect on our business and results of operations. In addition, in response to an Office of Management and Budget mandate, government agencies have reduced management support services spending in recent years. If federal awards for management support services continue to decline, our revenue and operating profits may materially decline and further efforts by the Office of Management and Budget to decrease federal awards for management support services could have a material and adverse effect on our business and results of operations.

These or other factors could cause our defense, intelligence, or civil clients to decrease the number of new contracts awarded generally and fail to award us new contracts, reduce their purchases under our existing contracts, exercise their right to terminate our contracts, or not exercise options to renew our contracts, any of which could cause a material decline in our revenue.

We are required to comply with numerous laws and regulations, some of which are highly complex, and our failure to comply could result in fines or civil or criminal penalties or suspension or debarment by the U.S. government that could result in our inability to continue to work on or receive U.S. government contracts, which could materially and adversely affect our results of operations.

As a U.S. government contractor, we must comply with laws and regulations relating to the formation, administration, and performance of U.S. government contracts, which affect how we do business with our clients. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, and/or suspension or debarment from contracting with federal agencies. Some significant laws and regulations that affect us include:

- the FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration, and performance of U.S. government contracts. For example, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal laws, violated the civil False Claims Act, or has received a significant overpayment;
- the False Claims Act and False Statements Act, which impose civil and criminal liability for presenting false or fraudulent claims for payments or reimbursement, and making false statements to the U.S. government, respectively;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification, or task order;
- post government employment laws and regulations, which restrict the ability of a contractor to recruit, hire, and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work; and
- the FAR Cost Accounting Standards and Cost Principles, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices

over time.

In addition, the U.S. government adopts new laws, rules, and regulations from time to time that could have a material impact on our results of operations.

Our performance under our U.S. government contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to periodic audit, review, and investigation by various agencies of the U.S. government and the current environment has led to increased regulatory scrutiny and sanctions for non-compliance by

such agencies generally. In addition, from time to time we report potential or actual violations of applicable laws and regulations to the relevant governmental authority. Any such report of a potential or actual violation of applicable laws or regulations could lead to an audit, review, or investigation by the relevant agencies of the U.S. government. If such an audit, review, or investigation uncovers a violation of a law or regulation, or improper or illegal activities relating to our U.S. government contracts, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, withholding of payments, suspension of payments, fines and suspension, or debarment from contracting with U.S. government agencies. Such penalties and sanctions are not uncommon in the industry and there is inherent uncertainty as to the outcome of any particular audit, review, or investigation. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position, and future prospects could be materially and adversely affected.

Further, if the U.S. government were to initiate suspension or debarment proceedings against us or if we are indicted for or convicted of illegal activities relating to our U.S. government contracts following an audit, review, or investigation, we may lose our ability to be awarded contracts in the future or receive renewals of existing contracts for a period of time which could materially and adversely affect our results of operations or financial condition. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts. See "Item 1. Business — Regulation."

We derive a majority of our revenue from contracts awarded through a competitive bidding process, and our revenue and profitability may be adversely affected if we are unable to compete effectively in the process or if there are delays caused by our competitors protesting major contract awards received by us.

We derive a majority of our revenue from U.S. government contracts awarded through competitive bidding processes. We do not expect this to change for the foreseeable future. Our failure to compete effectively in this procurement environment would have a material adverse effect on our revenue and profitability.

The competitive bidding process involves risk and significant costs to businesses operating in this environment, including:

- the necessity to expend resources, make financial commitments (such as procuring leased premises) and bid on engagements in advance of the completion of their design, which may result in unforeseen difficulties in execution, cost overruns and, in the case of an unsuccessful competition, the loss of committed costs;

- the substantial cost and managerial time and effort spent to prepare bids and proposals for contracts that may not be awarded to us;

- the ability to accurately estimate the resources and costs that will be required to service any contract we are awarded;

- the expense and delay that may arise if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract; and

- any opportunity cost of bidding and winning other contracts we might otherwise pursue.

In circumstances where contracts are held by other companies and are scheduled to expire, we still may not be provided the opportunity to bid on those contracts if the U.S. government determines to extend the existing contract. If we are unable to win particular contracts that are awarded through the competitive bidding process, we may not be able to operate in the market for services that are provided under those contracts for the duration of those contracts to the extent that there is no additional demand for such services. An inability to consistently win new contract awards over any extended period would have a material adverse effect on our business and results of operations.

The current competitive environment has resulted in an increase in the number of bid protests from unsuccessful bidders on new program awards. It can take many months for the relevant U.S. government agency to resolve protests by one or more of our competitors of contract awards we receive. Bid protests may result in significant expense to us, contract modification or loss of an awarded contract as a result of the award being overturned. Even where we do not lose the awarded contract, the resulting delay in the startup and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated.

A significant majority of our revenue is derived from task orders under indefinite delivery/indefinite quantity, or ID/IQ, contract vehicles where we perform in either a prime or subcontract position.

We believe that one of the key elements of our success is our position as the holder of over 3,300 active task orders under ID/IQ contract vehicles of March 31, 2016. Our ability to maintain our existing business and win new business depends on our ability to maintain our prime and subcontractor positions on these contracts. The loss, without replacement, of certain of these contract vehicles could have a material adverse effect on our ability to win new business and our operating results. In addition,

if the U.S. government elects to use a contract vehicle that we do not hold, we will not be able to compete for work under that contract vehicle as a prime contractor.

We may earn less revenue than projected, or no revenue, under certain of our contracts.

Many of our contracts with our clients are ID/IQ contracts. ID/IQ contracts provide for the issuance by the client of orders for services or products under the contract, and often contain multi-year terms and unfunded ceiling amounts, which allow but do not commit the U.S. government to purchase products and services from contractors. Our ability to generate revenue under each of these types of contracts depends upon our ability to be awarded task orders for specific services by the client. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Multiple contractors must compete under multiple award ID/IQ contracts for task orders to provide particular services, and contractors earn revenue only to the extent that they successfully compete for these task orders. A failure to be awarded task orders under such contracts would have a material adverse effect on our results of operations and financial condition.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate or otherwise recover the expenses, time, and resources for our contracts.

We enter into three general types of U.S. government contracts for our services: cost-reimbursable, time-and-materials, and fixed-price. For fiscal 2016, we derived 51% of our revenue from cost-reimbursable contracts, 26% from time-and-materials contracts and 23% from fixed-price contracts.

Each of these types of contracts, to varying degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract and adversely affect our operating results.

Under cost-reimbursable contracts, we are reimbursed for allowable costs up to a ceiling and paid a fee, which may be fixed or performance-based. If our actual costs exceed the contract ceiling or are not allowable under the terms of the contract or applicable regulations, we may not be able to recover those costs. In particular, there is increasing focus by the U.S. government on the extent to which government contractors, including us, are able to receive reimbursement for employee compensation, including recent rules under the Bipartisan Budget Act of 2013 that substantially decreased the level of allowable compensation cost for executive-level employees and further applied the newly reduced limitation to all employees. In addition, there is an increased risk of compensation being deemed unallowable or payments being withheld as a result of U.S. government audit, review or investigation.

Under time-and-materials contracts, we are reimbursed for labor at negotiated hourly billing rates and for certain allowable expenses. We assume financial risk on time-and-materials contracts because our costs of performance may exceed these negotiated hourly rates.

Under fixed-price contracts, we perform specific tasks for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher margin opportunities because we receive the benefits of any cost savings, but involve greater financial risk because we bear the impact of any cost overruns. The U.S. government has generally indicated that it intends to increase its use of fixed price contract procurements. Because we assume the risk for cost overruns and contingent losses on fixed-price contracts, an increase in the percentage of fixed-price contracts in our contract mix would increase our risk of suffering losses.

Additionally, our profits could be adversely affected if our costs under any of these contracts exceed the assumptions we used in bidding for the contract. For example, we may miscalculate the costs, resources, or time needed to complete projects or meet contractual milestones as a result of delays on a particular project, including delays in designs, engineering information, or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, and other factors, some of which are beyond our control. We have recorded provisions in our consolidated financial statements for losses on our contracts, as required under U.S. Generally Accepted Accounting Principles, or GAAP, but our contract loss provisions may not be adequate to cover all actual losses that we may incur in the future.

Our professional reputation is critical to our business, and any harm to our reputation could decrease the amount of business the U.S. government does with us, which could have a material adverse effect on our future revenue and growth prospects.

We depend on our contracts with U.S. government agencies for substantially all of our revenue and if our reputation or relationships with these agencies were harmed, our future revenue and growth prospects would be materially and adversely affected. Our reputation and relationship with the U.S. government is a key factor in maintaining and growing revenue under contracts with the U.S. government. Negative press reports regarding poor contract performance, employee misconduct, information security breaches, or other aspects of our business, or regarding government contractors generally, could harm our reputation. In addition, to the extent our performance under a contract does not meet a U.S. government agency's expectations, the client might seek to terminate the contract prior to its scheduled expiration date, provide a negative assessment of our

performance to government-maintained contractor past-performance data repositories, fail to award us additional business under existing contracts or otherwise, and direct future business to our competitors. If our reputation with these agencies is negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, such actions would decrease the amount of business that the U.S. government does with us, which would have a material adverse effect on our future revenue and growth prospects.

We use estimates in recognizing revenue and if we make changes to estimates used in recognizing revenue, our profitability may be adversely affected.

Revenue from our fixed-price contracts is primarily recognized using the percentage-of-completion method with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. Revenue from our cost-reimbursable-plus-award-fee contracts are based on our estimation of award fees over the life of the contract. Estimating costs at completion and award fees on our long-term contracts is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known.

In the event updated estimates indicate that we will experience a loss on the contract, we recognize the estimated loss at the time it is determined. Additional information may subsequently indicate that the loss is more or less than initially recognized, which requires further adjustments in our consolidated financial statements. Changes in the underlying assumptions, circumstances, or estimates could result in adjustments that could have a material adverse effect on our future results of operations.

We may not realize the full value of our backlog, which may result in lower than expected revenue.

As of March 31, 2016, our total backlog was \$11.8 billion, of which \$2.7 billion was funded. 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 ID/IQ contracts, including GWACs and GSA schedules, except to the extent that task orders have been awarded to us under those contracts.

We historically have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog and priced options. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing, and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are beyond our control. In particular, delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions could adversely affect our ability to timely recognize revenue under our contracts included in backlog. Furthermore, the actual receipt of revenue from contracts included in backlog may never occur or may be delayed because: a program schedule could change or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed, or terminated early, including as a result of a lack of appropriated funds or as a result of cost cutting initiatives and other efforts to reduce U.S. government spending and/or the automatic federal defense spending cuts required by sequestration; in the case of funded backlog, the period of performance for the contract has expired; in the case of unfunded backlog, funding may not be available; or, in the case of priced options, our clients may not exercise their options. In addition, consulting staff headcount growth is the primary means by which we are able to recognize revenue growth. Any inability to hire additional appropriately qualified personnel or failure to timely and effectively deploy such additional personnel against funded backlog could negatively affect our

ability to grow our revenue. Furthermore, even if our backlog results in revenue, the contracts may not be profitable. We may fail to attract, train and retain skilled and qualified employees, which may impair our ability to generate revenue, effectively serve our clients, and execute our growth strategy.

Our business depends in large part upon our ability to attract and retain sufficient numbers of highly qualified individuals who may have advanced degrees in areas such as information technology as well as appropriate security clearances. We compete for such qualified personnel with other U.S. government contractors, the U.S. government, and private industry, and such competition is intense. Personnel with the requisite skills, qualifications, or security clearance may be in short supply or

generally unavailable. In addition, our ability to recruit, hire, and internally deploy former employees of the U.S. government is subject to complex laws and regulations, which may serve as an impediment to our ability to attract such former employees, and failure to comply with these laws and regulations may expose us and our employees to civil or criminal penalties. If we are unable to recruit and retain a sufficient number of qualified employees, or fail to deploy such employees or obtain their appropriate security clearances in a timely manner, our ability to maintain and grow our business and to effectively serve our clients could be limited and our future revenue and results of operations could be materially and adversely affected. Furthermore, to the extent that we are unable to make necessary permanent hires to appropriately serve our clients, we could be required to engage larger numbers of contracted personnel, which could reduce our profit margins.

If we are able to attract sufficient numbers of qualified new hires, training and retention costs may place significant demands on our resources. In addition, to the extent that we experience attrition in our employee ranks, we may realize only a limited or no return on such invested resources, and we would have to expend additional resources to hire and train replacement employees. The loss of services of key personnel could also impair our ability to perform required services under some of our contracts and to retain such contracts, as well as our ability to win new business. We may fail to obtain and maintain necessary security clearances which may adversely affect our ability to perform on certain contracts.

Many U.S. government programs require contractor employees and facilities to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business, and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we are not able to obtain and maintain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts, as well as lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

Our profitability could suffer if we are not able to timely and effectively utilize our employees or manage our cost structure.

The cost of providing our services, including the degree to which our employees are utilized, affects our profitability. The degree to which we are able to utilize our employees in a timely manner or at all is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire, assimilate, and deploy new employees;
- our ability to forecast demand for our services and to maintain and deploy headcount that is aligned with demand, including employees with the right mix of skills and experience to support our projects;
- our employees' inability to obtain or retain necessary security clearances;
- our ability to manage attrition; and
- our need to devote time and resources to training, business development, and other non-chargeable activities.

If our employees are under-utilized, our profit margin and profitability could suffer. Additionally, if our employees are over-utilized, it could have a material adverse effect on employee engagement and attrition, which would in turn have a material adverse impact on our business.

Our profitability is also affected by the extent to which we are able to effectively manage our overall cost structure for operating expenses, such as wages and benefits, overhead and capital and other investment-related expenditures. If we are unable to effectively manage our costs and expense and achieve efficiencies, our competitiveness and profitability may be adversely affected.

We may lose one or more members of our senior management team or fail to develop new leaders, which could cause the disruption of the management of our business.

We believe that the future success of our business and our ability to operate profitably depends on the continued contributions of the members of our senior management and the continued development of new members of senior management. We rely on our senior management to generate business and execute programs successfully. In addition,

the relationships and reputation that many members of our senior management team have established and maintain with our clients are important to our business and our ability to identify new business opportunities. We have employment agreements with only our four most senior executives. The loss of any member of our senior management or our failure to continue to develop new members could impair our ability to identify and secure new contracts, to maintain good client relations, and to otherwise manage our business.

