Booz | Allen | Hamilton®

ARCHITECT THE FUTURE

LETTER TO STOCKHOLDERS 2019

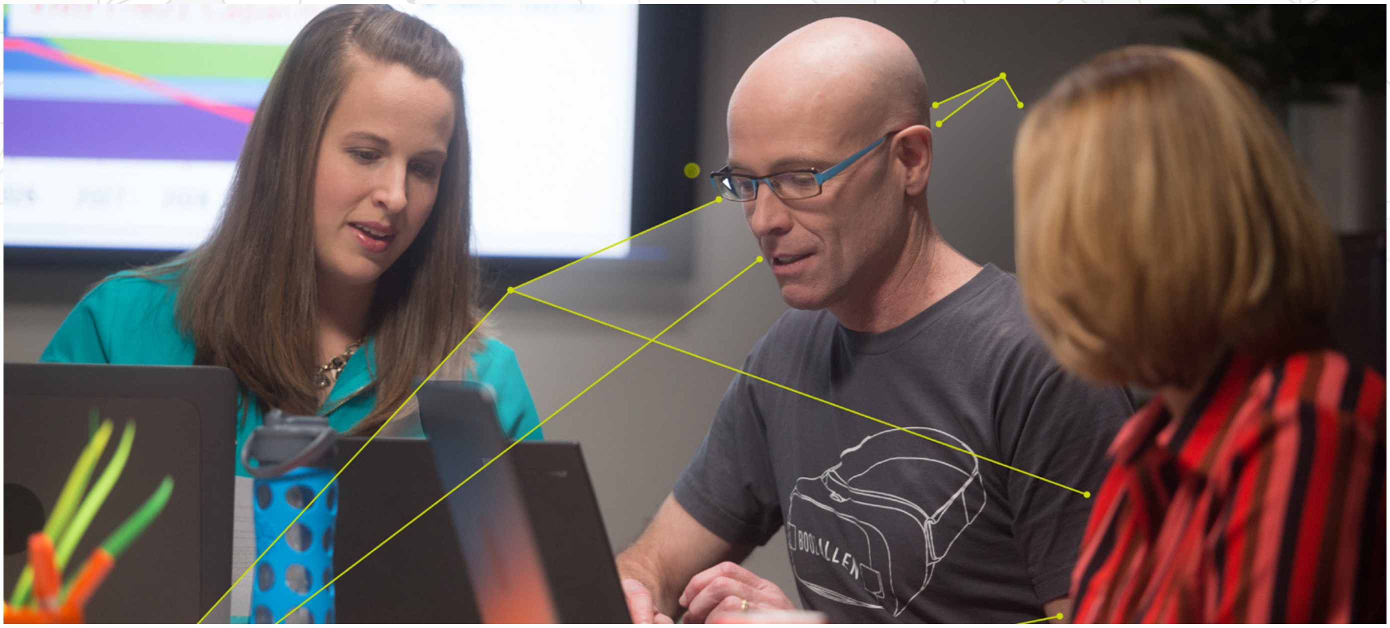
Selvi Clark
Program manager

DISCLAIMER

Forward Looking Safe Harbor Statement

Certain statements contained in this document include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include information concerning Booz Allen’s preliminary financial results, financial outlook and guidance, including forecasted revenue, Diluted EPS, Adjusted Diluted EPS, free cash flow, future quarterly dividends, and future improvements in operating margins, as well as any other statement that does not directly relate to any historical or current fact. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “forecasts,” “expects,” “intends,” “plans,” “anticipates,” “projects,” “outlook,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “preliminary,” or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct.

These forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in or implied by these forward-looking statements, including those factors discussed in our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, which can be found at the SEC’s website at www.sec.gov. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.



DEAR COLLEAGUES AND FELLOW STOCKHOLDERS,

Last year, we announced for the first time a 3-year outlook for continued growth and strong financial performance. Our confidence about the future was grounded in an understanding that the government's technology needs would change and increase rapidly. We anticipated this shift toward technology nearly a decade ago and undertook the latest reinvention of our 105-year-old institution, becoming more innovative, mission centric, and technically skilled.

