

Booz Allen Hamilton Holding Corp
Form 10-K
May 30, 2012
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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, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ **to** _____
Commission File Number 001-34972

Booz Allen Hamilton Holding Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

(703) 902-5000

22102
(Zip Code)

Registrant's telephone number, including area code

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

Title of Each Class
Class A Common Stock

Name of Each Exchange on Which Registered
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 ☐

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 the definitions 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, 2011, 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 \$432,268,580.

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 18, 2011
Class A Common Stock	128,417,006
Class B Non-Voting Common Stock	2,470,825
Class C Restricted Common Stock	1,533,020
Class E Special Voting Common Stock	10,140,067

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled for August 2, 2012 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, 2012 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, 2012. 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, believes, estimates, predicts, potential, continue, preliminary, or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. These forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. These risks and other factors include:

cost cutting and efficiency initiatives and other efforts to reduce U.S. government spending, which could reduce or delay funding for orders for services especially in the current political environment;

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 or related changes in the pattern or timing of government funding and spending;

any issue that compromises our relationships with the U.S. government or damages our professional reputation;

changes in U.S. government spending 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 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;

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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 our backlog and the timing of our receipt of revenue under contracts included in backlog;

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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;

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;

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;

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an inability to utilize existing or future tax benefits, including those related to our net operating losses, or NOLs, and 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.

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PART I

Item 1. *Business.* Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. Additionally, we provide management and technology consulting services to major corporations, institutions, and not-for-profit organizations.

We are a well-known, trusted and long-term partner to our clients, who seek our expertise and objective advice to address their most important and complex problems. Leveraging our 98-year consulting heritage and a talent base of approximately 25,000 people, we deploy our deep domain knowledge, functional expertise, and experience to help our clients achieve their objectives. We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and deliver enduring results for our clients.

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 technology, engineering, and analytics. Today, we serve substantially all of the cabinet-level departments of the U.S. government. Our major clients include the Department of Defense, all branches of the U.S. military, the U.S. Intelligence Community, and civil agencies such as the Department of Homeland Security, the Department of Energy, the Department of Health and Human Services, the Department of the Treasury, and the Environmental Protection Agency. We support these clients in 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, and protecting the environment. In the commercial sector, we serve U.S. clients in the financial services, healthcare, and energy markets, and international clients, primarily in the Middle East.

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. During fiscal 2012, we derived 98% of our revenue from services provided to more than 1,200 client organizations across the U.S. government under more than 5,800 contracts and task orders. The single largest entity that we served in fiscal 2012 was the U.S. Army, which represented approximately 17% of our revenue in that period. We derived 90% of our revenue in fiscal 2012 from engagements for which we acted as the prime contractor. Also during fiscal 2012, we achieved an overall win rate of 55% on new contracts and task orders for which we competed and a win rate of more than 91% on re-competed contracts and task orders for existing or related business. As of March 31, 2012, our total backlog, including funded, unfunded, and priced options, was \$10.8 billion, a decrease of 1% in total backlog with a 21% increase in funded backlog over March 31, 2011.

We attribute the strength of our client relationships, the commitment of our people, and our resulting growth to our management consulting heritage and culture, which instills our relentless focus on delivering value and enduring results to our clients. We operate our business as a single profit center, which drives our ability to collaborate internally and compete externally. Our operating model is built on (1) our dedication to client service, which focuses on leveraging our experience and knowledge to provide differentiated insights, (2) our partnership-style culture and compensation system, which fosters collaboration and the efficient allocation of our people across markets, clients, and opportunities, (3) our professional development and assessment system, which reinforces the alignment of our people with our collaborative culture, core values, and ethics, and (4) our approach to the market, which leverages our matrix of deep domain expertise in the defense, intelligence, and civil government markets and financial services, healthcare, and energy commercial markets with our strong capabilities in strategy and organization, analytics, technology, and engineering and operations.

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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 Chairman 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.

Corporate History

Booz Allen Holding was incorporated in Delaware in 2008 to serve as the top-level holding company for the consolidated Booz Allen Hamilton U.S. government consulting business. On July 31, 2008, or the Closing Date, 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 government business of Booz Allen Hamilton following the separation.

The separation of the commercial and international business from the government business was accomplished pursuant to a series of transactions under the terms of a spin off agreement, dated as of May 15, 2008, by and among Booz Allen Hamilton and Booz & Company, or Spin Co., and certain of its subsidiaries. As a result of the spin off and related transactions, former stockholders of Booz Allen Hamilton that had been engaged in the commercial and international business became the owners of Spin Co., which held the commercial and international business. The spin off agreement included a three-year non-compete provision, which ended July 31, 2011, during which both Spin Co. and Booz Allen Hamilton were prohibited, with certain exceptions, from engaging in business in the other company's principal markets.

Following the spin off, Booz Allen Hamilton was indirectly acquired by Carlyle pursuant to an Agreement and Plan of Merger, dated as of May 15, 2008, and subsequently amended, by and among Booz Allen Hamilton, Booz Allen Holding (formerly known as Explorer Holding Corporation), which was majority owned by Carlyle, Booz Allen Investor (formerly known as Explorer Investor Corporation), a wholly owned subsidiary of Booz Allen Holding, Explorer Merger Sub Corporation, a wholly-owned subsidiary of Booz Allen Investor, and Spin Co. Under the terms of the merger agreement, the acquisition of Booz Allen Hamilton was achieved through the merger of Explorer Merger Sub Corporation into Booz Allen Hamilton, with Booz Allen Hamilton as the surviving corporation. As a result of the merger, Booz Allen Hamilton became a direct subsidiary of Booz Allen Investor and an indirect wholly-owned subsidiary of Booz Allen Holding. The aforementioned transactions are referred to in this Annual Report as the acquisition.