Our employees or subcontractors may engage in misconduct or other improper activities, which could harm our ability to conduct business with the U.S. government.

We are exposed to the risk that employee or subcontractor fraud or other misconduct could occur. Misconduct by employees or subcontractors could include intentional or unintentional failures to comply with U.S. government procurement regulations, engaging in other unauthorized activities, or falsifying time records. Employee or subcontractor misconduct could also involve the improper use of our clients' sensitive or classified information, or the inadvertent or intentional disclosure of our or our clients' sensitive information in violation of our contractual, statutory, or regulatory obligations. It is not always possible to deter employee or subcontractor misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could materially harm our business. As a result of such misconduct, our employees could lose their security clearance and we could face fines and civil or criminal penalties, loss of facility clearance accreditation, and suspension, proposed debarment or debarment from bidding for or performing under contracts with the U.S. government, as well as reputational harm, which would materially and adversely affect our results of operations and financial condition.

We face intense competition from many competitors, which could cause us to lose business, lower prices and suffer employee departures.

Our business operates in a highly competitive industry, and we generally compete with a wide variety of U.S. government contractors, including large defense contractors, diversified service providers, and small businesses. We also face competition from entrants into our markets including companies divested by large prime contractors in response to increasing scrutiny of organizational conflicts of interest issues. There is also a significant industry trend towards consolidation, which may result in the emergence of companies that are better able to compete against us. Some of these companies possess greater financial resources and larger technical staffs, and others have smaller and more specialized staffs. These competitors could, among other things:

- divert sales from us by winning very large-scale government contracts, a risk that is enhanced by the recent trend in government procurement practices to bundle services into larger contracts;
- force us to charge lower prices in order to win or maintain contracts;
- seek to hire our employees; or
- adversely affect our relationships with current clients, including our ability to continue to win competitively awarded engagements where we are the incumbent.

If we lose business to our competitors or are forced to lower our prices or suffer employee departures, our revenue and our operating profits could decline. In addition, we may face competition from our subcontractors who, from time to time, seek to obtain prime contractor status on contracts for which they currently serve as a subcontractor to us. If one or more of our current subcontractors are awarded prime contractor status on such contracts in the future, it could divert sales from us and could force us to charge lower prices, which could have a material adverse effect on our revenue and profitability.

Our 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, could have a material adverse effect on our business and results of operations.

Maintaining strong relationships with other U.S. government contractors, who may also be our competitors, is important to our business and our failure to do so could have a material adverse effect on our business, prospects, financial condition, and operating results. To the extent that we fail to maintain good relations with our subcontractors or other prime contractors due to either perceived or actual performance failures or other conduct, they may refuse to hire us as a subcontractor in the future or to work with us as our subcontractor. In addition, other contractors may choose not to use us as a subcontractor or choose not to perform work for us as a subcontractor for any number of additional reasons, including because they choose to establish relationships with our competitors or because they choose to directly offer services that compete with our business.

As a prime contractor, we often rely on other companies to perform some of the work under a contract, and we expect to continue to depend on relationships with other contractors for portions of our delivery of services and revenue in

the foreseeable future. If our subcontractors fail to perform their contractual obligations, our operating results and future growth prospects could be impaired. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, or our hiring of a subcontractor's personnel. In addition, if any of our subcontractors fail to deliver the agreed-upon supplies or perform the agreed-upon services on a timely basis, our ability to fulfill our obligations as a prime contractor may be jeopardized. Material losses could arise in future periods and subcontractor performance deficiencies could result in a client terminating a contract for default. A termination for default could expose us to liability and have an adverse effect on our ability to compete for future contracts and orders.

We estimate that revenue derived from contracts under which we acted as a subcontractor to other companies represented 10% of our revenue for fiscal 2016. As a subcontractor, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required, and could cause other contractors to choose not to hire us as a subcontractor in the future. If the U.S. government terminates or reduces other prime contractors' programs or does not award them new contracts, subcontracting opportunities available to us could decrease, which would have a material adverse effect on our financial condition and results of operations. In addition, as a subcontractor, we may be unable to collect payments owed to us by the prime contractor, even if we have performed our obligations under the contract, as a result of, among other things, the prime contractor's inability to fulfill the contract. Due to certain common provisions in subcontracts in certain countries, we could also experience delays in receiving payment if the prime contractor experiences payment delays, which could have an adverse effect on our financial condition and results of operations.

Adverse judgments or settlements in legal disputes could result in materially adverse monetary damages or injunctive relief and damage our reputation.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. For example, over time, we have had disputes with current and former employees involving alleged violations of civil rights, wage and hour, and worker's compensation laws. Further, as more fully described under "Item 3. Legal Proceedings," six former officers and stockholders who had departed the firm prior to the Acquisition have filed a total of nine suits in various jurisdictions against our company and certain of our current and former directors and officers. 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 Acquisition. Three of these suits have been dismissed with all appeals exhausted. Two suits were settled on April 16, 2015. The four remaining suits have been dismissed but are on appeal. The results of litigation and other legal proceedings are inherently uncertain and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. The litigation and other claims described under the "Item 3. Legal Proceedings" are subject to future developments and management's view of these matters may change in the future.

We face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance.

A significant portion of our business relates to designing, developing, and manufacturing advanced defense and technology systems and products, including cybersecurity products and services. New technologies may be untested or unproven. We maintain insurance policies that mitigate against risk and potential liabilities related to our operations. This insurance is maintained in amounts that we believe are reasonable. However, our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear significant costs from an accident or incident. The amount of the insurance coverage we maintain or indemnification to which we may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities. Accordingly we may be forced to bear substantial costs resulting from risks and uncertainties of our business which would negatively impact our results of operations, financial condition or liquidity.

Systems that we develop, integrate, maintain, or otherwise support could experience security breaches which may damage our reputation with our clients and hinder future contract win rates.

We develop, integrate, maintain, or otherwise support systems and provide services that include managing and protecting information involved in intelligence, national security, and other sensitive or classified government functions. Our systems also store and process sensitive information for commercial clients. The cyber and security threats that our clients face have grown more frequent and sophisticated. A security breach in one of these systems could cause serious harm to our business, damage our reputation, and prevent us from being eligible for further work on sensitive systems for U.S. government or commercial clients. Work for non-U.S. government and commercial clients involving the protection of information systems or that store clients' information could also be harmed due to associated security breaches. Damage to our reputation or limitations on our eligibility for additional work or any

liability resulting from a security breach in one of the systems we develop, install, maintain, or otherwise support could have a material adverse effect on our results of operations.

Certain services we provide and technologies we develop are designed to detect and monitor threats to our clients and may require our staff to travel to locations where their physical safety may be at risk.

We help our clients detect, monitor and mitigate threats to their people, information and facilities. These threats may originate from nation states, terrorist or criminal actors, activist hackers or others who seek to harm our clients.

Successful attacks on our clients may cause reputational harm to us and our clients, as well as liability to our clients or third parties. In addition, if we are associated with our clients in this regard, our staff, information and facilities may be targeted by a similar group of threat actors and may be at risk for loss, or physical or reputational harm.

Internal system or service failures, or those of our vendors, including as a result of cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our clients, which could damage our reputation and have a material adverse effect on our business and results of operations.

We create, implement, and maintain information technology and engineering systems and also use vendors to provide services that are often critical to our clients' operations, some of which involve sensitive information and may be conducted in war zones or other hazardous environments, or include information whose confidentiality is protected by law. As a result, we are subject to systems or service failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages, or terrorist attacks, but also from continuous exposure to cyber and other security threats, including computer viruses, attacks by computer hackers or physical break-ins. There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as a cybersecurity services contractor, we hold classified or other sensitive information. As a result, we and our vendors face a heightened risk of a security breach or disruption with respect to sensitive information resulting from an attack by computer hackers, foreign governments, and cyber terrorists. While we put in place policies, controls, and technologies to help detect and protect against such attacks, we cannot guarantee that future incidents will not occur, and if an incident does occur, we may not be able to successfully mitigate the impact. We have been the target of these types of attacks in the past and future attacks are likely to occur. If successful, these types of attacks on our network or other systems or service failures could have a material adverse effect on our business and results of operations, due to, among other things, the loss of client or proprietary data, interruptions or delays in our clients' businesses, and damage to our reputation. In addition, the failure or disruption of our systems, communications, vendors, or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business and results of operations. In addition, if our employees inadvertently do not adhere to appropriate information security protocols, our protocols are inadequate, or our employees intentionally avoid these protocols, our or our client's sensitive information may be released thereby causing significant negative impacts to our reputation and expose us or our clients to liability.

If our or our vendors' systems, services, or other applications have significant defects or errors, are successfully attacked by cyber and other security threats, suffer delivery delays, or otherwise fail to meet our clients' expectations, we may:

- lose revenue due to adverse client reaction;
- be required to provide additional services to a client at no charge;
- incur additional costs related to monitoring and increasing our cybersecurity;
- lose revenue due to the deployment of internal staff for remediation efforts instead of client assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients;
- be unable to successfully market services that are reliant on the creation and maintaining of secure information technology systems to U.S. government, international, and commercial clients;
- suffer claims by clients or impacted third parties for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of client and/or third party information; or
- incur significant costs, including fines from government regulators related to complying with applicable federal or state law, including laws pertaining to the security and protection of personal information.

In addition to any costs resulting from contract performance or required corrective action, these failures may result in increased costs or loss of revenue if they result in clients postponing subsequently scheduled work or canceling or failing to renew contracts.

The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Additionally, some cyber technologies and techniques that we utilize or develop may raise potential liabilities related to legal compliance intellectual property and civil liberties, including privacy concerns, which may not be fully insured or indemnified. Our errors and omissions insurance coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to some

types of future claims. The successful assertion of any large claim against us could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs, may be a distraction to our management, and may harm our client relationships. In certain new business areas, we may not be able to obtain sufficient insurance and may decide not to accept or solicit business in these areas.

Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent, and trade secret laws to protect our proprietary information. We also enter into proprietary information and

intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

In recent years, there has been significant litigation involving intellectual property rights in technology industries. We may face from time to time, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark, and other intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel, and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing certain products or services, or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

Our focus on new growth areas for our business entails risks, including those associated with new relationships, clients, talent needs, capabilities, service offerings, and maintaining our collaborative culture and core values. We are focused on growing our presence in our addressable markets by: expanding our relationships with existing clients, developing new clients by leveraging our core competencies, further developing our existing capabilities and service offerings, and creating new capabilities and service offerings to address our clients' emerging needs, and undertaking business development efforts focused on identifying near-term developments and long-term trends that may pose significant challenges for our clients. These efforts entail inherent risks associated with innovation and competition from other participants in those areas, potential failure to help our clients respond to the challenges they face, our ability to comply with uncertain evolving legal standards applicable to certain of our service offerings, including those in the cybersecurity area, and, with respect to potential international growth, risks associated with operating in foreign jurisdictions, such as compliance with applicable foreign and U.S. laws and regulations that may impose different and, occasionally, conflicting or contradictory requirements, and the economic, legal, and political conditions in the foreign jurisdictions in which we operate. As we attempt to develop new relationships, clients, capabilities, and service offerings, these efforts could harm our results of operations due to, among other things, a diversion of our focus and resources and actual costs, opportunity costs of pursuing these opportunities in lieu of others and a failure to reach a profitable return on our investments in new technologies, capabilities, and businesses, including expenses on research and development investments, and these efforts could ultimately be unsuccessful. Additionally, the possibility exists that our competitors might develop new capabilities or service offerings that might cause our existing capabilities and service offerings to become obsolete. If we fail in our new capabilities development efforts or our capabilities or services fail to achieve market acceptance more rapidly than our competitors, our ability to procure new contracts could be negatively impacted, which would negatively impact our results of operations and financial condition.

In addition, our ability to grow our business by leveraging our operating model to efficiently and effectively deploy our people across our client base is largely dependent on our ability to maintain our collaborative culture. To the extent that we are unable to maintain our culture for any reason, including our effort to focus on new growth areas or acquire new businesses with different corporate cultures, we may be unable to grow our business. Any such failure could have a material adverse effect on our business and results of operations.

In addition, with the growth of our U.S. and international operations, we are now providing client services and undertaking business development efforts in numerous and disparate geographic locations both domestically and internationally. Our ability to effectively serve our clients is dependent upon our ability to successfully leverage our operating model across all of these and any future locations, maintain effective management controls over all of our locations to ensure, among other things, compliance with applicable laws, rules and regulations, and instill our core values in all of our personnel at each of these and any future locations. Any inability to ensure any of the foregoing could have a material adverse effect on our business and results of operations.

We are subject to risks associated with operating internationally.

Our business operations are subject to a variety of risks associated with conducting business internationally, including:

• Changes in or interpretations of laws or policies that may adversely affect the performance of our services;

- Political instability in foreign countries;
- Imposition of inconsistent or contradictory laws or regulations;
- Reliance on the U.S. or other governments to authorize us to export products, technology, and services to clients and other business partners;
- Conducting business in places where laws, business practices, and customs are unfamiliar or unknown, and;
- Imposition of limitations on or increase of withholding and other taxes on payments by foreign subsidiaries or joint ventures.

In addition, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by business entities for the purpose of obtaining or retaining business. We have operations and deal with governmental clients in countries known to experience corruption, including certain emerging countries in the Middle East and Southeast Asia. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants or contractors that could be in violation of various laws including the FCPA and other anti-corruption laws, even though these parties are not always subject to our control. Our international operations also involve activities involving the transmittal of information, which may include personal data, that may expose us to data privacy laws in the jurisdictions in which we operate. If our data protection practices become subject to new or different restrictions, and to the extent such practices are not compliant with the laws of the countries in which we process data, we could face increased compliance expenses and face penalties for violating such laws or be excluded from those markets altogether, in which case our operations could be adversely affected. We are also subject to import-export control regulations restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work.

If we were to fail to comply with the FCPA, other anti-corruption laws, applicable import-export control regulations, data privacy laws, or other applicable rules and regulations, we could be subject to substantial civil and criminal penalties, including fines for our company and incarceration for responsible employees and managers, suspension or debarment, and the possible loss of export or import privileges which could have a material adverse effect on our business and results of operations.