In essence, we designed the future of our firm. Today, we are in the pay-off period. Technology adoption is accelerating exponentially across government, fueling growth for a transformed Booz Allen. (See financial and other FY19 highlights, pp. iv–v)

THE RETURN OF GREAT POWER COMPETITION

Many things are spurring technology adoption in our core federal market, where 96 percent of our revenue is generated: The transformation of our economy and society by the digital revolution. The reality that government lags behind the private sector in gaining value from it. The availability of resources due to stable and expanded budgets during the past two government fiscal years. The constant need for modernization and efficiencies. The most important driver, though, is a new strategic reality—namely, the reemergence of great power competition between the United States and its nation-state rivals.

As described in the 2018 National Defense Strategy, our nation's military leaders are focused on building a "lethal, resilient, and rapidly adapting" fighting force in a world where every domain—air, land, sea, cyber, and space—is contested. What that force looks like and the capabilities it takes to battle will be fundamentally different in the 21st century, because new technologies and their democratization are changing the very nature of global competition and national security.

Across defense and intelligence agencies, senior leaders are focused on the need for innovation, speed, and agility, just as private companies are, as we've seen in our growing commercial business. They are looking for ways to apply cutting-edge technologies to operational missions, and, importantly, demanding that the timeline from lab to field be dramatically shortened. Cyber resilience and defense, machine learning, artificial intelligence, autonomy, virtual and augmented reality, data integration and visualization—these, among others, are the technologies that our leaders say are central to advancing national security missions today. And increasingly, they are talking about both the convergence and integration of these technologies as the best ways to maximize value and maintain our nation's edge in an era of great power competition.

RISE OF THE DIGITAL CITIZEN

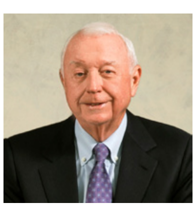
In civil agencies, the urgency to apply new technologies is similarly compelling. Leaders are looking to modernize their systems, protect them, and gain efficiencies. They want to harness insight from massive amounts of data that could improve fraud detection, planning, infrastructure, environmental stewardship, public health, and more. Without a doubt, the digital revolution has transformed our economy and society, elevating what people expect in terms of service, privacy protection, and mission effectiveness from their government.

Because technology is easier to access and more interconnected than ever before, it presents both tremendous opportunities to improve government effectiveness and significant risks to critical systems and infrastructure. The attack surface is expanding, and civil agencies have growing responsibility for our nation's security and resilience. Today's challenges cannot be met with people alone. They will require combinations of brilliant people and smart technologies.

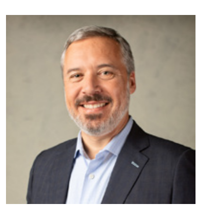
READY FOR THE FUTURE

This is the world, full of opportunity and challenge, that the people of Booz Allen are eager and equipped to change for the better. We are investing in the technologies of today and of the future, constantly searching for solutions and applying the best of our ideas to serve clients and society as a whole. This approach—supported by our values, our collaborative culture, and a unique operating model that allows us to go to market as one—has created sustainable, quality growth for our firm, abundant opportunity for our people, and significant value for clients and investors.

We are proud of our outstanding performance in fiscal year 2019. It reflects our success in applying technology to advance missions and transform organizations. All credit is due to the exceptional skill of our diverse talent and management team. Because of them, we can rightly claim the mantle of industry leader. We are grateful for the continued support of our shareholders, and we look toward the future with confidence that we can achieve more great things together.



RALPH W. SHRADER, PH.D.
Chairman of the Board



HORACIO ROZANSKI
President and Chief Executive Officer

• FINANCIAL PERFORMANCE

UNIQUE MARKET POSITION

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

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STRONG FINANCIAL RETURNS

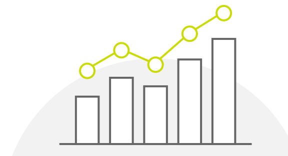
FY2018–FY2021

66% ADEPS GROWTH BY FY21

+ ~2% Dividend Yield

6–9%	LOW 10% RANGE	~$1.4B
Annual Revenue Growth	Adjusted EBITDA Margin[1]	Capital Deployment