To fund the aggregate consideration for the acquisition, to repay certain indebtedness in connection with the acquisition and to provide working capital, Booz Allen Investor and Booz Allen Hamilton entered into a series of financing transactions, which included:

entry into our senior secured credit agreement, and the incurrence of \$125.0 million and \$585.0 million of term loans under the Tranche A and Tranche B term facilities, respectively, governed by the senior secured credit agreement;

entry into our mezzanine credit agreement, and the incurrence of \$550.0 million of term loans governed by the mezzanine credit agreement; and

an equity contribution from Explorer Coinvest LLC, or Coinvest, of approximately \$956.5 million.

The payment of \$158.0 million of the cash consideration for the acquisition was structured as a deferred payment obligation of Booz Allen Investor. On December 11, 2009, in order to facilitate the payment of a special dividend and the repayment of a portion of the deferred payment obligation, Booz Allen Investor and Booz Allen Hamilton entered into a series of amendments to the credit agreements governing our senior secured credit facilities and mezzanine credit facility to, among other things, add the Tranche C term facility under our senior secured credit facilities, increase commitments under the revolving credit facility under our senior secured credit

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facilities from \$100.0 million to \$245.0 million, and add a specific exception to the restricted payments covenant to permit the payment of the special dividend. Using cash on hand and \$341.3 million in net proceeds from the increased term loan facility, Booz Allen Hamilton paid a special dividend of \$650.0 million on its common stock, all of which was paid to Booz Allen Investor, its sole stockholder. Booz Allen Investor in turn used the proceeds of the special dividend (i) to repay approximately \$100.4 million of the deferred payment obligation, including \$22.4 million in accrued interest, in accordance with the terms of the merger agreement and (ii) to pay a special dividend of approximately \$549.6 million on its common stock, all of which was paid to Booz Allen Holding, its sole stockholder. Booz Allen Holding in turn declared a special dividend of \$497.5 million payable on its outstanding Class A Common Stock, Class B Non-Voting Common Stock and Class C Restricted Common Stock, approximately \$444.1 million of which was paid to Coinvest and the remainder of which was paid to the other stockholders of Booz Allen Holding. The aforementioned transactions are referred to in this Annual Report as the recapitalization transaction.

On February 3, 2011, we completed a refinancing transaction, or the Refinancing Transaction, which included amendments to the senior secured credit agreement and the repayment of all indebtedness outstanding under our mezzanine credit facility. The amended senior secured credit agreement provides for \$1.0 billion in term loans (\$500.0 million Tranche A term facility and \$500.0 million Tranche B term facility) and a \$275.0 million revolving credit facility. In connection with the Refinancing Transaction, we borrowed \$1.0 billion under the Tranche A and Tranche B term facilities and we used \$268.9 million of cash on hand to pay fees and expenses and repay the remaining \$222.1 million of indebtedness under our mezzanine credit facility and \$21.5 million under the then effective senior secured credit facilities. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Indebtedness.

Our Value Proposition to Our Clients

As a leading provider of management and technology consulting services to the U.S. government and a provider of such services to major corporations, institutions, and not-for-profit organizations, we believe that we are well positioned to grow across markets characterized by increasing and rapid change. We believe that our dedication to client service, the quality of our people, our management consulting heritage and our client-oriented matrix approach provide the strong foundation necessary for our continued growth.

Our People

Our success as a management and technology consulting firm is highly dependent upon the quality, integrity and dedication of our people.

Superior Talent Base. We have a highly educated talent base of approximately 25,000 people: as of March 31, 2012, 84% held bachelor degrees, 42% held masters degrees and 4% held doctoral degrees (not including employees from ASE, Inc., one of our wholly owned subsidiaries). In addition, many of the U.S. government contracts for which we compete require contractors to have high-level security clearances, and our large pool of cleared employees allows us to meet these needs. As of March 31, 2012, 76% of our people held government security clearances: 27% at Top Secret/Sensitive Compartmented Information, 22% at Top Secret (excluding Sensitive Compartmented Information) and 26% at Secret. High-level security clearances generally afford a person access to data that affects national security, counterterrorism or counterintelligence, or other highly sensitive data. Persons with the highest security clearance, Top Secret, have access to information that would cause exceptionally grave damage to national security if disclosed to the public. Persons with access to the most sensitive and carefully controlled intelligence information hold a Top-Secret/Sensitive Compartmented Information clearance. Persons with the second-highest clearance classification, Secret, have access to information that would cause serious damage to national security if disclosed to the public. Through internal referrals and external recruiting efforts, we are able to successfully renew and grow our talent base, and we believe that our ability to attract top level talent is significantly enhanced by our commitment to professional development, our position as a leader in our markets, the high quality of our work and the appeal of our culture.

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Focus on Talent Development. We develop our talent base by providing our people with the opportunity to work on important and complex problems, encouraging and acknowledging contributions of our people at all levels of seniority, and facilitating broad, inclusive and insightful leadership. We also encourage our people to continue developing their substantive skills through continuing education. Our learning programs, which have consistently been recognized as best-in-class in the industry, include partnerships with universities, vendors and online content providers. These programs offer convenient, cost-effective, quality educational opportunities that are aligned with our core capabilities.

Assessment System that Promotes Collaboration. We use our assessment process, an employee assessment tool based on multiple sources of input to assess performance against competencies, to help promote and enforce the consistency of our collaborative culture, core values and ethics. Each of our approximately 25,000 people receives an annual assessment and also has the opportunity to participate in the assessment of other company personnel. Assessments combine the internal feedback from supervisors, peers and subordinates with input from internal and external clients. Our assessment process is focused on facilitating the continued development of skills and career paths and ensuring the exchange of support and knowledge among our people.