Changes to our operating structure, capabilities or strategy intended to address our clients' needs, respond to developments in our markets and grow our business may not be successful.

We routinely review our operating structure, capabilities and strategy to determine whether we are effectively meeting the needs of existing clients, effectively responding to developments in our markets and successfully building platforms intended to provide the foundation for the future growth of our business. The outcome of any such review is difficult to predict and the extent of changes to our business following such a review, if any, are dependent in part upon the nature and extent of the review.

The implementation of changes to our operating structure, capabilities, strategy or any other aspect of our business following an internal review, may materially alter various aspects of our business or our business model as an entirety and there can be no assurance that any such changes will be successful or that they will not ultimately have a negative effect on our business and results of operations.

We and our subsidiaries may incur debt in the future, which could substantially reduce our profitability, limit our ability to pursue certain business opportunities, and reduce the value of your investment.

As of March 31, 2016, we had approximately \$1.6 billion of debt outstanding. The instruments governing our indebtedness may not prevent us or our subsidiaries from incurring additional debt in the future or other obligations that do not constitute indebtedness, which could increase the risks described below and lead to other risks. In addition, with the closing of our refinancing on May 7, 2014, we may increase the borrowing capacity under our senior secured credit agreement without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, to an amount which would not cause our net consolidated secured leverage ratio to exceed 3.50:1.00, subject to certain closing conditions including pro forma compliance with financial covenants. The amount of our debt or such other obligations could have important consequences, including, but not limited to:

our ability to satisfy obligations to lenders may be impaired, resulting in possible defaults on and acceleration of our indebtedness;

our ability to obtain additional financing for refinancing of existing indebtedness, working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;

a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;

• we may be increasingly vulnerable to economic downturns and increases in interest rates;

• our flexibility in planning for and reacting to changes in our business and the industry may be limited; and

• we may be placed at a competitive disadvantage relative to other firms in our industry.

Our senior secured credit agreement contains financial and operating covenants that limit our operations and could lead to adverse consequences if we fail to comply with them.

Our senior secured credit agreement contains financial and operating covenants relating to, among other things, interest coverage and leverage ratios, as well as limitations on mergers, consolidations and dissolutions, sales of assets, investments and acquisitions, indebtedness and liens, dividends, repurchase of shares of capital stock and options to purchase shares of capital stock, transactions with affiliates, sale and leaseback transactions, and restricted payments. The revolving credit facility matures on May 31, 2019. The Term Loan A and Term Loan B facilities mature on May 31, 2019 and July 31, 2019, respectively. Failure to meet these financial and operating covenants could result from, among other things, changes in our results of operations, the incurrence of debt, or changes in general economic conditions, which may be beyond our control. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders, which could harm our business and operations.

Many of our contracts with the U.S. government are classified or subject to other security restrictions, which may limit investor insight into portions of our business.

For fiscal 2016, we derived a substantial portion of our revenue from contracts with the U.S. government that are classified or subject to security restrictions that preclude the dissemination of certain information. In addition, a significant number of our employees have security clearances which preclude them from providing information regarding certain of our clients and services provided to such clients to other of our employees without security clearances and investors. Because we are limited in our ability to provide information about these contracts and services, the various risks associated with these contracts or services or any dispute or claims relating to such contracts or services, you may not have important information concerning our business, which will limit your insight into a substantial portion of our business and therefore may be less able to fully evaluate the risks related to that portion of our business.

If we cannot collect our receivables or if payment is delayed, our business may be adversely affected by our inability to generate cash flow, provide working capital, or continue our business operations.

We depend on the timely collection of our receivables to generate cash flow, provide working capital, and continue our business operations. If the U.S. government or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of invoices for any reason, our business and financial condition may be materially and adversely affected. The U.S. government may delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget, or as a result of audit findings by government regulatory agencies. Some prime contractors for whom we are a subcontractor have significantly fewer financial resources than we do, which may increase the risk that we may not be paid in full or that payment may be delayed.

Recent efforts by the U.S. government to revise its organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.

Recent efforts by the U.S. government to reform its procurement practices have focused, among other areas, on the separation of certain types of work to facilitate objectivity and avoid or mitigate organizational conflicts of interest and the strengthening of regulations governing organizational conflicts of interest. Organizational conflicts of interest may arise from circumstances in which a contractor has:

• impaired objectivity during performance;

• unfair access to non-public information; or

• the ability to set the “ground rules” for another procurement for which the contractor competes.

A focus on organizational conflicts of interest issues has resulted in legislation and a proposed regulation aimed at increasing organizational conflicts of interest requirements, including, among other things, separating sellers of

products and providers of advisory services in major defense acquisition programs. In addition, the U.S. government is working to adopt a FAR rule to address organizational conflicts of interest issues that will apply to all government contractors, including us, in Department of Defense and other procurements. A future FAR rule may also increase the restrictions in current organizational conflicts of interest regulations and rules. To the extent that proposed and future organizational conflicts of interest laws, regulations, and rules, limit our ability to successfully compete for new contracts or task orders with the U.S. government,

either because of organizational conflicts of interest issues arising from our business, or because companies with which we are affiliated, including through Carlyle, or with which we otherwise conduct business, create organizational conflicts of interest issues for us, our results of operations could be materially and adversely affected. Acquisitions could result in operating difficulties or other adverse consequences to our business.

As part of our operating strategy, we may continue to selectively pursue acquisitions. This could pose many risks, including:

- we may not be able to identify suitable acquisition candidates at prices we consider attractive;
- we may not be able to compete successfully for identified acquisition candidates, complete acquisitions, or accurately estimate the financial effect of acquisitions on our business;
- future acquisitions may require us to issue common stock or spend significant cash, resulting in dilution of ownership or additional debt leverage;
- we may have difficulty retaining an acquired company's key employees or clients;
- we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties, such as incompatible accounting, information management, or other control systems, and greater expenses than expected;
- acquisitions may disrupt our business or distract our management from other responsibilities;
- as a result of an acquisition, we may incur additional debt and we may need to record write-downs from future impairments of intangible assets, each of which could reduce our future reported earnings; and
- we may have difficulty integrating personnel from the acquired company with our people and our core values.

In connection with any acquisition that we make, there may be liabilities that we fail to discover or that we inadequately assess, and we may fail to discover any failure of a target company to have fulfilled its contractual obligations to the U.S. government or other clients. Acquired entities may not operate profitably or result in improved operating performance. Additionally, we may not realize anticipated synergies, business growth opportunities, cost savings, and other benefits we anticipate, which could have a material adverse effect on our business and results of operations.

Goodwill represents a significant asset on our balance sheet, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income. As of March 31, 2016, the value of our goodwill was \$1.4 billion. The amount of our recorded goodwill may substantially increase in the future as a result of any acquisitions that we make. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. Impairment analysis is based on several factors requiring judgment and the use of estimates, which are inherently uncertain and based on assumptions that may prove to be inaccurate. Additionally, material changes in our financial outlook, as well as events outside of our control, such as deteriorating market conditions for companies in our industry, may indicate a potential impairment. When there is an impairment, we are required to write down the recorded amount of goodwill, which is reflected as charge against operating income. Such non-cash impairment charges could have a material adverse effect on our results of operations in the period in which they are recognized.

Risks Related to Our Industry

Our U.S. government contracts may be terminated by the government at any time and may contain other provisions permitting the government to discontinue contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

U.S. government contracts contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. These rights and remedies allow government clients, among other things, to:

- terminate existing contracts, with short notice, for convenience as well as for default;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate, and current;
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for some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract

price under certain triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;

- terminate our facility security clearances and thereby prevent us from receiving classified contracts;

• cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

- decline to exercise an option to renew a multi-year contract or issue task orders in connection with ID/IQ contracts;
- claim rights in solutions, systems, and technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services and disclose such work-product to third parties, including other U.S. government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- suspend or debar us from doing business with the U.S. government; and
- control or prohibit the export of our services.

Recent and potential future budget cuts, the impact of sequestration and recent efforts by the Office of Management and Budget to decrease federal awards for management support services, may cause agencies with which we currently have contracts to terminate, reduce the number of task orders under or fail to renew such contracts. If a U.S. government client were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or suspend or debar us from doing business with the U.S. government, our revenue and operating results would be materially harmed.

The U.S. government may revise its procurement, contract or other practices in a manner adverse to us.

The U.S. government may:

- revise its procurement practices or adopt new contract laws, rules, and regulations, such as cost accounting standards, organizational conflicts of interest, and other rules governing inherently governmental functions at any time;
- reduce, delay, or cancel procurement programs resulting from U.S. government efforts to improve procurement practices and efficiency;
- limit the creation of new government-wide or agency-specific multiple award contracts;
- face restrictions or pressure from government employees and their unions regarding the amount of services the U.S. government may obtain from private contractors;
- award contracts on a technically acceptable/lowest cost basis in order to reduce expenditures, and we may not be the lowest cost provider of services;
- adopt new socio-economic requirements, including setting aside procurement opportunities to small, disadvantaged businesses;
- change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements; and
- at its option, terminate or decline to renew our contracts.

In addition, any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future revenue and profit margin. In addition, changes to the procurement system could cause delays in the procurement decision-making process. Any such changes to the U.S. government's procurement practices or the adoption of new contracting rules or practices could impair our ability to obtain new or re-compete contracts and any such changes or increased associated costs could materially and adversely affect our results of operations.

As part of its cost-cutting initiative, the Department of Defense has issued guidance regarding changes to the procurement process that is intended to control cost growth throughout the acquisition cycle by developing a competitive strategy for each program. Because this initiative may significantly change the way the U.S. government

solicits, negotiates,

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and manages its contracts, it could result in an increase in competitive pressure and decreased profitability on contracts and have a material adverse effect on our results of operations.

The U.S. government may prefer minority-owned, small and small disadvantaged businesses; therefore, we may have fewer opportunities to bid for.

As a result of the Small Business Administration set-aside program, the U.S. government may decide to restrict certain procurements only to bidders that qualify as minority-owned, small, or small disadvantaged businesses. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted to a maximum of 49% of the work as a subcontractor on those programs. An increase in the amount of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to recompile on incumbent work that is placed in the set-aside program.

Our contracts, performance, and administrative processes and systems are subject to audits, reviews, investigations, and cost adjustments by the U.S. government, which could reduce our revenue, disrupt our business, or otherwise materially adversely affect our results of operation.

U.S. government agencies routinely audit, review, and investigate government contracts and government contractors' administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure, and compliance with applicable laws, regulations and standards, including applicable government cost accounting standards. These agencies also review our compliance with government regulations and policies, and the DCAA audits, among other areas, the adequacy of our internal control systems and policies, including our purchasing, property, estimating, earned value and accounting systems. These internal control systems could focus on significant elements of costs, such as executive compensation. Determination of a significant internal control deficiency by a government agency could result in increased payment withholding that might materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. In particular, over time the DCMA has increased and may continue to increase the proportion of executive compensation that it deems unallowable and the size of the executive population whose compensation is disallowed, which will continue to materially and adversely affect our results of operations or financial condition including the requirement to carry an increased level of reserves. Recent legislation and regulations implementing new limitations on the amount of allowable executive compensation costs contribute to increased regulatory scrutiny of the allowability of employee compensation costs, which can lead to greater amounts of employee compensation cost being disallowed. We recognize as revenue, net of reserves, executive compensation that we determine, based on management's estimates, to be allowable; management's estimates in this regard are based on a number of factors that may change over time, including executive compensation survey data, our and other government contractors' experiences with the DCAA audit practices in our industry and relevant decisions of courts and boards of contract appeals. Any costs found to be unallowable under a contract will not be reimbursed, and any such costs already reimbursed must be refunded. Further, the amount of any such refund may exceed reserves established by management based on estimates and assumptions that are inherently uncertain. Moreover, if any of the administrative processes and business systems, some of which are currently certified as effective, are found not to comply with government imposed requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or to be paid timely. Unfavorable U.S. government audit, review, or investigation results could subject us to civil or criminal penalties or administrative sanctions, and could harm our reputation and relationships with our clients and impair our ability to be awarded new contracts, which could affect our future sales and profitability by preventing us, by operation of law or in practice, from receiving new government contracts for some period of time. In addition, if our invoicing system were found to be inadequate following an audit by the DCAA, our ability to directly invoice U.S. government payment offices could be eliminated. As a result, we would be required to submit each invoice to the DCAA for approval prior to payment, which could materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. In addition, proposed regulatory changes, if adopted, would require the Department of Defense's contracting officers to impose contractual withholdings at no less than certain minimum levels based on assessments of a contractor's business systems. An unfavorable outcome to an audit, review, or investigation by any U.S. government agency could materially and adversely affect our relationship with the U.S. government. If a

government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, withholding of payments, suspension of payments, fines, and suspension or debarment from doing business with the U.S. government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Provisions that we have recorded in our financial statements as a compliance reserve may not cover actual losses. Furthermore, the disallowance of any costs previously charged could directly and negatively affect our current results of operations for the relevant prior fiscal periods, and we could be required to repay any such disallowed amounts. Each of these results could materially and adversely affect our results of operations or financial condition.

A delay in the completion of the U.S. government's budget process could result in a reduction in our backlog and have a material adverse effect on our revenue and operating results.

On an annual basis, the U.S. Congress must approve budgets that govern spending by each of the federal agencies we support. When the U.S. Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, the U.S. Congress typically enacts a continuing resolution. A continuing resolution allows government agencies to operate at spending levels approved in the previous budget cycle. Under a continuing resolution, funding may not be available for new projects. In addition, when government agencies operate on the basis of a continuing resolution, they may delay funding we expect to receive on contracts we are already performing. Any such delays would likely result in new business initiatives being delayed or canceled and a reduction in our backlog, and could have a material adverse effect on our revenue and operating results. In addition, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a federal government shutdown (such as that which occurred during government fiscal year 2014). A shutdown may result in us incurring substantial costs without reimbursement under our contracts and the delay or cancellation of key programs, which could have a material adverse effect on our revenue and operating results.

Risks Related to Our Common Stock

Booz Allen Holding is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.

The operations of Booz Allen Holding are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. Further, our senior secured credit agreement significantly restricts the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. Our principal stockholder could exert significant influence over our company.

