

## Booz Allen Hamilton

## Beat &amp; raise on strong top and bottom line growth

Maintain Rating: BUY | PO: 145.00 USD | Price: 128.88 USD

## Top and bottom line growth

Booz Allen Hamilton (BAH) reported a strong 3Q24 with adj. EPS of \$4.41 beating both BofAe \$1.12 and STe \$1.14. Growth was primarily driven by stronger revenues (up 13% Y/Y). Margins came in above expectations as well with BAH reporting adj. EBITDA margins of 11.3% vs. BofA2 10.8% and STe 10.6%. While book-to-bill came in lighter than average (0.72x), 9MFY24 book-to-bill remains a strong 1.40x. Backlog increased 14.2% Y/Y indicative of the strengthening demand environment. Client staff headcount increased 9.2% while total headcount increased 8.6%. Additionally, the company raised the quarterly dividend to \$0.51 (up from \$0.47).

## New guidance: revenues to grow 14-15% (vs. BofAe 13%)

As a result of the strong quarter, management raised their top and bottom line guide for FY2024. Management now expects 14-15% revenue growth, vs prior guidance of 11-14%, and above both BofAe and STe of 13% growth. Adj. EBITDA margins are expected to be ~11% (vs prior high 10%-11%). Management expects adj. diluted EPS of \$5.25-\$5.40 (vs. \$4.95-\$5.10 prior) vs. BofAe of \$5.00. We think today's print will be well received by the street. We maintain our Buy rating.

## Exhibit 1: BAH Quick-take of results vs. Expectations

BAH beat on both the top and bottom line

| Quick-take of results vs. Expectations: |  |
|---|--|
| Adj. EPS                                | 3Q24: \$1.41 vs. BofAe: \$1.12 vs. BBG: \$1.14 vs. 3Q23: \$1.07 (3Q24 up 31.6% Y/Y)              |
| Revenue                                 | 3Q24: \$2,570mn vs. BofAe: \$2,528mn vs. BBG: \$2,537mn vs. 3Q23: \$2,277mn (3Q24 up 12.9% Y/Y)  |
| Adj. EBITDA Margin                      | 3Q24: 10.2% vs. BofAe: 9.6% vs. 3Q23: 9.5%   |
| FCF                                     | 3Q24 Actual: \$211mn vs. BofAe: \$193mn vs. BBG: \$160mn vs. 3Q23: \$117mn (increased 80.4% Y/Y) |
| Book-to-bill                            | 0.72x  |
| Backlog                                 | 34,321mn   |
| EPS outlook                             | FY24: \$5.25-\$5.40 vs. Prior \$4.95-\$5.10  |

Source: BofA Global Research, Company Filings, Bloomberg

BofA GLOBAL RESEARCH

26 January 2024

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## Stock Data

|                                 |                        |
|---------------------------------|------------------------|
| Price                           | 128.88 USD             |
| Price Objective                 | 145.00 USD             |
| Date Established                | 12-Oct-2023            |
| Investment Opinion              | B-1-7                  |
| 52-Week Range                   | 87.99 USD - 131.28 USD |
| Mrkt Val (mn) / Shares Out (mn) | 16,804 USD / 130.4     |
| Free Float                      | 98.3%                  |
| Average Daily Value (mn)        | 73.49 USD              |
| BofA Ticker / Exchange          | BAH / NYS              |
| Bloomberg / Reuters             | BAH US / BAH.N         |
| ROE (2024E)                     | 68.5%                  |
| Net Dbt to Eqty (Mar-2023A)     | 242.7%                 |
| ESGMeter™                       | High                   |

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Timestamp: 26 January 2024 08:05AM EST

## Price objective basis & risk

### Booz Allen Hamilton (BAH)

Our PO of \$145 is based on a 1.3x relative EV/EBITDA multiple to the BofA multiple for the defense primes on CY23 estimates. This equals a 16.3x EV/EBITDA multiple on CY24e. We think a relative multiple at the higher end of the historical range (0.9-1.4x) fairly represents the AI opportunity, strong organic growth opportunities, and a return to a more shareholder friendly capital deployment strategy.

Risks to the upside are a better-than-anticipated upturn in the federal budget, faster-than-expected normalization from post-COVID environment, inexpensive and well-integrated M&A activity and unexpected capital return to shareholders in the form of buybacks or special dividends.

Risks to the downside are cuts to the DoD budget vs. anticipated, which could negatively impact our estimates. Should BAH run into any problems with integrating M&A, containing its costs or a heightened competitive environment there could be downside risk to our estimates. Further disruption from COVID effects also a risk.

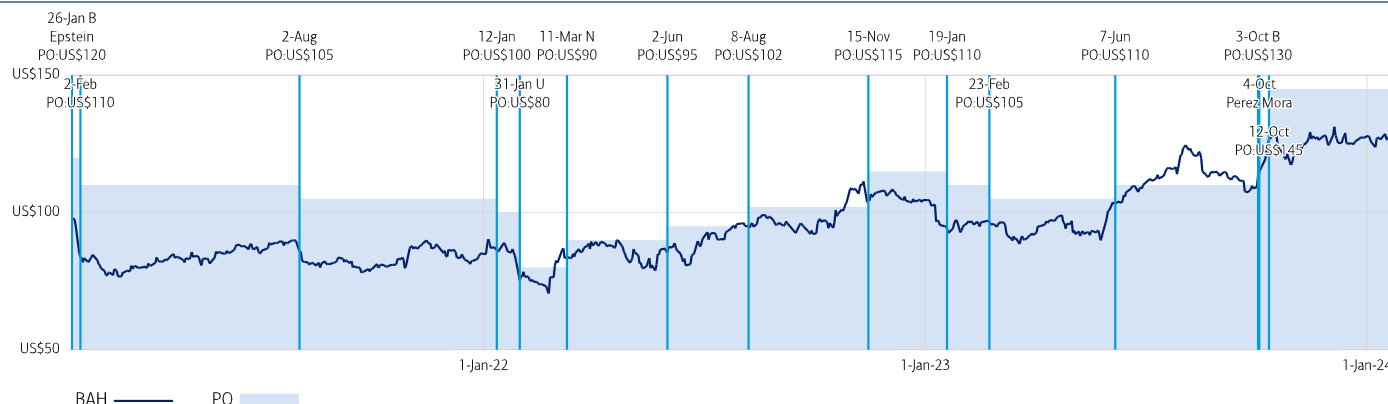
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### Booz Allen Hamilton (BAH) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 31    | 62.00%  | Buy                                      | 23    | 74.19%  |
| Hold              | 11    | 22.00%  | Hold                                     | 9     | 81.82%  |
| Sell              | 8     | 16.00%  | Sell                                     | 6     | 75.00%  |

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| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

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