+



OPTION VALUE

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

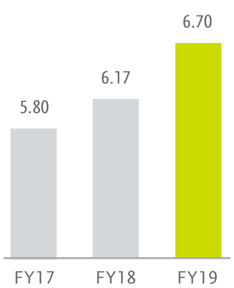
YEAR ONE

39% ADEPS GROWTH IN FY19

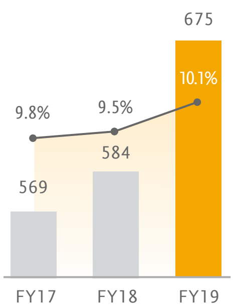
to $2.76 + 1.6% Dividend Yield

8.7%	60 bps	$364M
Annual Revenue Growth	Margin Expansion	Capital Deployment

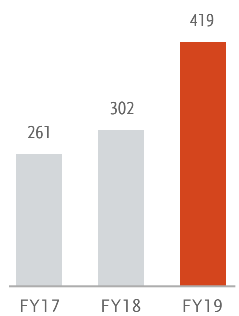
Revenue ($B)



Adjusted EBITDA ($M) and Adjusted EBITDA Margin[1]



Net Income ($M)

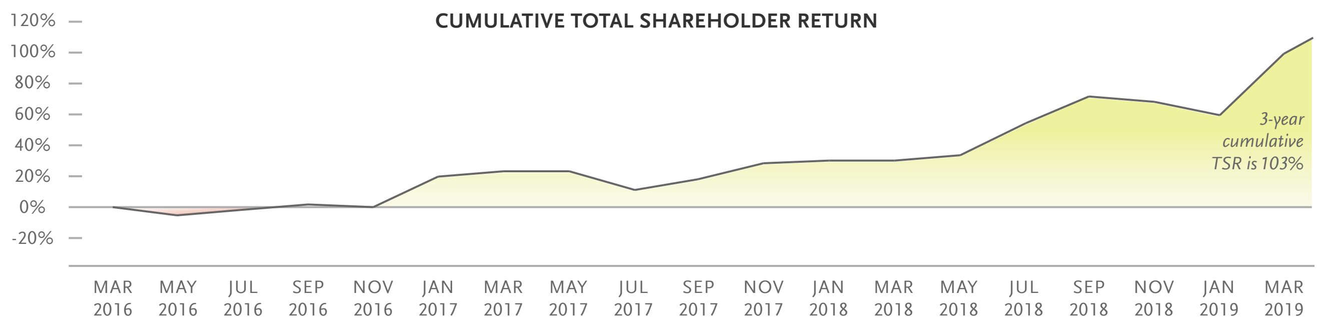


Financial Highlights

Dollars in millions, except per share amounts

GAAP	FY 2019	FY 2018	YoY
Revenue	$6,704	$6,168	8.7%
Net Income	$418.5	$301.7	38.7%
Diluted EPS	$2.91	$2.03	43.4%
Cash from Operations	$500	$369	35.3%
NON-GAAP[1]			
Revenue Ex-Billables	$4,699	$4,306	9.1%
Adjusted EBITDA	$675	$584	15.4%
Adjusted Diluted EPS	$2.76	$1.99	38.7%

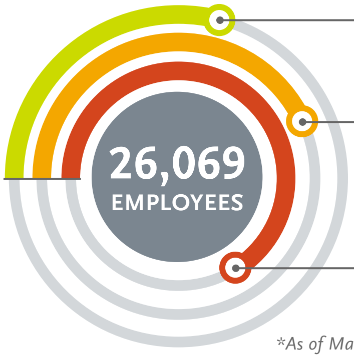
CUMULATIVE TOTAL SHAREHOLDER RETURN



Note: Total shareholder return assumes dividends are reinvested.

1 These measures are non-GAAP financial measures. For a reconciliation of these measures to GAAP, please see the section titled "Non-GAAP Measures" starting on page vi.