As of March 31, 2016, Carlyle, through Coinvest, owned shares of our Class A Common Stock representing approximately 20% of our outstanding voting power.

Coinvest is a party to the amended and restated stockholders agreement pursuant to which Carlyle has the right to nominate two members of our board of directors. The number of directors that Carlyle is entitled to nominate will be reduced to one director at such time as Carlyle holds less than 15%, but at least 5%, of our outstanding Class A Common Stock. Carlyle is in the business of making investments in companies, and may from time to time in the future acquire controlling interests in businesses engaged in management and technology consulting that complement or directly or indirectly compete with certain portions of our business. If Carlyle pursues such acquisitions in our industry, those acquisition opportunities may not be available to us. In addition, to the extent that Carlyle acquires a controlling interest in one or more companies that provide services or products to the U.S. government, our affiliation with any such company through Carlyle could create organizational conflicts of interest and similar issues for us under federal procurement laws and regulations. See “— Risks Related to Our Business — Recent efforts by the U.S. government to revise its organizational conflicts of interest rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.”

Our financial results may vary significantly from period to period as a result of a number of factors many of which are outside our control, which could cause the market price of our Class A Common Stock to fluctuate.

Our financial results may vary significantly from period to period in the future as a result of many external factors that are outside of our control. Factors that may affect our financial results and that could cause the market price of our outstanding securities, including our Class A Common Stock, to fluctuate include those listed in this “Risk Factors” section and others such as:

- any cause of reduction or delay in U.S. government funding;
- fluctuations in revenue earned on existing contracts;
- commencement, completion, or termination of contracts during a particular period;
- a potential decline in our overall profit margins if our other direct costs and subcontract revenue grow at a faster rate than labor-related revenue;
- strategic decisions by us or our competitors, such as changes to business strategy, strategic investments, acquisitions, divestitures, spin offs, and joint ventures;

- a change in our contract mix to less profitable contracts;
- changes in policy or budgetary measures that adversely affect U.S. government contracts in general;
- variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements, which are agreements that fulfill repetitive needs under GSA schedules, and ID/IQ contracts;

- changes in demand for our services and solutions;
- fluctuations in the degree to which we are able to utilize our professionals;
- seasonality associated with the U.S. government's fiscal year;
- an inability to utilize existing or future tax benefits for any reason, including a change in law;
- alterations to contract requirements; and
- adverse judgments or settlements in legal disputes.

We cannot assure you that we will pay special or regular dividends on our stock in the future.

The board of directors has authorized and declared a regular quarterly dividend for each quarter in the last several years. The board of directors also authorized and declared a special cash dividend on May 29, 2012, July 30, 2012, October 29, 2013, January 30, 2014, and July 30, 2014. The declaration of any future dividends and the establishment of the per share amount, record dates and payment dates for any such future dividends are subject to the discretion of the board of directors taking into account future earnings, cash flows, financial requirements and other factors. There can be no assurance that the board of directors will declare any dividends in the future. To the extent that expectations by market participants regarding the potential payment, or amount, of any special or regular dividend prove to be incorrect, the price of our common stock may be materially and negatively affected and investors that bought shares of our common stock based on those expectations may suffer a loss on their investment. Further, to the extent that we declare a regular or special dividend at a time when market participants hold no such expectations or the amount of any such dividend exceeds current expectations, the price of our common stock may increase and investors that sold shares of our common stock prior to the record date for any such dividend may forego potential gains on their investment.

A majority of our outstanding indebtedness is secured by substantially all of our consolidated assets. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations. In addition, the existence of these security interests may adversely affect our financial flexibility.

Indebtedness under our senior secured credit agreement is secured by a lien on substantially all of our assets.

Accordingly, if an event of default were to occur under our senior secured credit agreement, the senior secured lenders under such facilities would have a prior right to our assets, to the exclusion of our general creditors in the event of our bankruptcy, insolvency, liquidation, or reorganization. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our senior secured credit agreement), resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Only after satisfying the claims of our unsecured creditors and our subsidiaries' unsecured creditors would any amount be available for our equity holders. The pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility. As of March 31, 2016, we had \$1.6 billion of indebtedness outstanding under our senior secured credit agreement and had \$463.2 million of capacity available for additional borrowings under the revolving portion of our senior secured credit agreement. In addition, we may, increase the borrowing capacity under our senior secured credit agreement without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, to an amount not to exceed \$300 million, subject to certain closing conditions including pro forma compliance with financial covenants.

Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes Oxley Act of 2002, is expensive and time consuming and any delays or difficulty in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price. As a public company, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, the related rules and regulations of the SEC, as well as the New York Stock Exchange rules, require us to implement various corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations requires us to devote significant management time and place significant additional demands on our finance and accounting staff and on our financial, accounting,

and information systems. We have hired additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increased auditing, accounting, and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees, listing fees, as well as other expenses.

In particular, the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework, and to report on our conclusions as to the

effectiveness of our internal controls. It also requires an independent registered public accounting firm to test our internal control over financial reporting and report on the effectiveness of such controls. In addition, we are required under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to maintain disclosure controls and procedures and internal control over financial reporting. Any failure to maintain effective controls or implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements. This could result in a decrease in the value of our common stock. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, the New York Stock Exchange, or other regulatory authorities.

Provisions in our organizational documents and in the Delaware General Corporation Law may prevent takeover attempts that could be beneficial to our stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may have the effect of delaying, deterring, preventing, or rendering more difficult a change in control of Booz Allen Holding that our stockholders might consider in their best interests. These provisions include:

- establishment of a classified Board, with staggered terms;
- granting to the Board the sole power to set the number of directors and to fill any vacancy on the Board;
- limitations on the ability of stockholders to remove directors;
- granting to the Board the ability to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the Board;
- a prohibition on stockholders from calling special meetings of stockholders;
- the establishment of advance notice requirements for stockholder proposals and nominations for election to the Board at stockholder meetings;
- requiring approval of two-thirds of stockholders to amend the bylaws; and
- prohibiting our stockholders from acting by written consent.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which imposes additional requirements regarding mergers and other business combinations. These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future.

Our amended and restated certificate of incorporation and amended and restated by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult, or prevent a change in our control, which may not be in the best interests of our stockholders.

Sales of outstanding shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly.

As of March 31, 2016, Carlyle owned 29,660,000 shares of our Class A Common Stock, or approximately 20% of our outstanding Class A Common Stock. If Carlyle sells, or the market perceives that Carlyle intends to sell, a substantial portion of its beneficial ownership interest in us in the public market, the market price of our Class A Common Stock could decline significantly. The sales also could make it more difficult for us to sell equity or equity-related securities at a time and price that we deem appropriate.

As of March 31, 2016, 147,992,462 shares of our Class A Common Stock were outstanding. In addition to the shares owned by Carlyle, 4,219,924 shares of our Class A Common Stock which are held by directors, executive officers and other affiliates, are restricted securities within the meaning of Rule 144 under the Securities Act eligible for resale in the public market subject to volume, manner of sale and holding period limitations under Rule 144 under the Securities Act. In addition, 17,940,858 shares of our Class A Common Stock underlying equity awards that are either

subject to the terms of our Equity Incentive Plan or reserved for future issuance under our Equity Incentive Plan, including 5,793,008 shares issuable upon the exercise of outstanding stock options at an average price of \$11.82 and 769,494 shares issuable upon settlement of restricted stock units granted under our Equity Incentive Plan, are eligible for sale in the public market to the extent permitted by the provisions of various option agreements and, to the extent held by affiliates, the volume and manner of sale restrictions of Rule 144. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our Class A Common Stock could decline substantially.

The market for our Class A common stock may be adversely affected by the performance of other companies in the government services market.

In addition to factors that may affect our financial results and operations, the price of our Class A common stock may be impacted by the financial performance and outlook of other companies in the government services market. While certain factors may affect all participants in the markets in which we operate, such as U.S. government spending conditions and changes in rules and regulations applicable to government contractors, the market for our Class A common stock may be adversely affected by financial results or negative events only affecting other market participants or financial results of such participants. While such events or results may not impact or be indicative of our current or future performance, the price of our securities may nonetheless may be adversely affected as a result thereof.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any facilities or real estate. Our corporate headquarters is located at 8283 Greensboro Drive, McLean, Virginia 22102. We lease other operating offices and facilities throughout North America, and a limited number of overseas locations. Our principal offices outside of McLean, Virginia include: Annapolis Junction, Maryland; Rockville, Maryland; San Diego, California; Herndon, Virginia and Washington, D.C. We have a number of Sensitive Compartmented Information Facilities, which are enclosed areas within buildings that are used to perform classified work for the U.S. Intelligence Community. Many of our employees are located in facilities provided by the U.S. government. The total square footage of our leased offices and facilities is approximately 2.45 million square feet. We believe our facilities meet our current needs.

Item 3. 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 that currently range up to \$0 million 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 March 31, 2016 and 2015, there are no material amounts accrued in the 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 is on appeal before the United States Court of Appeals for the Ninth Circuit. 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. The aggregate alleged damages sought in these four remaining suits is approximately \$291.7 million (which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. 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.

Item 4. Mine Safety Disclosures

None.

Executive Officers of the Registrant

The following table sets forth information about our executive officers as of the date hereof:

Name	Age	Position
Horacio D. Rozanski	48	President and Chief Executive Officer
Kevin L. Cook	61	Executive Vice President, Chief Financial Officer and Treasurer
Karen M. Dahut	52	Executive Vice President
Lloyd W. Howell, Jr.	49	Executive Vice President
Nancy J. Laben	54	Executive Vice President, Chief Legal Officer and Secretary
Joseph Logue	51	Executive Vice President
Joseph W. Mahaffee	58	Executive Vice President, Chief Administrative Officer and Chief Information Security Officer
John D. Mayer	70	Executive Vice President
Susan L. Penfield	54	Executive Vice President
Elizabeth M. Thompson	61	Executive Vice President and Chief Personnel Officer

Horacio D. Rozanski is our President and Chief Executive Officer and served as our Chief Operating Officer until January 1, 2015. Mr. Rozanski served as the Chief Strategy and Talent Officer in 2010 and, prior to that, Chief Personnel Officer of our company from 2002 through 2010. Mr. Rozanski joined our company in 1992. He serves on the boards of advisors for the Jewish Primary Day School of the Nation's Capital and the Center for Talent Innovation. Kevin L. Cook is an Executive Vice President and our Chief Financial Officer and Treasurer. Mr. Cook has previously announced his retirement from the positions of Chief Financial Officer and Treasurer effective July 1, 2016. He previously served as the company's Corporate Controller. Mr. Cook joined the company in 1986 as Manager, Project Cost Accounting. He left the company in 1996 to take on the role of Senior Vice President, Client Development for what is now JAMIS Software. Mr. Cook returned to Booz Allen in the spring of 2003 as Director, Financial Reporting Systems. In April of 2008, Mr. Cook was selected as the Corporate Controller for the company. Mr. Cook received his B.S. degree with a concentration in Accounting from Towson University in 1977, and an MBA with a concentration in Management in 1981 from the University of Baltimore. In 1982, he became a Certified Public Accountant (CPA) in the State of Maryland.

Karen M. Dahut is an Executive Vice President and is the group leader for the company's Civil Commercial Group. Ms. Dahut joined our company in 2002 and became a Senior Vice President in 2004. Ms. Dahut led the company's Strategic Innovations Group from 2012 to April 2016. Previously, she also led the company's Analytics business and its US Navy and Marine Corps business. She serves on the company's Employee Capital Accumulation Plan Board of Trustees. Ms. Dahut is a board member of the Northern Virginia Technology Council and serves on the board of trustees for Stone Ridge School of the Sacred Heart in Bethesda, Maryland.

Lloyd W. Howell, Jr. is an Executive Vice President of our company and has been appointed to succeed Mr. Cook as our Chief Financial Officer and Treasurer effective July 1, 2016. Mr. Howell previously served as the group leader for our Civil Commercial Group. Mr. Howell joined our company in 1988, left in 1991, rejoined in 1995 and became an Executive Vice President in 2005. He served as chairman of our Ethics & Compliance Committee for over seven years, until April 2014. Mr. Howell serves on the boards of directors of Integra Life Sciences (IART), Partnership for Public Service and Capital Partners for Education. Mr. Howell also serves on the board of overseers for the School of Engineering and Applied Science at the University of Pennsylvania.

Nancy J. Laben is an Executive Vice President of our company and our Chief Legal Officer and Secretary. Ms. Laben joined our company in September 2013. Before joining our company, Ms. Laben served as General Counsel of AECOM Technology Corporation from June 2010 to August 2013, where she was responsible for all legal support. Prior to June 2010, Ms. Laben served as Deputy General Counsel at Accenture plc beginning in 1989. Prior to

Accenture, Ms. Laben served in the law department at IBM Corporation.

Joseph Logue is an Executive Vice President of our company and is the group leader for our Defense Intelligence Group. Mr. Logue joined our company in 1997 and became an Executive Vice President in 2009. Previously, he led our former commercial Information Technology practice.

Joseph W. Mahaffee is an Executive Vice President and our Chief Administrative Officer (CAO) and Chief Information Security Officer (CISO). Prior to assuming his CAO and CISO roles, Mr. Mahaffee served in a variety of client/market-facing leadership roles to include Client Service Officer for our NSA account; Assurance and Resilience Capability Leader; and the Northeast Region Leader. Mr. Mahaffee has primarily focused his career serving clients in the Defense and Intelligence Community markets. Altogether, he has more than 36 years of professional experience in Cybersecurity, systems engineering, communications, information assurance, and signals intelligence. Prior to joining our company, Mr. Mahaffee was an information security engineer with the National Security Agency. He is presently serving as the company's representative to the Defense Industrial Base.

John D. Mayer is an Executive Vice President of our company and formerly the lead for the company's International business. Mr. Mayer joined our company in 1997 and became an Executive Vice President in 2009. He is the former chairman of the board of directors of the Homeland Security and Defense Business Council, a member of the board of the Washington Education and Tennis Foundation, and was a former member of the Corporate Advisory Board for the Darden School of Business at the University of Virginia.