Core Values. We believe that one of the key components of our success is our focus on core values. Our core values are: client service, diversity, excellence, entrepreneurship, teamwork, professionalism, fairness, integrity, respect and trust. All new hires receive extensive training that emphasizes our core values, facilitates their integration into our collaborative, client-oriented culture and helps to ensure the delivery of consistent and exceptional client service. As of March 31, 2012, 98% of our employees participated in internal training including 4 hours of mandatory ethics training which is required to be completed each year.

The emphasis that we place on our people yields recognized results. External awards and recognition include being named for several consecutive years as one of Fortune Magazine's 100 Best Companies to Work For, and to the Best Companies to work for lists published by Working Mother, Consulting Magazine, GI Jobs, and a number of other publications and associations. Additionally, the company was named in 2012 as one of Fortune Magazine's The World's Most Admired Companies, a list based on quality and brand reputation.

Our Management Consulting Heritage

Our Approach to Client Service. Over nearly a century of serving clients and 72 years that we have been supporting the U.S. government, we have cultivated relationships of trust with, and developed a comprehensive understanding of, our clients. This insight regarding our clients, together with our deep domain knowledge and capabilities, enable us to anticipate, identify and address the specific needs of our clients. While working on contract engagements, our people work to develop a holistic understanding of the issues and challenges facing the client to ensure that our advice helps them achieve enduring results.

Partnership-Style Culture and Compensation System. A commitment to teamwork is deeply ingrained in our company, and our partnership-style culture is critical to maintaining this component of our operating model. We manage our company as a single profit center with a partner-style compensation system that focuses on the success of the institution over the success of the individual. This distinctive system fosters internal collaboration that allows us to compete externally by motivating our partners to act in the best interest of the institution. As a result, we are able to emphasize overall client service, and encourage the rapid and efficient allocation of our people across markets, clients and opportunities.

Our Client-Oriented Matrix Approach

We are able to address the complex and evolving needs of our clients and grow our business through the application of our matrix of deep domain knowledge and market-leading capabilities. Through this approach, we deploy our four key capabilities—strategy and organization; analytics; technology; and engineering and operations—across our client base in the various markets we serve. This approach enables us to quickly

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assemble and deploy, and redeploy when necessary, client-focused teams comprised of people with the skills and expertise needed to address the challenges facing our clients. We believe that our significant win rates on new and re-competed contracts demonstrate the strength of our matrix approach as well as our industry-leading reputation and our proven track record.

Our Strategy for Continued Growth

We serve our clients by identifying, analyzing, and solving their most complex problems, providing technology and engineering and mission support services, and anticipating developments that will have near- and long-term impacts on their operations. To serve our clients and grow our business, we intend to execute the following strategies:

Expand Our Business Base

We are focused on growing our presence in our addressable markets primarily by expanding our relationships with, and the capabilities we deliver to, our existing clients. We will continue to help our clients recognize more efficient and effective mission execution by deploying our objective insight and market expertise across current and future contract engagements. We believe that significant growth opportunities exist in our markets, and we intend to:

Deepen Our Existing Client Relationships. The complex and evolving nature of the challenges our clients face requires the application of different core competencies and capabilities. Our approach to client service and collaborative culture enables us to effectively cross-sell and deploy multiple services to existing clients. We plan to leverage our comprehensive understanding of our clients' needs and our track record of successful performance to grow our client relationships and expand the scope of the services we provide to our existing clients.

Help Clients Rapidly Respond to Change. We will continue to help our clients formulate rapid and dynamic responses to the frequent and sometimes sudden changes that they face by leveraging the scope and scale of our domain expertise, our broad capabilities and our one-firm culture, which allow us to effectively and efficiently allocate our resources and deploy our intellectual capital.

Broaden Our Client Base. We intend to capitalize on our scale, the scope of our domain expertise and core capabilities, and our reputation as a trusted long-term partner to grow our client base.

U.S. Government Business. We believe that growing demand for the types of services we provide and our ongoing business initiatives will enable us to leverage our reputation as a trusted partner and industry leader to cultivate new client relationships across all agencies and departments of the U.S. government.

Commercial Business. As we have done since the expiration of our non-competition agreement on July 31, 2011, we will continue to pursue new opportunities in the commercial market by building on our cyber-related work and leveraging our core competencies, with a focus on serving industries in which there is a strong intersection between government and commercial interests, such as financial services, healthcare, and energy. We will also look to selectively establish a physical presence in strategically important locations with a concentration of potential commercial clients, such as New York City where we expanded our presence in the fall of 2011.

International Business. As we have done since the expiration of our non-competition agreement on July 31, 2011, we will continue to pursue opportunities to grow internationally. Our international activities are focused on the Middle East and North Africa region, where we see strong demand for our services, in particular in the United Arab Emirates, Qatar, Oman, and Kuwait, and we are expanding our office in Abu Dhabi, United Arab Emirates, to facilitate our international growth.