• DIVERSE LEADERS AND TALENT



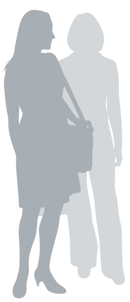
29% Veterans

43% with Advanced Degrees

66% hold Security Clearances

*As of March 31, 2019

8 of 11
members of the Leadership Team are women or minorities



67%

▸ **Michèle Flournoy** and **Ellen Jewett** join the Board of Directors, bringing diversity representation on the board to **67%**

41.7%	**Booz Allen** Female Board Representation
33.3%	**Booz Allen** Minority Board Representation
22.5%	**Fortune 500** Female Board Representation*
16.1%	**Fortune 500** Minority Board Representation*

Source: 2018 Missing Pieces Report, Alliance for Board Diversity

Forbes | 2019 THE BEST EMPLOYERS for DIVERSITY — POWERED BY STATISTA

WORKING MOTHER Hall of Fame 100 BEST COMPANIES 2018 — 20 YEARS ON THE LIST

HUMAN RIGHTS CAMPAIGN FOUNDATION BEST PLACES TO WORK 2019 for LGBTQ Equality — 100% CORPORATE EQUALITY INDEX

- **Forbes:** Best Employers for Diversity, Best Employers for Women, Best Employers for New Graduates
- **4th straight year: 100% score** on Disability Quality Index
- **9th straight year: 100% score** on Human Rights Campaign Corporate Equality Index
- Named by Working Mother Magazine as one of the **100 best companies for 20 consecutive years**
- **Elevated 250+ women in more than 9+ years** for external award recognition via Women of Color in STEM, National Association of Female Executives (NAFE) and Society of Women Engineers (SWE)
- **USBE:** Executive Vice President Tony Mitchell named Black Engineer of the Year

"I've had a multitude of advocates at Booz Allen who have expected nothing but the best from me, but more importantly, gave me the tools and support to be my best self."

USBE INFORMATION TECHNOLOGY — US BLACK ENGINEER — THE STEM COMMUNITY'S MAGAZINE

▸ TONY MITCHELL,
Executive Vice President,
Black Engineer of the Year

• COMMUNITY COMMITMENT

Employees logged
88,500
volunteer hours that were served with
936
different nonprofit organizations

29% increase in volunteer hours from FY18

$250,000+
We supported employees giving back to nonprofits through **Volunteer Service Grants**

$250,000+
Our employees made financial **donations to nonprofits**

$750,000+
We provided pro bono consulting value

Booz Allen | Foundation

We supported Booz Allen Foundation in its mission areas:

- Military veterans & families
- Youth & education
- Global health
- Disaster assistance

• MILITARY AND VETERANS INITIATIVES

HIRING OUR HEROES — U.S. CHAMBER OF COMMERCE FOUNDATION | USO | BEST FOR VETS 2018 MILITARY TIMES EMPLOYERS | Elizabeth Dole Foundation — CARING FOR MILITARY FAMILIES

- Partner to: U.S. Chamber of Commerce Hiring Our Heroes, Elizabeth Dole Foundation, and USO of Metropolitan Washington-Baltimore
- **Military Times:** Best Employers for Veterans (#8)

• INNOVATION AND TECHNOLOGY

FIRST | DATA SCIENCE BOWL — Presented by Booz | Allen | Hamilton & kaggle | SEED·SPOT

- Strategic Partner to ***FIRST***® a global youth-serving nonprofit
- Presented with **Kaggle**, the 4th **Data Science Bowl**®
- Partner to **SEED SPOT**, social impact incubator

NON-GAAP MEASURES

Non-GAAP Financial Information

NON-GAAP MEASURES

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

- "Revenue, Excluding Billable Expenses" represents revenue less billable expenses. We use Revenue, Excluding Billable Expenses because it provides management useful information about the Company's operating performance by excluding the impact of costs that are not indicative of the level of productivity of our consulting staff headcount and our overall direct labor, which management believes provides useful information to our investors about our core operations.
- "Adjusted EBITDA" represents net income before income taxes, net interest and other expense and depreciation and amortization and before certain other items, including transaction costs, fees, losses, and expenses, including fees associated with debt prepayments. "Adjusted EBITDA Margin on Revenue" is calculated as Adjusted EBITDA divided by revenue. "Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses" is calculated as Adjusted EBITDA divided by Revenue, Excluding Billable Expenses. The Company prepares Adjusted EBITDA, Adjusted EBITDA Margin on Revenue, and Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual,

extraordinary or non-recurring nature or because they result from an event of a similar nature.