Susan L. Penfield is an Executive Vice President of our company and is the group leader for our Strategic Innovation Group (SIG). Ms. Penfield has over 25 years of strategy, technology, marketing and solutions delivery experience. Prior to becoming the group leader for the SIG, Ms. Penfield led the company's Health business, where she drove technology and transformation initiatives across the Federal, commercial and non-profit health space. She serves on the board of directors of the Children's Inn at the National Institutes of Health and the national Chapter of the American Red Cross. Ms. Penfield is a member of the Washington Women's Forum and the National Association for Female Executives (NAFE), and was recognized by the NAFE as its 2015 Digital Trailblazer.

Elizabeth M. Thompson is an Executive Vice President of our company and serves as our Chief Personnel Officer. Ms. Thompson joined our company in 2008. Ms. Thompson served as Vice President of Human Resources for Fannie Mae from 2000 to 2008. Ms. Thompson holds an M.S. in Human Resources and Personnel Management from American University. Ms. Thompson is also a member of the board of directors of the Thurgood Marshall College Fund.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Class A Common Stock began trading on the New York Stock Exchange on November 17, 2010. At the annual meeting of stockholders held on July 31, 2014, the stockholders approved a proposal to amend and restate the certificate of incorporation, which had the effect of converting all issued and outstanding shares of Class B Non-Voting Common Stock and Class C Restricted Common Stock into shares of Class A Common Stock on a one-for-one basis. The conversion was effected on August 13, 2014 when the Company filed its third amended and restated certificate of incorporation with the Secretary of State of the State of Delaware. As a result of the conversion, there were no shares of Class B Non-Voting Common Stock and Class C Restricted Common Stock outstanding at such time. On September 30, 2015, the Company purchased, at par value, all issued and outstanding shares of Class E special voting common stock in connection with the exercise of the final tranche of rollover options during the second quarter of fiscal 2016. There is no established trading market for each of our Class B Non-Voting Common Stock, Class C Restricted Common Stock, or Class E Special Voting Common Stock. On May 10, 2016, there were 25,631 beneficial holders of our Class A Common Stock. The following table sets forth, for the periods indicated, the high and low sales price per share of our Class A Common Stock as reported by the New York Stock Exchange:

	High	Low
Fiscal 2016		
1 st Quarter	\$29.27	\$23.87
2 nd Quarter	28.11	25.10
3 rd Quarter	31.34	25.50
4 th Quarter	31.03	25.03
Fiscal 2015		
1 st Quarter	\$25.32	\$20.84
2 nd Quarter	24.51	20.65
3 rd Quarter	27.82	23.27
4 th Quarter	31.30	25.82

Dividends

On May 21, 2015, we announced a regular quarterly cash dividend in the amount of \$0.13 per share. The quarterly dividend was paid on June 30, 2015 to stockholders of record on June 10, 2015.

On July 29, 2015, we announced a regular quarterly cash dividend in the amount of \$0.13 per share. The quarterly dividend was paid on August 31, 2015 to stockholders of record on August 10, 2015.

On October 28, 2015, we announced a regular quarterly cash dividend in the amount of \$0.13 per share. The quarterly dividend was paid on November 30, 2015 to stockholders of record on November 10, 2015.

On January 27, 2016, we announced a regular quarterly cash dividend in the amount of \$0.15 per share. The quarterly dividend was paid on February 29, 2016 to stockholders of record on February 10, 2016.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table shows the share repurchase activity for each of the three months in the quarter ended March 31, 2016:

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)
January 2016	—	—	—	\$96,023,452
February 2016	900,000	27.04	900,000	\$71,670,717
March 2016	—	—	—	\$71,670,717
Total	900,000		900,000	

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 (1) to \$180.0 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.

Use of Proceeds from Registered Securities

None.

Performance

The graph set forth below compares the cumulative shareholder return on our Common Stock between March 31, 2011 and March 31, 2016, to the cumulative return of (i) the Russell 1000 Index and (ii) the Dow Jones US Computer Services Index over the same period. This graph assumes an initial investment of \$100 on March 31, 2011 in our common stock, the Russell 1000 Index, and the Dow Jones US Computer Services Index and assumes the reinvestment of dividends, if any. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURNS

ASSUMES \$100 INVESTED ON MARCH 31, 2011

ASSUMES DIVIDEND REINVESTED

Company/Market/Peer Group	3/31/2011	3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016
Booz Allen Hamilton Holding Corp	\$ 100.00	\$ 95.04	\$ 130.52	\$ 243.70	\$ 342.21	\$ 365.29
Russell 1000 Index	\$ 100.00	\$ 107.86	\$ 123.42	\$ 151.09	\$ 170.33	\$ 171.18
DJ US Computer Services Index	\$ 100.00	\$ 123.13	\$ 129.67	\$ 126.72	\$ 122.57	\$ 121.86

Item 6. Selected Financial Data

The selected consolidated statements of operations data for fiscal 2016, fiscal 2015, and fiscal 2014 and the selected consolidated balance sheet data as of March 31, 2016 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for fiscal 2013 and fiscal 2012 and the selected consolidated balance sheet data as of March 31, 2014, 2013 and 2012 have been derived from audited consolidated financial statements which are not included in this Annual Report. Our historical results are not necessarily indicative of the results that may be expected for any future period. The selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report.

(In thousands, except share and per share data)	Fiscal Year Ended March 31,				
	2016	2015	2014	2013	2012
Consolidated Statements of Operations:					
Revenue	\$5,405,738	\$5,274,770	\$5,478,693	\$5,758,059	\$5,859,218
Operating costs and expenses:					
Cost of revenue	2,580,026	2,593,849	2,716,113	2,871,240	2,934,378
Billable expenses	1,513,083	1,406,527	1,487,115	1,532,590	1,542,822
General and administrative expenses	806,509	752,912	742,527	833,986	903,721
Depreciation and amortization	61,536	62,660	72,327	74,009	75,205
Restructuring charge	—	—	—	—	15,660
Total operating costs and expenses	4,961,154	4,815,948	5,018,082	5,311,825	5,471,786
Operating income	444,584	458,822	460,611	446,234	387,432
Interest expense	(70,815)	(71,832)	(78,030)	(70,284)	(48,078)
Other, net	5,693	(1,072)	(1,794)	(7,639)	4,520
Income before income taxes	379,462	385,918	380,787	368,311	343,874
Income tax expense	85,368	153,349	148,599	149,253	103,919
Net income	\$294,094	\$232,569	\$232,188	\$219,058	\$239,955
Earnings per common share (1):					
Basic	\$1.98	\$1.58	\$1.62	\$1.56	\$1.83
Diluted	\$1.94	\$1.52	\$1.54	\$1.45	\$1.70
Weighted average common shares outstanding (1):					
Basic	146,494,407	145,414,120	141,314,544	134,402,729	130,145,689
Diluted	149,719,137	150,375,531	148,681,074	144,854,724	140,812,012
Dividends declared per share	\$0.54	\$1.46	\$2.40	\$8.36	\$0.09

(In thousands)	As of March 31,				
	2016	2015	2014	2013	2012
Consolidated Balance Sheets:					
Cash and cash equivalents	\$187,529	\$207,217	\$259,994	\$350,384	\$484,368
Working capital	249,858	299,675	309,186	469,992	798,704
Total assets	3,010,171	2,863,982	2,915,229	3,144,983	3,293,974
Long-term debt, net of current portion	1,484,448	1,555,761	1,567,893	1,637,098	909,898
Stockholders' equity	408,488	186,498	171,636	226,793	1,185,185

Basic earnings per share for the Company has been computed using the weighted average number of shares of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted Common Stock outstanding during the period. The Company's diluted earnings per share has been computed using the weighted average number of shares of Class A Common Stock, Class B Non-Voting Common Stock, and Class C Restricted (1) Common Stock including the dilutive effect of outstanding common stock options and other stock-based awards. For the purposes of calculating basic and diluted earnings per share, the Company has utilized the two class method, given non-forfeitable dividends declared on unvested Class A Restricted Common Stock. The weighted average number of Class E Special Voting Common Stock has not been included in the calculation of either basic earnings per share or diluted earnings per share due to the terms of such common stock.

Item 7. 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 "Item 6.

Selected Financial Data,” and our consolidated financial statements and the related notes contained elsewhere in this Annual 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 “Item 1A. Risk Factors” and “Introductory Note — Cautionary Note Regarding Forward-Looking Statements”. 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, and engineering services to the 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 character and expertise of our people. Our talent base of approximately 22,600 people deliver value and results to our clients by combining core consulting skills and domain expertise with functional expertise in areas such as engineering and science, systems delivery, cyber, and analytics, 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 client's 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, and federal contract vehicles, as well as increasingly for top-tier commercial and international clients. We support these clients by addressing complex and pressing challenges such as combating global terrorism, improving cyber capabilities, transforming the healthcare system, improving efficiency and managing change within the government. 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 new and growing presence in Southeast Asia.

Financial and Other Highlights

During fiscal 2016, the Company invested in its long term growth strategy by investing in key capabilities and markets while also increasing spending on bid and proposal activity to address a strong pipeline of opportunities that translated into an increase in total backlog. The Company's focus on innovation and business development also resulted in increased indirect spending over the comparable prior year period.

Revenue increased 2.5% from fiscal 2015 to fiscal 2016 as a result of an increase in client demand, which includes an increase in billable expenses, as well as the increase in indirect spending over the prior year period which had the effect of increasing revenue on cost reimbursable contracts. The increase in billable expenses was due to an increased use of subcontractors on contracts, which includes the impact of an increase in small business procurement goals set by the U.S. government. In addition, contracts that require the Company to incur direct expenses on behalf of our clients increased over the prior year period. The growth in indirect spending for the year was primarily driven by increased marketing, administrative, and bid and proposal activities in order to drive continued growth in fiscal 2017. Operating income decreased 3.1% to \$444.6 million in fiscal 2016 from \$458.8 million in fiscal 2015, which reflects a 50 basis point decrease in operating margin to 8.2% from 8.7% in the comparable period. The decrease in operating income was primarily attributable to the increase in indirect spending during fiscal 2016, and to a smaller degree the increase in billable expenses, both factors of which are discussed above. These decreases in operating income were partially offset by a net decrease in the Company's provisions for the potential recovery of allowable expenses recorded during fiscal 2016 without a similar net change for fiscal 2015.

Non-GAAP Measures

We publicly disclose certain non-GAAP financial measurements, including Adjusted Operating Income, Adjusted EBITDA, 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 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. 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. Adjusted Operating Income, Adjusted EBITDA, 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 operating and net income to Adjusted Operating Income,

Adjusted EBITDA and Adjusted Net Income, and net cash provided by operating activities to Free Cash Flows, and the explanatory footnotes regarding those adjustments, each as defined under GAAP, (ii) use Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS in addition to, and not as an alternative to, operating income, net income or diluted EPS, as measures of operating results, and (iii) use Free Cash Flows 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:

"Adjusted Operating Income" represents operating income before (i) certain stock option-based and other equity-based compensation expenses, (ii) adjustments related to the amortization of intangible assets, and (iii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. We prepare Adjusted Operating Income to eliminate the impact of items we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature.

"Adjusted EBITDA" represents net income before income taxes, net interest and other expense, and depreciation and amortization and before certain other items, including: (i) certain stock option-based and other equity-based compensation expenses, and (ii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. We prepare Adjusted EBITDA 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 Net Income" represents net income before: (i) certain stock option-based and other equity-based compensation expenses, (ii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, (iii) adjustments related to the amortization of intangible assets, (iv) amortization or write-off of debt issuance costs and write-off of original issue discount, and (v) any extraordinary, unusual, or non-recurring items 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 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 Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow to the most directly comparable financial measure calculated and presented in accordance with GAAP.

(Amounts in thousands, except share and per share data)	Fiscal Year Ended March 31,		
	2016	2015	2014
	(Unaudited)		
Adjusted Operating Income			
Operating Income	\$444,584	\$458,822	\$460,611
Certain stock-based compensation expense (a)	—	—	1,094
Amortization of intangible assets (b)	4,225	4,225	8,450
Transaction expenses (c)	—	2,039	—
Adjusted Operating Income	\$448,809	\$465,086	\$470,155
EBITDA & Adjusted EBITDA			
Net income	\$294,094	\$232,569	\$232,188
Income tax expense	85,368	153,349	148,599
Interest and other, net	65,122	72,904	79,824
Depreciation and amortization	61,536	62,660	72,327
EBITDA	506,120	521,482	532,938
Certain stock-based compensation expense (a)	—	—	1,094
Transaction expenses (c)	—	2,039	—
Adjusted EBITDA	\$506,120	\$523,521	\$534,032
Adjusted Net Income			
Net income	\$294,094	\$232,569	\$232,188
Certain stock-based compensation expense (a)	—	—	1,094
Amortization of intangible assets (b)	4,225	4,225	8,450
Transaction expenses (c)	—	2,039	—
Release of income tax reserves (d)	(53,301)	—	—
Amortization or write-off of debt issuance costs and write-off of original issue discount	5,201	6,545	6,719
Adjustments for tax effect (e)	(3,770)	(5,124)	(6,505)
Adjusted Net Income	\$246,449	\$240,254	\$241,946
Adjusted Diluted Earnings Per Share			
Weighted-average number of diluted shares outstanding	149,719,137	150,375,531	148,681,074
Adjusted Net Income Per Diluted Share (f)	\$1.65	\$1.60	\$1.63
Free Cash Flow			
Net cash provided by operating activities	\$249,234	\$309,958	\$332,718
Less: Purchases of property and equipment	(66,635)	(36,041)	(20,905)
Free Cash Flow	\$182,599	\$273,917	\$311,813

(a) Reflects stock-based compensation expense for options for Class A Common Stock and restricted shares, in each case, issued in connection with the Acquisition of our Company by The Carlyle Group (the "Acquisition") under the Officers' Rollover Stock Plan. Also reflects stock-based compensation expense for Equity Incentive Plan Class A Common Stock options issued in connection with the Acquisition under the Equity Incentive Plan.

(b) Reflects amortization of intangible assets resulting from the Acquisition.

(c) Fiscal 2015 reflects debt refinancing costs incurred in connection with the refinancing transaction consummated on May 7, 2014.

(d)

Release of pre-acquisition income tax reserves assumed by the Company in connection with the Acquisition of our Company by The Carlyle Group.