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Capitalize on Our Strengths in Emerging Areas

We will continue to leverage our deep domain expertise and broad capabilities to help our clients address emerging issues. Through the early identification of clients' emerging needs and the development of adaptive capabilities to help address those needs, we have established strong competencies and functional capabilities in numerous areas of potential growth, including:

Cyber. Network-enabled technology now forms the backbone of our economy, infrastructure and national and international security. We have been focused on cyber and predecessor areas, such as information assurance, since 1999 and in information security since the 1980's. We are currently involved in cyber-related initiatives for national defense, with the creation of the U.S. Cyber Command, intelligence and civil clients, as well as cyber-security initiatives for commercial clients. We have created a framework for dynamic defense of government and commercial networks and information assets based on the following four main components: threat intelligence, incident response, integrated remediation, and pre-emptive response. In January 2012, we formally launched the Booz Allen Cyber Solutions Network, an integrated secure network of cyber centers, providing our clients with advanced analytics, cyber training, network defense, and cyber product/technology evaluation services. As of March 31, 2012, over 3,200 employees hold over 5,600 Certifications representing a variety of technical disciplines, including DoD 8570 specified certifications, from various certifying bodies, such as SANS, Comp TIA, Securible, Ultimate Knowledge, and Skillsoft. Additionally, to continue to position our company as a leader across the broad and growing range of areas requiring cyber-related services, we are focused on hiring new employees with cyber-related expertise and cross training existing employees through our Cyber University program.

Enterprise Effectiveness and Efficiency (E3). We are helping our clients address challenges ranging from reducing costs and doing more with less, to completely transforming the way they operate. Our E3 framework focuses on realizing efficiencies through IT management, cost restructuring change management/business process re-engineering, and human resource management/ back office operations. For our U.S. government clients, we are helping them achieve operating and budgetary efficiencies driven by the need to control spending while simultaneously pursuing numerous policy initiatives. In addition, recent U.S. government reforms in the procurement area may allow us to leverage our status as a large, objective service provider to win additional assignments to the extent that we are able to address organizational conflicts of interest and similar concerns more easily than our competitors.

Ongoing Healthcare Transformation. We expect recent and ongoing developments in the healthcare market, such as the passage of the Affordable Care Act of 2010 and the Health Information Technology for Economic and Clinical Health Act of 2009, to increase demand for our healthcare consulting capabilities across government, military, and commercial healthcare markets. In 2002, we began a focused expansion of our healthcare consulting business, and the current scale of that business, together with our technology-related capabilities, provide us with a strong platform from which to address our clients' increased focus on the interoperability of healthcare IT platforms, healthcare policy, and payment and caregiver reforms. Our current areas of focus include: health technology, health market infrastructure, global health issues, health facilities transformation (with a particular focus on the Veterans Administration), cyber privacy solutions for health information, behavioral health, and population health.

Engineering Services. We serve our clients by applying our broad and deep expertise in engineering, ranging from micro-electronics to biomedical engineering and high-energy lasers, to develop proof-of-concept designs, reverse engineer current products and systems, and build test prototypes. Additionally, we provide sophisticated systems engineering and integration, or SE&I, services to help clients manage every phase of the development and integration of increasingly sophisticated information technology, communications and mission systems ranging from satellite and space systems to air traffic control and naval systems.

Cloud-Based Services. U.S. government and commercial markets have experienced a rise in the use of cloud computing, which allows shared resources and software to be provided to computers and other devices on-demand without requiring new user infrastructure. In addition, the use of cloud computing provides

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clients with economical data storage and retrieval options. Building on our foundation of advanced information technology and our proven capabilities in strategy and change management, analytics, systems development and cyber technology, we have created a major initiative in cloud-based services, through which we intend to serve our clients by using cloud computing solutions to deliver cost savings, improved mission effectiveness, improved data analytics and improved IT infrastructure, including data center migration and optimization.

We will also continue to invest significant resources in our efforts to identify near-term developments and long-term trends that may present significant challenges or opportunities for our clients. Our single profit center and one-firm culture afford us the flexibility to devote company-wide resources and key intellectual capital to developing the functional capabilities and expertise needed to address those issues. We have regularly allocated significant resources to these business development efforts and have successfully transitioned several such initiatives into meaningful contributors to our business.

Our Clients and Capabilities

The diagram below illustrates the way we deploy our four capability areas, including specified areas of expertise, to serve our defense, intelligence, and civil clients. Our dynamic matrix of functional capabilities and domain expertise plays a critical role in our efforts to deliver results to our clients.

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Deployment of Capabilities to Serve Clients

Our Clients

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. In addition, as a result of our re-entry into the commercial market and our growing international business, we have a growing group of commercial and non-U.S. government clients.

Selected Long-Term Client Relationships

Client (1)	Relationship Length (Years)
U.S. Navy	70+
U.S. Army	60+
National Security Agency	25+
Department of Homeland Security	20+
U.S. Air Force	20+
National Reconnaissance Office	15+
A U.S. intelligence agency	15+
Department of Energy	15+
Federal Bureau of Investigation	15+
Internal Revenue Service	15+

(1) Includes predecessor organizations.

Defense Clients

Our reputation and track record in serving the U.S. military and defense agencies spans 70 years. Our defense business revenue represented 53% of our business based on revenue for fiscal 2012. Our revenue in this area for fiscal 2012 was approximately \$3.0 billion. Our key defense clients are set forth below.

U.S. Army. For over 60 years, we have addressed challenges for the U.S. Army at the strategic, operational, and tactical levels by bringing experienced people, high quality processes, and advanced technologies together. We work with our U.S. Army clients to help sustain their land combat capabilities while responding to current demands and preparing for future needs. Recent examples of the services that we have provided include enhancing field intelligence systems, delivering rapid response solutions to counter improvised explosive devices, infusing lifecycle sustainment capabilities to improve distribution and delivery of material, and employing systems and consulting methods to help expand care and support for soldiers and their families. Our clients include Army Headquarters, Army Material Command (AMC), Forces Command (FORSCOM), Training and Doctrine Command (TRADOC), and many Program Executive Offices, Direct Reporting Units and Army Service Component Commands.