- "Adjusted Net Income" represents net income before: (i) adjustments related to the amortization of intangible assets resulting from the Carlyle Acquisition, (ii) transaction costs, fees, losses, and expenses, including fees associated with debt prepayments, (iii) amortization or write-off of debt issuance costs and write-off of original issue discount, (iv) release of income tax reserves, and (v) re-measurement of deferred tax assets and liabilities as a result of the Tax Cuts and Jobs Act (the "2017 Tax Act") in each case net of the tax effect where appropriate calculated using an assumed effective tax rate. We prepare Adjusted Net Income to eliminate the impact of items, net of tax, we do not consider indicative of ongoing operating performance due to their inherent unusual, extraordinary, or non-recurring nature or because they result from an event of a similar nature. We view net income excluding the impact of the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act as an important indicator of performance consistent with the manner in which management measures and forecasts the Company's performance and the way in which management is incentivized to perform.
- "Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income. Additionally, Adjusted Diluted EPS does not contemplate any adjustments to net income as required under the two-class method as disclosed in the footnotes to the consolidated financial statements.

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

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	FISCAL YEAR ENDED MARCH 31,		
REVENUE, EXCLUDING BILLABLE EXPENSES	**2019** (UNAUDITED)	**2018** (UNAUDITED)	**2017** (UNAUDITED)
Revenue	$6,704,037	$6,167,600	$5,809,491
Billable Expenses	2,004,664	1,861,312	1,751,077
Revenue, Excluding Billable Expenses	**$4,699,373**	**$4,306,288**	**$4,058,414**
EBITDA, ADJUSTED EBITDA, ADJUSTED EBITDA MARGIN ON REVENUE & ADJUSTED EBITDA MARGIN ON REVENUE, EXCLUDING BILLABLE EXPENSES			
Net income	$418,529	$301,692	$260,825
Income tax expense	96,874	128,344	164,832
Interest and other, net (c)	86,991	89,687	80,357
Depreciation and amortization	68,575	64,756	59,544
EBITDA	670,969	584,479	565,558
Transaction expenses (b)	3,660	—	3,354
Adjusted EBITDA	**$674,629**	**$584,479**	**$568,912**
Adjusted EBITDA Margin on Revenue	10.1%	9.5%	9.8%
Adjusted EBITDA Margin on Revenue, Excluding Billable Expenses	14.4%	13.6%	14.0%
ADJUSTED NET INCOME			
Net income	$418,529	$301,692	$260,825
Amortization of intangible assets (a)	—	—	4,225
Transaction expenses (b)	3,660	—	3,354
Release of income tax reserves (d)	(462)	—	—
Re-measurement of deferred tax assets/liabilities (e)	(27,908)	(9,107)	—
Amortization or write-off of debt issuance costs and write-off of original issue discount	2,920	2,655	8,866
Adjustments for tax effect (f)	(1,711)	(969)	(6,578)
Adjusted Net Income	395,028	294,271	270,692
ADJUSTED DILUTED EARNINGS PER SHARE			
Weighted-average number of diluted shares outstanding	143,156,176	147,750,022	150,274,640
Adjusted Net Income Per Diluted Share (g)	$2.76	$1.99	$1.80

a. Reflects amortization of intangible assets resulting from the Carlyle Acquisition.

b. Fiscal 2019 reflects debt refinancing costs incurred in connection with the refinancing transaction consummated on July 23, 2018. Fiscal 2017 reflects the debt refinancing costs incurred in connection with the refinancing transaction consummated on July 13, 2016.

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

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

e. Reflects primarily the adjustments made to the provisional income tax benefit associated with the re-measurement of the Company's deferred tax assets and liabilities as a result of the 2017 Tax Act, including a measurement period adjustment associated with the unbilled receivables method change approved by the IRS in the third quarter of fiscal 2019.

f. Fiscal 2017 reflects the tax effect of adjustments at an assumed effective tax rate of 40%. With the enactment of the 2017 Tax Act, fiscal 2018 and fiscal 2019 adjustments are reflected using assumed effective tax rates of 36.5% and 26%, which approximate the blended federal and state tax rates for fiscal 2018 and 2019, respectively, and consistently exclude the impact of other tax credits and incentive benefits realized.

g. Excludes an adjustment of approximately $1.8 million, $1.9 million, and $2.3 million of net earnings for fiscal 2019, 2018, and 2017, respectively, associated with the application of the two-class method for computing diluted earnings per share.

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