(e) Reflects tax effect of adjustments at an assumed marginal tax rate of 40%.

Excludes an adjustment of approximately \$3.5 million, \$3.4 million, and \$3.1 million of net earnings for fiscal (f)2016, 2015, and 2014, 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 non-defense departments and agencies, as established by the Bipartisan Budget Control Act 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 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 published on June 24, 2014, 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 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; and

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.

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 totaling approximately \$1.2 trillion between 2013 and 2021, and requires 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 \$25 billion and \$15 billion for government fiscal years 2016 and 2017, respectively, but did not address spending caps beyond fiscal 2017. 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.

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. During our fiscal year 2015 we realized the conversion of a material cost reimbursable contract in the U.S. government market to fixed price. Additionally, we continue to generate an increasing fixed price contract base in our commercial and international markets. In the immediate foreseeable future, we do not anticipate any macro drivers that will cause our fixed price percentage to materially increase or decrease, and we expect our percentage of fixed price work to be roughly 20%-25% of our total revenue mix. Changes in contract type as a result of re-competes and new business could influence the percentage/mix in an unanticipated way. The table below presents the percentage of total revenue for each type of contract:

	Fiscal Year		
	Ended March 31,		
	2016	2015	2014
Cost-reimbursable (1)	51%	55%	57%
Time-and-materials	26%	25%	28%
Fixed-price (2)	23%	20%	15%

(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 and contract vehicles and multiple award contract vehicles. Most of our revenue is generated under indefinite delivery/indefinite quantity, or ID/IQ, 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 ID/IQ 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. No single task order under any ID/IQ contract represented more than 2.4% of our revenue in fiscal 2016. No

single definite contract accounted for more than 3% of our revenue in fiscal 2016.

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. For fiscal 2016, 2015, and 2014, 90%, 91%, and 91%, respectively, of our revenue was generated by

contracts and task orders for which we served as a prime contractor; 10%, 9%, and 9%, respectively, of our revenue was generated by contracts and task orders for which we served as a subcontractor; and 24%, 23%, and 23%, respectively, of our revenue was generated by services provided by our subcontractors. The mix of these types of revenue affects our operating margin. Substantially all of our operating margin is derived from direct consulting staff labor as the portion of our operating margin derived from fees we earn on services provided by our subcontractors is not significant. We view growth in direct consulting staff labor as the primary driver of earnings growth. Direct consulting staff labor growth is driven by consulting staff headcount growth, after attrition, and total backlog growth.

Our People

Revenue from our contracts is derived from services delivered by consulting staff and, to a lesser extent, from our subcontractors. Our ability to hire, retain, and deploy talent with skills appropriately aligned with client needs is critical to our ability to grow our revenue. We continuously evaluate whether our talent base is properly sized and appropriately compensated, and contains an optimal mix of skills to be cost competitive and meet the rapidly evolving needs of our clients. We seek to achieve that result through recruitment and management of capacity and compensation. As of March 31, 2016, 2015, and 2014 we employed approximately 22,600, 22,500, and 22,700 people, respectively, of which approximately 20,300, 20,500, and 20,600, 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 ID/IQ contracts, including GWACs and GSA schedules, 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:

	Fiscal Year Ended		
	March 31,		
	2016	2015	2014
	(In millions)		
Backlog:			
Funded	\$2,673	\$2,691	\$2,290
Unfunded (1)	2,546	2,121	2,343
Priced options	6,595	4,548	5,205
Total backlog	\$11,814	\$9,360	\$9,838

Amounts as of fiscal 2015 and 2014 reflect a reduction by management to the revenue value of orders for services (1) under one then-existing single award ID/IQ contract the Company had for several years, based on an established pattern of funding under this contract by the U.S. government.

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. 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

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increased revenue. Total backlog increased by 26.2% from March 31, 2015 to March 31, 2016 and decreased 4.9% from March 31, 2014 to March 31, 2015. Additions to funded backlog, during fiscal 2016 and 2015 totaled \$5.4 billion and \$5.7 billion, respectively, with the decrease from fiscal 2015 to fiscal 2016 due to the increase in burn rate of funded backlog compared to awarded task orders under which funding was appropriated. 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 funded backlog that has not been recognized as revenue due to period of performance expirations has not exceeded approximately 7.9% of funded backlog as of the end of any of the four fiscal quarters preceding the fiscal quarter ended March 31, 2016. 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.

Seasonality is just one of a number of factors, many of which are outside of our control, which may affect our results in any period. See "Item 1A. Risk Factors."

Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies, including the critical policies and practices listed below, are more fully described and discussed in the notes to the consolidated financial statements. We consider the following accounting policies to be critical to an understanding of our financial condition and results of operations because these policies require the most difficult, subjective or complex judgments on the part of our management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition and Cost Estimation

Substantially all of our revenue is derived from contracts to provide professional services to the U.S. government and its agencies. In most cases, we recognize revenue as work is performed. We recognize revenue for cost-reimbursable-plus-fixed-fee contracts with the U.S. government as hours are worked based on reimbursable and allowable costs, recoverable indirect costs and an accrual for the fixed fee component of these contracts. Executive compensation that we determine to be allowable for cost reimbursement based on management's estimates is recognized as revenue, net of reserves. Management's estimates in this regard are based on a number of factors that may change over time, including executive compensation survey data, our and other government contractors' experiences with the DCAA audit practices in our industry, and relevant decisions of courts and boards of contract appeals. Many of our U.S. government contracts include award fees, which are earned based on the client's evaluation of our performance. We have significant history with the client for the majority of contracts on which we earn award fees. That history and management's evaluation and monitoring of performance form the basis for our ability to estimate such fees over the life of the contract. Based on these estimates, we recognize award fees as work on the contracts is performed. Revisions to these estimates may result in increases or decreases to revenue and income, and are reflected in the financial statements in periods in which they are identified. Historically, revisions to these estimates have not had a material effect on our results of operations.

Revenue for time-and-materials contracts is recognized as services are performed, generally on the basis of contract allowable labor hours worked multiplied by the contract-defined billing rates, plus allowable direct costs and indirect cost allocations associated with materials used and other direct expenses incurred in connection with the performance of the contract.

For fixed-price contracts, we primarily recognize revenue on the percentage-of-completion basis with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. On some fixed-price contracts we may use an alternative input method to calculate the percent complete, such as labor hours or labor dollars. This method is used when a contract contains significant, up-front material purchases resulting in costs incurred that are not representative of the actual progress on the contract. Profits on fixed-price contracts result from the difference between the incurred costs used to calculate the percentage of completion and the revenue earned. These methods are followed where reasonably dependable estimates of revenue and costs under the contract can be made. If we are unable to reasonably estimate revenue or cost, the completed contract method is used. Historically, we have been able to reasonably estimate total contract revenue and costs and such estimates are regularly reviewed. Recorded revenue and costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenue and income, and are reflected in the financial statements in the periods in which they are first identified. If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Estimating costs under our long-term contracts is complex and involves significant judgment. Factors that must be considered in

making estimates include labor productivity and availability, the nature and technical complexity of the work to be performed, potential performance delays, warranty obligations, availability and timing of funding from the client, progress toward completion, and recoverability of claims. Adjustments to original estimates are often required as work progresses and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is made when facts develop, events become known, or an adjustment is otherwise warranted, such as in the case of a contract modification. We have procedures and processes in place to monitor the actual progress of a project against estimates and our estimates are updated if circumstances are warranted. Historically, revisions to our estimates have not had a material effect on our results of operations.

Business Combinations

The accounting for the Company's business combinations consists of allocating the purchase price to tangible and intangible assets acquired and liabilities assumed based on their fair values, with the excess recorded as goodwill. Certain fair value measurements include inputs that are unobservable, requiring management to make judgments and estimates that can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates. We have one year from the acquisition date to use additional information obtained to adjust the fair value of the acquired assets and liabilities which may result in changes to the recorded values with an offsetting adjustment to goodwill.

We have a contingent consideration arrangement in connection with a business acquisition which requires a fair value measurement using inputs such as projected cash flows and volatility. The use of different values for these inputs could have a material impact on the valuation. Any adjustment to the fair value of contingent consideration is recorded in earnings. See Note 17 to our consolidated financial statements for further information about the valuation of the contingent consideration liability and the inputs used in the fair value measurement.

Goodwill and Intangible Assets Impairment

We test goodwill for impairment at the reporting unit level on an annual basis and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A significant amount of management judgment is required to determine if an event representing an impairment indicator has occurred during the year, including but not limited to: a decline in forecasted cash flows; a sustained, material decline in the stock price and market capitalization; a significant adverse change in the business climate or economy; or unanticipated competition. An adverse change in any of these factors could have a significant impact on the recoverability of goodwill and other intangible assets.

As our business is highly integrated and all of our components have similar economic characteristics, we concluded that we have one reporting unit at the consolidated entity level, which is the same as our single operating segment. We test goodwill for impairment using the quantitative method (primarily based on market capitalization). We test the trade name for impairment using the relief from royalty method. Our other amortizable intangible assets are tested by comparing revenue projections to actuals and assessing qualitative factors. We perform our annual testing for impairment of goodwill, the trade name, and other amortizable intangible assets as of January 1 of each year.

During the fiscal years ended March 31, 2016, 2015, and 2014, we did not record any impairment of goodwill, our trade name or other amortizable intangible assets. Further, we do not consider any of the goodwill, trade name, or other amortizable intangible assets at risk of impairment.

Share-Based Payments

We use the Black-Scholes option-pricing model to estimate the fair value for stock options. Critical inputs into the Black-Scholes option-pricing model include the following: option exercise price, fair value of the stock price, expected life of the option, annualized volatility of the stock, annual rate of quarterly dividends on the stock, and the risk-free interest rate.

During fiscal 2016, the Company's Board of Directors authorized and declared recurring cash dividends in the amount of \$0.13 per share (declared in the first three quarters) and \$0.15 per share (declared in the fourth quarter) to holders of Booz Allen Holding's Class A Common Stock. Therefore, an annualized dividend yield between 1.79% and 2.27% was used in the Black-Scholes option-pricing model for all grants made during the fiscal year. Implied volatility is calculated as of each grant date based on our historical volatility along with an assessment of the historical volatility of a peer group of publicly traded companies. Until the historical volatility of the Company is available for a period consistent with the expected option term, we will continue to compare to a peer group volatility data to estimate expected volatility for future option grants. Other than the expected life of the option, volatility is the most sensitive input to our option grants. To be consistent with all other implied calculations, the same peer group used to calculate other implied metrics is also used to calculate implied volatility. The expected term is estimated using historical exercise patterns of our equity award recipients.

The risk-free interest rate used in the Black-Scholes option-pricing model is determined by referencing the U.S. Treasury yield curve rates with the remaining term equal to the expected life assumed at the date of grant.

Forfeitures are estimated based on our historical analysis of attrition levels. Forfeiture estimates are updated quarterly for actual forfeitures. We do not expect this assumption to change materially, as attrition levels associated with new option grants have not materially changed.

As a public company, we use the closing price of our Class A Common Stock on the grant date for valuation purposes.

Accounting for Income Taxes

Provisions for federal, state, and foreign income taxes are calculated from the income reported on our financial statements based on current tax law and also include the cumulative effect of any changes in tax rates from those previously used in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for purposes of preparing financial statements than for income tax purposes.

Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for uncertain tax positions when, despite the belief that our tax positions are supportable, there remains uncertainty in a tax position taken in our previously filed income tax returns. For tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of reserves, our effective tax rate in a given financial statement period may be materially impacted. The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the value of these assets. If we are unable to generate sufficient future taxable income in these jurisdictions, a valuation allowance is recorded when it is more likely than not that the value of the deferred tax assets is not realizable.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard 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 to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date. Early adoption prior to the original effective date is not permitted. With the one-year delay enacted, the new standard will be effective for the Company beginning on April 1, 2018 (i.e., beginning with the first quarter fiscal 2019 interim financial statements). The new standard may be adopted retrospectively for all periods presented, or adopted using a modified retrospective approach. Under the retrospective approach, the fiscal 2018 and 2017 financial statements would be adjusted to reflect the effects of adopting the new standard in those periods. Under the modified retrospective approach, the new standard would only be adopted for the period beginning April 1, 2018 to new contracts and those contracts that are not yet complete at April 1, 2018, with a cumulative catch-up adjustment recorded to beginning retained earnings for existing contracts that still require performance. We are still in the process of determining which transition method to utilize in order to adopt the new standard and still assessing what effect the adoption of this standard may have on the timing of our revenue recognition and our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update (ASU) 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements. The ASU is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. We are assessing what effect the adoption of this standard may have on our 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. We are assessing what effect the adoption of this standard may have on our consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes. ASU 2015-17 simplifies the presentation of deferred income taxes and requires that deferred tax assets and liabilities, as well as any related valuation allowance, be classified as non-current in a classified balance sheet. We adopted ASU 2015-17 retrospectively during the fourth quarter of fiscal 2016. As a result, we now classify deferred tax assets and liabilities as non-current on our consolidated balance sheet for all periods presented. This change resulted in a reclassification of \$14.5 million of current deferred tax assets reported in our March 31, 2015

consolidated balance sheet to non-current deferred tax assets, with no impact on total assets or the consolidated statement of operations.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The new standard requires debt issuance costs to be classified as a direct reduction of the related debt liability. The ASU is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We adopted ASU 2015-03 retrospectively during the fourth quarter of fiscal 2016, and reclassified \$13.5 million of debt issuance costs previously reported as other long term assets as a reduction of the debt liability as of March 31, 2015. Debt issuance costs related to the Company's revolving credit facility continue to be classified as a long-term asset.

Recent accounting pronouncements issued by the FASB during fiscal 2016 and through the filing date did not and are not believed by management to have a material impact on the Company's present or historical consolidated financial statements.

Segment Reporting

We report operating results and financial data in one operating and reportable segment. We manage our business as a single profit center in order to promote collaboration, provide comprehensive functional service offerings across our entire client base, and provide incentives to employees based on the success of the organization as a whole. Although certain information regarding served markets and functional capabilities is discussed for purposes of promoting an understanding of our complex business, we manage our business and allocate resources at the consolidated level of a single operating segment.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

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 accompanying consolidated financial statements present the financial position of the Company as of March 31, 2016 and 2015 and the Company's results of operations for fiscal 2016, fiscal 2015, and fiscal 2014.