U.S. Navy/Marine Corps. We have supported the U.S. Navy for over 70 years. We employ a multidimensional approach that analyzes and balances people, processes, technology, and infrastructure to meet their missions of equipping global forces for greater flexibility, mobility, and efficiency, sustaining results while reducing costs, and integrating new technology. Our clients include the Office of the Secretary of the Navy, Chief of Naval Operations, the Commandant of the Marine Corps to the Office of Naval Intelligence, and U.S. Navy/Marine Corps operating commands and systems commands, as well as the Joint Program Executive Offices (PEO) and individual PEOs such as Naval Air Systems Command (NAVAIR), Naval Seas Systems Command (NAVSEA), U.S. Marine Corps Systems Command, and Space and Naval Warfare (SPAWAR).

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U.S. Air Force/NASA/Aerospace. We provide integrated strategy and technical services to the U.S. Air Force. Our skilled strategists and technology experts bring diverse capabilities to assignments that include weapons analysis, capability-based planning, and aircraft systems engineering. We also support the space industry in applying new technologies, integrating space operations, and using strategies to address the technical issues, cost, schedule, and risk of space systems. Our clients include Air Combat Command, Air Force Space Command, Air Force Materiel Command, Air Mobility Command, Air Force Cyber Command, Air Force Pacific Command and National Aeronautics and Space Administration (NASA).

Joint Staff and Combatant Commands. We provide mission-critical support to the Office of the Secretary of Defense, the Joint Staff, the Combatant Commands (COCOMs), and other U.S. government departments and agencies during the planning and mission execution phases to meet global mission requirements ranging from integrated intelligence, surveillance, and reconnaissance (ISR) to space and global strike operations. Our clients include most major organizations within the Office of the Secretary of Defense and the Department of Defense's agencies, as well as the Pacific Command, Northern Command, Central Command, the Defense Information Systems Agency (DISA), Southern Command, European Command, Strategic Command, Special Operations Command, and Transportation Command.

Cyber/Military Intelligence. We provide advanced solutions designed to protect critical infrastructure systems for the public and private sector to our U.S. government defense and intelligence agency clients to meet new and evolving cyber warfare threats. Our cyber professionals, many with the highest security clearances to handle the most sensitive materials, assist clients in all phases of cyber-security operations and dynamic network defense. We develop cyber-security solutions utilizing a multi-dimensional approach including people, operations, technology, policy, and management.

Intelligence Clients

We have provided the primary group of government agencies and organizations that carry out intelligence activities for the U.S. government (the U.S. Intelligence Community), with forward-thinking, success-oriented consulting and mission support services in analysis, systems engineering, program management, operations, organization, and change management, budget and resource management, studies, and war-gaming. This critical business area has strong barriers to entry for competitors because of the specialized expertise and high-level security clearances required. Our intelligence business represented 23% of our business based on revenue for fiscal 2012. Revenue in this area for fiscal 2012 was approximately \$1.3 billion. Our major intelligence clients include:

U.S. Intelligence Agencies. We provide critical support in strategic planning, policy development, program development and execution, information sharing, architecture, and program management for research and development projects, as well as support to reform initiatives flowing from the Intelligence Reform and Terrorism Protection Act. We help clients improve the processes and substance of intelligence information provided to the executive and legislative branches of the U.S. government for policy development and operational decision making.

Joint Staff and Unified Combatant Commands. We deliver comprehensive intelligence analysis, including providing all-source intelligence analysis and open-source intelligence analysis conducted in high intensity environments. We also provide data collection management and analytical systems intelligence training services, and provide intellectual capital and best practices for intelligence activities.

Military Intelligence. We provide consulting services, integrated intelligence and information operations mission support, and a range of counterintelligence services to the U.S. Army, U.S. Air Force, U.S. Navy, Marine Corps, and Defense Intelligence Agency.

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Civil Clients

Support to civil government agencies of the U.S. government and U.S.-funded international development work has grown significantly as a percentage of our overall business. The Federal Procurement Data System ranked us 16th on its overall list of top 100 federal contractors for federal fiscal year 2011 based on overall prime contracting dollars. For that same period and using data provided by USAspending.gov, we estimate that we ranked 18th based on overall prime contracting dollars for civil clients. Our civil business represented 24% of our business based on revenue for fiscal 2012. Revenue in this area for fiscal 2012 was approximately \$1.4 billion. Our civil government clients include:

Financial Services. We provide support to all major U.S. government finance and treasury organizations charged with the collection, management, and protection of the U.S. financial system, including the Department of the Treasury, Internal Revenue Service, and other agencies of the Department of the Treasury, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board and Banks, the Securities and Exchange Commission (SEC), and Pension Benefit Guaranty Corporation. We create innovative approaches to some of their most challenging problems, including bank receivership, payment channel modernization, cyber initiatives, and fraud detection.

Health. We support U.S. government clients on innovative projects that help achieve public health missions, including entitlement reform, developing a national health information network, mitigating risk to populations, improving government infrastructure, and facilitating an international public-private sector dialogue on international health issues. Our clients include the Department of Health and Human Services and its agencies, including the U.S. Food and Drug Administration, National Institutes of Health, Centers for Disease Control and Prevention (CDC), the Centers for Medicare and Medicaid Services, the Department of Defense Military Health System, and Department of Veterans Affairs.

Energy, Transportation and Environment. We support clients in the transportation, energy, and environment sectors which have control over our national infrastructure. We support our clients' efforts to maintain and build infrastructure that is efficient, effective, and sustainable. Our services include strategy, operations, technology, and engineering. Our clients include the Departments of Energy, Transportation, and Interior and their component agencies, and the Environmental Protection Agency. We also support the Department of Defense in major environmental and infrastructure programs in the United States and Europe.

Justice and Homeland Security. We support the U.S. government's homeland security mission and operations in the areas of intelligence (analysis, information sharing, and risk assessment), operations (coordination, contingency planning, and decision support), strategy, technology and management (program management and information technology tools), emergency management and response planning, and border, cargo, and transportation security. We support law enforcement missions and operations in counterterrorism, intelligence and counterintelligence, and traditional criminal areas (narcotics, white collar crime, organized crime, and violent crime).

Business of Government. We help agencies effectively and efficiently manage the business processes that support government in its provision of services to its citizens, spanning management, personnel, budget operations, information technology, and telecommunications. Our clients include the General Services Administration, Office of Management and Budget, Office of Personnel Management, the Congress and Courts. We also support public sector grant-making agencies, from health and education, to labor and homeland and economic security, serving clients such as the Departments of Agriculture, Homeland Security, Commerce, Education, Labor, and Housing and Urban Development, as well as the National Science Foundation. In addition, we serve our U.S. government clients abroad in helping them resolve systemic global development needs. Our clients include the U.S. Agency for International Development, the Department of State, Millennium Challenge Corporation, and the World Bank.

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Commercial and International Clients

Following the expiration of our non-competition agreement on July 31, 2011, we re-entered the commercial market and pursued growth in our international business.

We have pursued new opportunities in the commercial market by building on our cyber-related work and leveraging our core competencies with a focus on serving industries in which there is a strong intersection between government and commercial interests, such as financial services, healthcare, and energy. We believe that our cyber and technology-based capabilities provide us with an important point of functional differentiation with which we are able to help our clients increase revenue, improve efficiencies, and manage risk. Our key service offerings to commercial clients include: dynamic defense (cyber), next-generation virtual infrastructure, decision analytics, design for affordability, and smart compliance. Our commercial clients include major commercial banks and investment banks, healthcare providers, energy companies, and utilities.

Our international activities are primarily focused on the Middle East and North Africa region, where we see strong demand for our services, in particular in the United Arab Emirates, Qatar, Oman, and Kuwait. Our service offerings to international clients leverage our cyber and technology-based capabilities with a focus on on-line government services and cloud applications, enterprise resource planning, advanced persistent threat resolution, supervisory control and data acquisition, and geospatial systems. Our international clients include government ministries and commercial companies in the Middle East and North Africa.

Our Capabilities

We provide services to clients in all of our markets by drawing on the four capability areas below. These services include strategic consulting on our clients' most important missions, engineering and technology services such as systems integration, and mission support services.

Strategy and Organization

Our strategy and organization capability focuses on helping clients define and achieve their strategic objectives. As of March 31, 2012, we had approximately 2,500 consulting staff providing client service through our strategy and organization capability. We provide transformational programs to improve organizational effectiveness, manage change, and enable client organizations to improve their performance. Our Transformation Life Cycle[™] framework and Change Management Advanced Practitioner program provide a proven methodology and credentialed experts to help clients succeed. Our areas of expertise include:

Strategy and Change Management, helping clients formulate business strategies to meet their mission, and transforming key elements within organizations such as people, processes, technology and physical infrastructure;

Organization Efficiency & Effectiveness, redesigning an organization's structure to fit its mission and strategy, aligning its business purpose, and improving operations and performance through business process reengineering, knowledge management, strategic sourcing, shared services and lean six sigma methodologies; and

Human Capital, Learning and Communications, helping clients build new capabilities and increasing workforce performance through competency identification and development of learning programs, designing programs to better manage the workforce for high performance, and building stakeholder understanding and buy-in.

Analytics

Our analytics capability focuses on helping clients address the full spectrum of their business, operational, and mission challenges. From operational and business planning to mission performance and strategic decision

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making, we help clients make informed decisions with deeper insight, less risk, and greater certainty. As of March 31, 2012, we had approximately 5,500 consulting staff providing client service through our analytics capability. Our areas of expertise include:

Cloud Analytics, enhancing our clients' ability to analyze very large amounts of information stored in or accessed through the cloud using sophisticated statistical and mathematical techniques, to weigh alternative futures, and to make sound decisions that are supported by rigorous methods, including capabilities-based assessments, optimization, modeling and simulation, policy analysis, threat, vulnerability and risk analysis, and war-games;

Decision Analytics, enabling our clients to optimize decisions regarding resources through financial and economic analysis, financial stewardship and accountability, and disciplined contract strategy and program controls; and

Mission Analytics, helping our clients to gather information from varied sources through the use of human and technical analysis, innovative all-source analysis, analytic training, and counter-intelligence services to gain insights, create foresight and make predictions, support fact-based decision making, and guard against threats.

Technology

Our technology capability focuses on helping clients solve their mission-critical needs through the deployment of advanced technological solutions and techniques. As of March 31, 2012, we had approximately 7,900 highly skilled technology experts and engineers who maintain a deep knowledge of current technology trends and applications. Our experts combine specialized skills with a collaborative problem-solving approach to ensure that we understand a client's mission and objectives and, based on that understanding, design, develop, and implement technology solutions to support our client's mission and objectives. Our areas of expertise include:

Cyber Technology, enabling clients to execute their missions in cyberspace with trusted and secure networks, systems, and data by delivering solutions for the full life cycle to support information exchange, collaboration, transportation, and storage;

Strategic Technology and Innovation, identifying and incubating advanced technologies, while introducing innovative processes and management techniques critical to the achievement of our clients' goals; and

Systems Development, designing and deploying information technology solutions, including software development, to automate business processes, improve client service, solve mission requirements, and share information effectively and securely.