Certain prior year amounts have been reclassified to conform to the current year presentation in accordance with our adoption of ASU 2015-03 and ASU 2015-17. See Note 2 in our notes to our consolidated financial statements.

Results of Operations

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

	Fiscal Year Ended March 31,			Fiscal		
	2016	2015	2014	Fiscal 2016 Versus Fiscal 2015	2015 Versus Fiscal 2014	
	(In thousands)					
Revenue	\$5,405,738	\$5,274,770	\$5,478,693	2.5	%	(3.7) %
Operating costs and expenses:						
Cost of revenue	2,580,026	2,593,849	2,716,113	(0.5)	%	(4.5) %
Billable expenses	1,513,083	1,406,527	1,487,115	7.6	%	(5.4) %
General and administrative expenses	806,509	752,912	742,527	7.1	%	1.4 %
Depreciation and amortization	61,536	62,660	72,327	(1.8)	%	(13.4) %
Total operating costs and expenses	4,961,154	4,815,948	5,018,082	3.0	%	(4.0) %
Operating income	444,584	458,822	460,611	(3.1)	%	(0.4) %
Interest expense	(70,815)	(71,832)	(78,030)	(1.4)	%	(7.9) %
Other, net	5,693	(1,072)	(1,794)	(631.1)	%	(40.2) %
Income before income taxes	379,462	385,918	380,787	(1.7)	%	1.3 %
Income tax expense	85,368	153,349	148,599	(44.3)	%	3.2 %
Net income	\$294,094	\$232,569	\$232,188	26.5	%	0.2 %

Fiscal 2016 Compared to Fiscal 2015

Revenue

Revenue increased to \$5,405.7 million from \$5,274.8 million, or a 2.5% increase as a result of an increase in client demand, which includes an increase in billable expenses, as well as the increase in indirect spending over the prior year period which had the effect of increasing revenue on cost reimbursable contracts. The increase in billable expenses was due to an increased use of subcontractors on contracts, which includes the impact of an increase in small

business procurement goals set by the government. In addition, contracts which require the Company to incur direct expenses on behalf of our clients increased over the prior year period. The growth in indirect spending for the year was primarily driven by increased marketing, administrative, and bid and proposal activities in order to drive continued growth in fiscal 2017. The increase in revenue also benefitted from a net decrease in the Company's provisions for the potential recovery of allowable expenses recorded during fiscal 2016 without a similar net change for fiscal 2015. Conversions to funded backlog during fiscal 2016 totaled \$5.4 billion

in comparison to \$5.7 billion for the comparable year with the decrease from fiscal 2015 to fiscal 2016 due to the increase in burn rate of funded backlog compared to awarded task orders under which funding was appropriated.

Cost of Revenue

Cost of revenue decreased to \$2,580.0 million from \$2,593.8 million, or a 0.5% decrease. This decrease was primarily due to a decrease in salaries and salary-related benefits of \$5.8 million and a decrease in incentive compensation of \$10.1 million. The decrease in salaries and salary-related benefits was due to a decrease in medical insurance expense as well as an increase in consulting staff time spent on strategic investment and bid and proposal activities, in lieu of direct contract activities, over the prior year. As proposal activity is a general and administrative activity, this contributes to a decrease within cost of revenue. Cost of revenue as a percentage of revenue was 47.7% and 49.2% in fiscal 2016 and fiscal 2015, respectively.

Billable Expenses

Billable expenses increased to \$1,513.1 million from \$1,406.5 million, or a 7.6% increase. The overall increase was primarily attributable to an increase in small business procurement goals set by the government which required the Company to utilize more subcontractors in the current year. In addition, contracts which require the Company to incur direct expenses on behalf of our clients has increased over the prior year period. Billable expenses as a percentage of revenue was 28.0% and 26.7% in fiscal 2016 and fiscal 2015, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$806.5 million from \$752.9 million, or a 7.1% increase. This increase was mainly due to an increase in salaries and salary-related benefits of \$43.5 million, primarily due to an increase in consulting staff time spent on strategic investment and bid and proposal activities, in lieu of direct contract activities, over the prior year. In addition, there was an increase in professional fees and other business expenses of \$18.5 million. The increases were partially offset by a decrease in incentive compensation of \$6.4 million. General and administrative expenses as a percentage of revenue were 14.9% and 14.3% for fiscal 2016 and fiscal 2015, respectively.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased to \$61.5 million from \$62.7 million, or a 1.8% decrease.

Interest Expense

Interest expense decreased to \$70.8 million from \$71.8 million, or a 1.4% decrease.

Income Tax Expense

Income tax expense decreased to \$85.4 million from \$153.3 million, or a 44.3% decrease, primarily due to a decrease in the effective tax rate in fiscal 2016 from 39.7% to 22.5%. The effective tax rate decreased primarily due to the release of uncertain tax position reserves and certain income tax credits recognized in the current year.

Fiscal 2015 Compared to Fiscal 2014

Revenue

Revenue decreased to \$5,274.8 million from \$5,478.7 million, or a 3.7% decrease, as a result of lower demand, primarily driven by the continuing effect of macro challenges in the federal government spending environment. However, maintaining solid productivity and deployment of consulting staff on billable work mitigated the impact of these conditions on our revenue performance. In addition, the Company reported a second sequential quarter of headcount increases to deploy against existing and future funded work. Although headcount has increased in the most recent months, the average headcount over the last twelve months declined which led to fewer billable hours in total and an overall decrease in revenue for fiscal 2015. The revenue decline year over year was also attributable to a reduction in billable expenses due to a decline in our use of subcontractors and other direct expenses incurred to perform on contracts. Conversions to funded backlog during fiscal 2015 totaled \$5.7 billion in comparison to \$5.3 billion for the comparable year. The revenue conversion was 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.

Cost of Revenue

Cost of revenue decreased to \$2,593.8 million from \$2,716.1 million, or a 4.5% decrease. This decrease was primarily due to a decrease in salaries and salary-related benefits of \$96.6 million and a decrease in employer retirement plan contributions of \$52.0 million. The decrease in salaries and salary-related benefits was primarily due to reduced headcount in direct consulting staff throughout fiscal 2015. The decrease in employer retirement plan contributions was due to a decrease in the Company's expected discretionary employer contribution percentage due to a change to the matching program effective

April 1, 2014 as well as the reduced headcount noted above. Cost of revenue as a percentage of revenue was 49.2% and 49.6% in fiscal 2015 and fiscal 2014, respectively.

Billable Expenses

Billable expenses decreased to \$1,406.5 million from \$1,487.1 million, or a 5.4% decrease. The overall decrease was primarily due to decreases in subcontractor-related expenses and other direct expenses of \$91.4 million incurred to perform on contracts. Direct subcontractor related expenses decreased due to lower demand. Billable expenses as a percentage of revenue was 26.7% and 27.1% in fiscal 2015 and fiscal 2014, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$752.9 million from \$742.5 million, or a 1.4% increase. This increase was primarily due to an increase in incentive and stock-based compensation of \$3.5 million and an increase in professional fees and other business expenses of \$12.0 million. This was partially offset by decreases in employer retirement plan contribution of \$2.9 million. The decrease in employer retirement plan contributions was due to a decrease in the Company's expected discretionary employer contribution percentage due to a change to the matching program effective April 1, 2014 as well as the reduced headcount. General and administrative expenses as a percentage of revenue were 14.3% and 13.6% for fiscal 2015 and fiscal 2014, respectively.

Depreciation and Amortization Expense

Depreciation and amortization decreased to \$62.7 million from \$72.3 million, or a 13.4% decrease, primarily due to a reduction in amortization of intangible assets, as well as a decrease in depreciation expense resulting from the effect of lower capital expenditures in prior years.

Interest Expense

Interest expense decreased to \$71.8 million from \$78.0 million, or a 7.9% decrease, primarily as a result of the Second Amendment to the Credit Agreement consummated in May 2014. The Company increased its borrowing under Term Loan A by approximately \$168.4 million, the proceeds of which were used to pay outstanding principal on the Term Loan B. As the interest rates for Term Loan A are lower than those for Term Loan B, total interest expense decreased for fiscal 2015 as compared to fiscal 2014.

Income Tax Expense

Income tax expense increased to \$153.3 million from \$148.6 million, or a 3.2% increase, due to an increase in pre-tax income and to an increase in the effective tax rate in fiscal 2015 from 39.0% to 39.7%. The increase in the effective tax rate primarily relates to income tax credits recognized during fiscal 2015 that were lower than that recognized in fiscal 2014, as well as an increase in foreign tax expense.

Liquidity and Capital Resources

The following table presents selected financial information for the periods presented:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Cash and cash equivalents	\$187,529	\$207,217	\$259,994
Total debt	\$1,597,261	\$1,612,824	\$1,658,919
Net cash provided by operating activities	\$249,234	\$309,958	\$332,718
Net cash used in investing activities	(117,753)	(60,575)	(13,556)
Net cash used in financing activities	(151,169)	(302,160)	(409,552)
Total decrease in cash and cash equivalents	\$(19,688)	\$(52,777)	\$(90,390)

From time to time we evaluate alternative uses for excess cash resources once our operating cash flow needs and required debt amortization have been met. Some of the possible uses of our remaining excess cash at any point in time may include funding acquisitions, further investment in our business and voluntary debt prepayments, as well as initiatives intended to return value to shareholders in the form of payment of recurring and special dividends and share repurchases.

We have historically been able to generate sufficient cash to fund our operations, debt 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 senior secured loan facilities to meet cash demands. We anticipate that cash provided by operating activities, existing cash and cash equivalents, and borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated cash requirements for the next twelve months, which primarily include:

- operating expenses, including salaries;
- working capital requirements to fund the growth of our business;
- capital expenditures which primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support our operations;
- debt service requirements for borrowings under our senior secured loan facilities; and
- cash taxes to be paid.

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 60 and 59 as of March 31, 2016 and 2015, respectively.

Net Cash from Operating Activities

Net cash from operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect from clients in a timely manner, and our ability to manage our vendor payments. Net cash provided by operations was \$249.2 million in fiscal 2016 compared to \$310.0 million in the same prior year period, or a 19.6% decrease. The decrease in net cash provided by operations was primarily due to the following:

- An increase in working capital needs as a result of higher indirect spending during fiscal 2016;
- An increase in days sales outstanding as a result of an increase in accounts receivable relative to our increase in revenue, driven by higher spending and changes in certain new contract billing terms; and
- An increase in income taxes paid due to the timing of estimated tax payments.

Net Cash from Investing Activities

Net cash used in investing activities was \$117.8 million in fiscal 2016 compared to \$60.6 million in the prior year period, or a 94.4% increase. The increase in net cash used in investing activities was due to the Company's acquisition of the software services unit of SPARC, LLC as well as an increase in capital expenditures over the prior year primarily due to leasehold improvements related to the reconfiguration of our facilities footprint.

Net Cash from Financing Activities

Net cash used in financing activities was \$151.2 million in fiscal 2016 compared to \$302.2 million in the prior year period, or a 50.0% decrease. The decrease in net cash used in financing activities was primarily due to a lack of a special cash dividend paid in fiscal 2016 as compared to fiscal 2015 and a decrease in the payment of dividend equivalents to option holders primarily due to the timing of such payments. These decreases were partially offset by increased principal payments of \$57.1 million on our debt in fiscal 2016 as compared to \$31.1 million in the prior year period. With the May 2014 debt amendment, there were no quarterly principal payments required in the first quarter of fiscal 2015, which results in one less quarterly payment in the first half of fiscal 2015 in comparison to the first half of fiscal 2016. In addition, beginning in September of fiscal 2016 the quarterly payment increased by an additional \$5 million. In addition, on March 30, 2016, the Company borrowed \$35.0 million against its revolving credit facility which was repaid on April 5, 2016.

Dividends and Share Repurchases

The Company paid \$0.54 in dividends per share to shareholders of record in fiscal 2016. On May 18, 2016, the Company announced a regular quarterly cash dividend in the amount of \$0.15 per share. The quarterly dividend is payable on June 30, 2016 to stockholders of record on June 10, 2016.

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

	Fiscal Year Ended March 31,		
	2016	2015	2014
Recurring dividends (1)	\$80,015	\$67,846	\$57,063
Special dividends (2)	—	147,248	288,739
Dividend equivalents (3)	31,802	47,110	56,138
Total distributions	\$111,817	\$262,204	\$401,940

(1) Amounts represent recurring dividends that were declared and paid for during each quarter of fiscal 2016, fiscal 2015, and fiscal 2014.

(2) Amounts represent aggregate special dividends of \$1.00 per share (\$1.00 paid on August 29, 2014) and \$2.00 per share (\$1.00 paid November 29, 2013 and \$1.00 paid February 28, 2014) that were declared and paid for during fiscal 2015 and fiscal 2014, respectively.

(3) 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 our shares. On January 27, 2015, the share repurchase authorization was increased to \$180.0 million. During fiscal 2016 and fiscal 2015, the Company purchased 2.1 million and 2.0 million shares of the Company's Class A Common Stock for an aggregate of \$54.9 million and \$53.5 million respectively. Following the aforementioned repurchases, the Company currently has \$71.7 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 senior secured credit agreement, as amended, and other factors deemed relevant by our Board of Directors.

Indebtedness

Our debt totaled \$1,597.3 million and \$1,612.8 million as of March 31, 2016 and 2015, respectively. Our debt bears interest at specified rates and is held by a syndicate of lenders (see Note 10 in our consolidated financial statements). On May 7, 2014, the Company entered into the Second Amendment to the Credit Agreement, dated as of July 31, 2012 (as previously amended by the First Amendment to the Credit Agreement, dated as of August 16, 2013). Following the Second Amendment, the interest rates for the Term Loan A facility and Term Loan B facility remain unchanged. The Second Amendment extended the maturity date of the Term Loan A and the revolving credit facility to May 31, 2019. The maturity date for the Term Loan B facility remained unchanged. The Company also amended its existing debt covenants to provide for greater operational and financial flexibility. As of March 31, 2016, the Credit Agreement, as amended, provided the Company with a \$830.0 million Term Loan A facility and a \$841.2 million Term Loan B facility, and a \$500.0 million revolving credit facility with a \$100.0 million sublimit for letters of credit.