Engineering and Operations

Our engineering and operations capability focuses on assisting clients across all markets in executing the transactions associated with buying and selling complex, large-scale products and services. Our staff brings operational expertise in critical areas and offers full spectrum engineering, program integration, and support services throughout the product or service life cycle from scientific exploration and rapid prototyping through development, production, operation, and logistical sustainment. As of March 31, 2012, we had approximately 5,500 consulting staff providing client service through our engineering and operations capability. Our areas of expertise include:

Enterprise Integration, providing concept, design, specification, and oversight of the development of complex information technology, communications and mission systems to meet targets for cost, schedule, and performance by providing trained and certified staff; providing in-depth understanding of, and expertise in, our clients' mission, culture, processes, and unique and specific capabilities to help ensure the success of a client's enterprises and associated programs over their life cycle;

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Engineering, providing specialized support by supplying consulting staff with product, system, or technology specific engineering and scientific skills for application by clients to their missions and programs; and

Acquisition, Program Management, and Logistics, providing expertise in program strategy, initiation, planning, management, monitoring, control, or transition for the acquisition of large complex systems to meet client expectations; providing in-depth understanding of clients' supply chain practices and goals to enhance their ability to optimize logistics business operations and achieve service level requirements at more affordable costs.

Contracts

Our portfolio of contracts is highly diversified consisting of a range of contract vehicles through which our clients may contract for our services, with no single contract accounting for more than 10% of our revenue in any of fiscal 2012, fiscal 2011, or fiscal 2010, and no single task order under any contract accounting for more than 1.2% of our revenue in any of fiscal 2012, fiscal 2011, or fiscal 2010.

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 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.

GWACs and GSA schedules are ID/IQ contracts that are open to all U.S. government agencies. Contract holders compete for individual task orders under both types of ID/IQ contract vehicles. Prices (labor rates) are pre-established under GSA schedules, while prices under GWACs may be pre-established or determined by task order proposal. Agencies may solicit companies directly under GSA schedules and, under GWACs, must work through the agency that operates the GWAC or receive a delegation of authority to use the GWAC. GSA schedules are administered by the General Services Administration and support a wide range of products and services. GWACs are used to procure IT products and services and are administered by the agency soliciting the services or products, with permission from the Office of Management and Budget.

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Listed below are our top definite contract, our top five definite contracts and our top ten definite contracts for fiscal 2012 and revenue recognized under these contracts in fiscal 2012.

	Fiscal 2012	% of Total Revenue (Revenue in millions)	Expiration Date
Top Definite Contract	\$ 72.4	1%	12/31/2020
Top Five Definite Contracts	306.1	5%	
Top Ten Definite Contracts	442.9	8%	

Listed below are our top ID/IQ contract, our top five ID/IQ contracts and our top ten ID/IQ contracts for fiscal 2012, in each case excluding GSA schedules or GWACS, and revenue and the number of active task orders under these contracts as of March 31, 2012. The number of task orders for our top ten contracts does not include task orders under classified contracts due to the fact that information associated with those contracts is classified.

	Fiscal 2012	% of Total Revenue (Revenue in millions)	Number of Task Orders as of March 31, 2012	Expiration Date
Top ID/IQ Contract	\$ 572.3	10%	195	9/29/2014
Top Five ID/IQ Contracts	1,548.4	26%	370	
Top Ten ID/IQ Contracts	2,018.2	34%	433	

As of September 30, 2011, the end of the U.S. government's fiscal year, there were a total of 32 GSA schedules with over 18,000 schedule holders that generated more than \$38.6 billion in annual sales in U.S. government fiscal year 2011. During the U.S. government fiscal year 2011 our top three GSA Schedules in terms of sales were the Mission Oriented Business Integrated Services (MOBIS) Schedule, Information Technology (IT) Schedule 70, and the Professional Engineering Services (PES) Schedule. Overall, we were the number two provider under the GSA Federal Supply Schedule program based on total reported GSA contracts sales of \$868 million during U.S. government fiscal year 2011.

Listed below are our top three GSA schedules and GWACs in fiscal 2012 and revenue for each of fiscal 2012, fiscal 2011, and fiscal 2010, the number of active task orders as of March 31, 2012 under each of our top three GSA schedules and GWACs and an aggregation of all other GSA schedules and GWACs. These contract vehicles are available to all U.S. government agencies and the revenue stated is the result of individually completed task orders.

	Fiscal 2012	% of Total Revenue (Revenue in millions)	Fiscal 2011	% of Total Revenue	Fiscal 2010	% of Total Revenue	Number of Task Orders as of 31-Mar-12	Expiration Date
Mission Oriented Business Integrated Services (MOBIS) #874	\$ 413.0	7%	\$ 411.6	7%	\$ 351.7	7%	306	9/30/2012
Information Technology (IT) #70	196.0	3%	226.7	4%	257.7	5%	149	3/22/2014
Professional Engineering Services (PES) #871	152.9	3%	174.4	3%	216.5	4%	155	10/28/2014
All Others	398.0	7%	363.4	6%	368.2	7%	176	
Total	\$ 1,159.9	20%	\$ 1,176.1	20%	\$ 1,194.1	23%	786	

We derived approximately 75% of our revenue for fiscal 2012 from over 4,600 task orders under ID/IQ contracts (inclusive of GSA Schedules and GWACs). 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, 2012. The table includes revenue earned during fiscal 2012 under all task orders under these ID/IQ contracts and the number of

task orders on which this revenue was earned. Average duration reflected in the table below is calculated based on the

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inception date of the task order, which may be prior to the beginning of fiscal 2012, and the completion date which may have been prior or subsequent to March 31, 2012. 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, 2012.

Segmentation of Task				
Order by Revenue Fiscal	Number of Task Orders as of March 31, 2012	Fiscal 2012 Revenue (In millions)	% of Total Fiscal 2012 Revenue	Average Duration (Years)
2012				
Less than \$1 million	3,812	\$ 656.3	11%	1.8
Between \$1 million and \$3 million	457	792.2	14%	3.1
Between \$3 million and \$5 million	179	697.8	12%	3.7
Between \$5 million and \$10 million	136	955.4	16%	3.4
Greater than \$10 million	65	1,315.8	22%	3.6
Total	4,649	\$ 4,417.5	75%	2.0

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:

	As of March 31,	
	2012	2011
	(In millions)	
Funded	\$ 2,898	\$ 2,392
Unfunded (1)	2,681	2,979
Priced options (2)	5,225	5,553
Total backlog	\$ 10,804	\$ 10,924

(1)

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Reflects a reduction by management to the revenue value of orders for services under two existing single award ID/IQ contracts based on an established pattern of funding under these contracts by the U.S. government.

(2) Amounts shown reflect 100% of the undiscounted revenue value of all priced options.

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.

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Competition

Due to its size, the government consulting market is highly fragmented. As certain commercial sectors of the consulting market have declined over the past few years, competition within the government professional services industry has intensified. In addition to professional service companies like our own that focus principally on the provision of services to the U.S. government, other companies active in our markets include large defense contractors, diversified service providers, and small businesses. Changing government policies and market dynamics are also 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 are small businesses. 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. 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, such as CACI International, Inc., L-3 Communications Holdings, Inc., ManTech International Corp., SRA International, Inc., and TASC Inc.; (ii) large defense contractors which provide both products and services to the U.S. government, such as General Dynamics Corp., Lockheed Martin Corp., Northrop Grumman Corp., and Raytheon Co.; and (iii) diversified service providers, such as Accenture, Computer Sciences Corp., Deloitte Consulting LLP, and SAIC, Inc. 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, 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.

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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 November 2012. Under a branding agreement entered in connection with the acquisition, Spin Co. was granted a perpetual, exclusive, worldwide, royalty-free license to use Booz as a name and mark other than with Allen or Hamilton and certain other words associated with our business in connection with certain activities. We agreed not to use Booz unless it is accompanied by Allen or Hamilton or both and we are restricted in our use of certain other words associated with Spin Co. business. Under certain circumstances, including if certain Spin Co. competitors obtain ownership of Booz Allen Hamilton, the licensed marks will be assigned to Spin Co.

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®, Transformation Life Cycle, 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 U.S. 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;

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

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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.

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 policies. These include proposing a contractor or certain of its operations for debarment or suspending or debarring a contractor or certain of its operations from future government business. On February 6, 2012, our San Antonio office was proposed for debarment by the U.S. Air Force and listed on the government's Excluded Parties List System (EPLS) website. Although the government's action did not terminate ongoing work under existing contracts; it affected the ability of our San Antonio office to attain new government business. This matter arose from actions of a former government employee hired by us who inappropriately retained and shared sensitive information about a pending government procurement in violation of the Company's policies and high standards of ethical conduct. On April 13, 2012, our operating subsidiary, Booz Allen Hamilton Inc., entered in an Administrative Agreement with the U.S. Air Force, which lifted the proposed debarment and removed our San Antonio office from the U.S. government's Excluded Parties List System. As a result, our San Antonio office is now eligible to compete for new contracts with the U.S. federal government.

Pursuant to the Administrative Agreement, we accepted responsibility for the incident that gave rise to the proposed debarment and related matters. In addition, we agreed to implement firm-wide enhancements to our ethics and compliance program, including future improvements identified by external advisors, to significantly

mitigate the possibility of a re-occurrence of such issues. During the three-year term of the Administrative Agreement, which begins on April 13, 2012 (or, if the Air Force determines at any time during such three year period that the Company is not fully compliant with the Administrative Agreement, from the reestablishment of full compliance as determined by the Air Force), we have agreed, among other things, to file quarterly reports with the Air Force regarding the implementation of our remedial measures and adhere to a number of provisions relating to enhanced disclosure of employee misconduct or violations of our ethics and compliance program.

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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 98% of our revenue for fiscal 2012. 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 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, could harm our relationship with U.S. government agencies. If a client is not satisfied with the quality or type of work performed by us, a subcontractor, or other third parties who provide services or products for a specific project, 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. Furthermore, we may incur additional costs to address any such

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situation and the profitability of that work might be impaired. To the extent that our performance does not meet client expectations, or our reputation or relationships with any of our clients 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 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;

further efforts to improve efficiency and reduce costs affecting federal government programs;

changes in U.S. government programs that we support or related requirements;

U.S. government shutdowns due to a failure by elected officials to fund the government (such as that which was threatened in March of 2011 or which occurred during government fiscal year 1996) or weather-related closures in the Washington, DC area (such as that which occurred in February 2010) 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.

The U.S. government budget deficits, the national debt, and the prevailing economic condition, and actions taken to address them, could 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, in March 2011, the Secretary of Defense announced that he has directed the Department of Defense to reduce funding for service support contractors by 10% per year for the next three years. Furthermore, the Budget Control Act of 2011 could impose an estimated \$500-\$600 billion in automatic federal defense spending cuts between

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2013 and 2021 unless the federal government delays or changes this legislation. A reduction in the amount of 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.

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.

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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:

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,

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