As of March 31, 2016, we had \$741.8 million and \$841.2 million principal outstanding under the Term Loan A facility and Term Loan B facility, respectively. As of March 31, 2015, we had \$798.9 million and \$841.2 million principal outstanding under the Term Loan A facility and Term Loan B facility, respectively, of our prior credit facility.

We occasionally borrow under our revolving credit facility in anticipation of cash demands. During the second, third, and fourth quarters of fiscal 2016, the Company's wholly-owned subsidiary Booz Allen Hamilton Inc. accessed a total of \$25.0 million, \$123.0 million, and \$125.0 million respectively, of its \$500.0 million revolving credit facility. As of March 31, 2016, \$35 million was outstanding on the revolving credit facility, which was repaid on April 5, 2016.

During the second and fourth quarters of fiscal 2015 the Company's wholly-owned subsidiary Booz Allen Hamilton, Inc. accessed a total of \$30.0 million and \$50.0 million, respectively, of the revolving credit facility. As of March 31, 2015, no amounts were 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, with annual incremental increases to 1.875%, 2.50%, 3.125%, and 13.0%, prior to Term Loan A's maturity date of May 31, 2019. As a result of paying approximately \$168.4 million of Term Loan B principal in connection with the Second Amendment, no additional principal payments are required until the remaining balance is due on Term Loan B's maturity date of July 31, 2019. The revolving credit facility matures on May 31, 2019, at which time any outstanding principal balance is due in full.

The interest rate on borrowings under Term Loan A is LIBOR plus 2.50% spread. The spread ranges from 2.00% to 2.75% based on the Company's total leverage ratio. The interest rate on borrowings under Term Loan B is LIBOR plus 3.0% spread with a 0.75% floor. The spread ranges from 2.00% to 3.00% based upon either an ABR or LIBOR borrowing. The revolving credit facility margin and commitment fee are subject to the leveraged based pricing grid, as set forth in the Credit Agreement, as amended. As of March 31, 2016 and 2015, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that totaled \$6.6 million and \$5.3 million, respectively. These letters of credit and bank guarantees primarily support insurance and bid and performance obligations. At March 31, 2016 and 2015, approximately \$1.8 million and \$5.2 million of these instruments reduce our available borrowings under the revolving credit facility. The remainder are guaranteed under a separate \$10.0 million facility established in fiscal 2015, of which \$5.2 million and \$4.9 million, respectively, was available to us at March 31, 2016 and 2015. As of March 31, 2016, we had \$463.2 million of capacity available for additional borrowings under the revolving credit facility.

The loans under the Credit Agreement, as amended, are secured by substantially all of our assets and none of such assets will be available to satisfy the claims of our general creditors. The Credit Agreement, as amended, contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following, in each case subject to certain exceptions: a maximum net total leverage ratio; a minimum net interest coverage ratio; limitations on indebtedness and liens; mergers, consolidations or amalgamations, or liquidations, wind-ups or dissolutions; dispositions of property; restricted payments; investments; transactions with affiliates; sale and lease back transactions; change in fiscal periods; negative pledges; restrictive agreements; limitations on line of business; limitations on speculative hedging and limitations on changes of names and jurisdictions. 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 March 31, 2016, we were compliant with these covenants.

During fiscal 2016, interest payments of \$22.0 million and \$34.7 million were made for the Term Loan A and Term Loan B facilities, respectively. During fiscal 2015, interest payments of \$21.0 million and \$29.0 million were made for the Term Loan A and Term Loan B facilities, respectively.

The total outstanding debt balance is recorded in the accompanying consolidated balance sheets net of unamortized discount and debt issuance costs of \$20.7 million and \$27.2 million as of March 31, 2016 and 2015, respectively.

Capital Structure and Resources

Our stockholders' equity amounted to \$408.5 million as of March 31, 2016, an increase of \$222.0 million compared to stockholders' equity of \$186.5 million as of March 31, 2015. The increase was primarily due to net income of \$294.1 million in fiscal 2016, \$31.9 million in excess tax benefits for the exercise of stock options, and stock-based compensation expense of \$25.0 million, partially offset by \$80.0 million in recurring dividends and a \$63.2 million increase in treasury stock.

Off-Balance Sheet Arrangements

As of March 31, 2016, we did not have any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2016. For contractual obligations, we included payments that we have an unconditional obligation to make.

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 years
(In thousands)					
Long-term debt (a)	\$1,583,001	\$77,813	\$448,201	\$1,056,987	\$—
Operating lease obligations	362,971	59,043	109,940	81,404	112,584
Interest on indebtedness	161,671	53,295	96,610	11,766	—
Deferred payment obligation (b)	88,200	88,200	—	—	—
Revolver debt	35,000	35,000	—	—	—
Liability to option holders (c)	3,784	2,269	1,515	—	—
Tax liabilities for uncertain tax positions	1,517	572	840	105	—
Total contractual obligations	\$2,236,144	\$316,192	\$657,106	\$1,056,987	\$112,584

(a) See Note 10 to our consolidated financial statements for additional information regarding debt and related matters.

(b) Includes \$80 million deferred payment obligation balance plus interest due within the next year.

Reflects liabilities to holders of stock options issued under our Officers' Rollover Stock Plan and the Equity Incentive Plan, as amended, related to the reduction in the exercise price of such options as a result of special dividends paid in July and December 2009, June and August 2012, November 2013, and February and August 2014.

In the normal course of business, we enter into agreements with subcontractors and vendors to provide products and services that we consume in our operations or that are delivered to our clients. These products and services are not considered unconditional obligations until the products and services are actually delivered, at which time we record a liability for our obligation.

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 fiscal 2016 and 2015 were \$66.6 million and \$36.0 million, respectively, and the majority of such capital expenditures related to facilities infrastructure and the reconfiguration of our Washington, D.C. area facilities, equipment, and information technology. 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 19 to our consolidated financial statements.

Item 7A. 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 insured money-market accounts and prime money-market funds. As of March 31, 2016 and 2015, we had \$187.5 million and \$207.2 million, respectively, in cash and cash equivalents. The interest expense associated with our term loans and any loans under our revolving credit facility will vary with market rates.

Our exposure to market risk for changes in interest rates related to our outstanding debt will impact our senior secured loan facilities. A hypothetical 1% increase in interest rates would have increased interest expense related to the term facilities under our senior secured loan facilities by approximately \$6.2 million in fiscal 2016 and \$8.7 million in fiscal 2015, and likewise decreased our income and cash flows. A hypothetical increase of LIBOR to 4%, the average historical three-month LIBOR, would have increased interest expense related to all term facilities under our senior secured loan facilities by approximately \$53.7 million in fiscal 2016 and \$57.9 million in fiscal 2015, and likewise decreased our income and cash flows. The year over year decrease in interest expense is primarily due to the Second Amendment to the Credit Agreement consummated in May 2014. The Company increased its borrowing under Term Loan A, the proceeds of which were used to pay outstanding principal on the Term Loan B. As the interest rates for Term Loan A are lower than those for Term Loan B, total interest expense decreased for fiscal 2016 as compared to fiscal 2015.

The return on our cash and cash equivalents balance as of March 31, 2016 and 2015 was less than 1%. Therefore, although investment interest rates may continue to decrease in the future, the corresponding impact to our interest income, and likewise to our income and cash flow, would not be material.

We do not use derivative financial instruments in our investment portfolio and have not entered into any hedging transactions.

Item 8. Financial Statements and Supplementary Data

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Report of Ernst & Young LLP,
Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Booz Allen Hamilton Holding Corporation

We have audited the accompanying consolidated balance sheets of Booz Allen Hamilton Holding Corporation as of March 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Booz Allen Hamilton Holding Corporation at March 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Booz Allen Hamilton Holding Corporation's internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 19, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
May 19, 2016

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2016	March 31, 2015
	(Amounts in thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 187,529	\$ 207,217
Accounts receivable, net of allowance	892,289	857,310
Prepaid expenses and other current assets	109,953	84,142
Total current assets	1,189,771	1,148,669
Property and equipment, net of accumulated depreciation	130,169	111,367
Deferred income taxes	22,054	29,297
Intangible assets, net of accumulated amortization	220,658	219,382
Goodwill	1,361,913	1,304,231
Other long-term assets	85,606	51,036
Total assets	\$ 3,010,171	\$ 2,863,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 112,813	\$ 57,063
Accounts payable and other accrued expenses	484,769	481,815
Accrued compensation and benefits	241,367	279,239
Other current liabilities	100,964	30,877
Total current liabilities	939,913	848,994
Long-term debt, net of current portion	1,484,448	1,555,761
Income tax reserves	1,517	58,444
Other long-term liabilities	175,805	214,285
Total liabilities	2,601,683	2,677,484
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 153,391,058 shares at March 31, 2016 and 150,237,675 shares at March 31, 2015; outstanding, 147,992,462 shares at March 31, 2016 and 147,238,282 shares at March 31, 2015	1,534	1,502
Special voting common stock, Class E — \$0.003 par value — authorized, 25,000,000 shares; issued and outstanding, 0 shares at March 31, 2016 and 1,851,589 shares at March 31, 2015	—	6
Treasury stock, at cost — 5,398,596 shares at March 31, 2016 and 2,999,393 shares at March 31, 2015	(135,445)	(72,293)
Additional paid-in capital	243,475	174,985
Retained earnings	318,537	104,457
Accumulated other comprehensive loss	(19,613)	(22,159)
Total stockholders' equity	408,488	186,498
Total liabilities and stockholders' equity	\$ 3,010,171	\$ 2,863,982

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(Amounts in thousands, except per share data)		
Revenue	\$5,405,738	\$5,274,770	\$5,478,693
Operating costs and expenses:			
Cost of revenue	2,580,026	2,593,849	2,716,113
Billable expenses	1,513,083	1,406,527	1,487,115
General and administrative expenses	806,509	752,912	742,527
Depreciation and amortization	61,536	62,660	72,327
Total operating costs and expenses	4,961,154	4,815,948	5,018,082
Operating income	444,584	458,822	460,611
Interest expense	(70,815)	(71,832)	(78,030)
Other, net	5,693	(1,072)	(1,794)
Income before income taxes	379,462	385,918	380,787
Income tax expense	85,368	153,349	148,599
Net income	\$294,094	\$232,569	\$232,188
Earnings per common share (Note 3):			
Basic	\$1.98	\$1.58	\$1.62
Diluted	\$1.94	\$1.52	\$1.54

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

BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(Amounts in thousands)		
Net income	\$294,094	\$232,569	\$232,188
Change in postretirement plan costs, net of tax	2,546	(15,523)	7,151
Comprehensive income	\$296,640	\$217,046	\$239,339

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

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BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(Amounts in thousands)		
Cash flows from operating activities			
Net income	\$294,094	\$232,569	\$232,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	61,536	62,660	72,327
Stock-based compensation expense	24,992	26,163	20,065
Deferred income taxes	3,549	(2,543)	(26,371)
Excess tax benefits from stock-based compensation	(31,924)	(50,800)	(38,185)
Amortization of debt issuance costs and loss on extinguishment	8,359	11,582	11,682
Losses on dispositions and impairments	547	1,541	1,024
Changes in assets and liabilities:			
Accounts receivable	(31,229)	60,533	110,308
Income taxes receivable / payable	(4,170)	36,456	(1,903)
Prepaid expenses and other current assets	12,242	(1,591)	(5,923)
Other long-term assets	(36,429)	(8,240)	(4,773)
Accrued compensation and benefits	(8,409)	(44,329)	(72,881)
Accounts payable and other accrued expenses	4,911	(35,443)	39,178
Accrued interest	(2,829)	5,262	—
Income tax reserves	(56,927)	1,038	388
Other current liabilities	66,031	5,127	(1,090)
Other long-term liabilities	(55,110)	9,973	(3,316)
Net cash provided by operating activities	249,234	309,958	332,718
Cash flows from investing activities			
Purchases of property and equipment	(66,635)	(36,041)	(20,905)
Cash paid for business acquisitions, net of cash acquired	(51,118)	(24,534)	3,563
Escrow receipts	—	—	3,786
Net cash used in investing activities	(117,753)	(60,575)	(13,556)
Cash flows from financing activities			
Net proceeds from issuance of common stock	5,977	5,020	5,078
Stock option exercises	7,962	6,099	14,620
Excess tax benefits from stock-based compensation	31,924	50,800	38,185
Repurchases of common stock	(63,152)	(62,140)	(3,709)
Cash dividends paid	(80,015)	(215,094)	(345,802)
Dividend equivalents paid to option holders	(31,802)	(47,110)	(56,138)
Repayment of debt	(295,063)	(279,563)	(355,563)
Proceeds from debt issuance	273,000	239,828	293,777
Net cash used in financing activities	(151,169)	(302,160)	(409,552)
Net decrease in cash and cash equivalents	(19,688)	(52,777)	(90,390)
Cash and cash equivalents—beginning of year	207,217	259,994	350,384
Cash and cash equivalents—end of year	\$187,529	\$207,217	\$259,994
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	\$57,068	\$50,074	\$61,050
Income taxes	\$143,083	\$122,912	\$178,411

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

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BOOZ ALLEN HAMILTON HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in thousands, except share data)	Class A Common Stock		Class B Non-Voting Common Stock		Class C Restricted Common Stock		Class E Special Voting Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balance at March 31, 2013	136,457,444	\$ 1,364	1,451,600	\$ 15	1,224,319	\$ 12	7,478,522	\$ 22	(405,843)	\$(6,444)	\$ 120,836	\$ 124,700
Issuance of common stock	1,047,160	10	0	—	0	—	0	—	0	—	5,068	—
Stock options exercised	5,299,501	54	0	—	0	—	(3,053,708)	(9)	0	—	14,575	—
Excess tax benefits from the exercise of stock options	0	—	0	—	0	—	0	—	0	—	38,185	—
Share exchange	1,157,968	12	(869,520)	(9)	(288,448)	(3)	0	—	0	—	—	—
Repurchase of common stock	0	—	0	—	0	—	0	—	(203,782)	(3,709)	—	—
Recognition of liability related to future stock option exercises (Note 16)	0	—	0	—	0	—	0	—	0	—	(22,933)	—
Net income	0	—	0	—	0	—	0	—	0	—	—	232,180