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BUSINESS BEAT

Booz Allen stakes its future on convergence of speed, tech and talent

New VoLT strategy builds on the firm's success under its Vision 2020 strategy

BY ROSS WILKERS

Booz Allen Hamilton has made it official: the Vision 2020 strategy that has taken the government technology and services firm to where it is today is in the rear view mirror. Now in the front view for Booz Allen is what it calls “VoLT” — shorthand for Velocity, Leadership and Technology.

VoLT was unveiled at Booz Allen's three-hour investor day held Tuesday for an audience of Wall Street analysts. Here is a snapshot of the themes those three capital letters stand for.

Velocity

We have lost count of how many executives at government contractors (all of them) have told us that the only path to success in the market is to move faster.

CEO Horacio Rozanski spelled out the “V” for Velocity like this: “doubling down on our innovation agenda — making sure that our already leading positions in cyber, AI (artificial intelligence), 5G, quantum and other technologies remains leading.”

That also gets at how Booz Allen wants to work with government agencies in finding, developing and then putting those technologies to work in their enterprise.

Chief Innovation Officer Susan Penfield said the firm is focusing on three particular areas of innovation in its new strategy: emerging technology experimentation, solutions engineering to further mature those tools, and bolstered development of partnerships with the companies that make them.

“We want access to partners’ customer base and deal flow. We want insight into the road maps,” Penfield said. “We want opportunities to invest and co-develop and we absolutely want the technical training and certifications for our talent.”

Leadership

McLean, Virginia-headquartered Booz Allen views this piece of its new strategy as including the tech and market areas it wants to be the leader in.

Along with that is this description from Rozanski: “continuing to invest in the next generation of leaders that will take this firm forward, not just now, but well into the future.”

Perhaps more than any other contractor, Booz Allen directly ties the growth of its overall workforce numbers and the type of people that the company brings in to overall business objectives.

Chief People Officer Betty Thompson credited Booz Allen's internal talent marketplace with keeping many of those people at the firm through career mobility and skill development that includes both educational and certification pursuits.

“We know that it's very important for employees to see opportunities outside of the work they're currently doing,” Thompson said. “It's actually reduced our time to fill (open positions) by focusing on internal first.”

Technology

This last leg of what Booz Allen calls VoLT certainly harkens back to many of the areas Rozanski highlighted in explaining how “V” stands for Velocity.

Take 5G for instance as a transformative technology area for everyone, both government and commercial markets. Karen Dahut,

executive vice president and global defense business leader, said Booz Allen built a “carrier-grade” laboratory in Maryland that has since helped the firm win at least \$300 million in 5G research and testing contracts with the Defense Department.

Incubation is how Booz Allen models its technology investments. As Dahut said, the company puts down “a couple hundred thousand” initially then expand over time.

“That's the way we're able to go to market and test the concepts around 5G, really understand the use cases for that technology, build hands-on experience and credibility,” Dahut said.

The numbers

Booz Allen's fiscal 2021 that ended March 31 saw revenue of \$7.86 billion, while the bottom line was \$838.7 million, or 10.7 percent margin for adjusted EBITDA (earnings before interest, taxes, depreciation and amortization).

Fiscal year 2022 guidance currently sees revenue growth of between 7 and 10 percent and a middle-10 percent adjusted EBITDA margin on revenue. Booz Allen will likely update that guidance in its fiscal second quarter earnings call on Oct. 29 in light of the Liberty IT Solutions acquisition that closed in June.

Booz Allen's goals for fiscal 2023-to-2025 are:

- Organic revenue growth of between 5 and 8 percent on a compound annual growth rate basis
- Adjusted EBITDA of between \$1.2 billion and \$1.3 billion by 2025 (CAGR of at least 10 percent)
- Adjusted EBITDA margin holding in the middle-10 percent range

The company also plans to deploy between \$3.5 billion and \$4 billion of capital through the usual mix of dividends, stock repurchases and acquisitions.

And speaking of acquisitions...

Just what exactly is Booz Allen looking for with the acquisitions of Liberty and the remaining

stake of commercial cyber firm Tracepoint?

“I think we’re going to be focused on the areas you’ve heard today: digital battlespace, national cyber, digital transformation,” said Matt Calderone, executive vice president and head of corporate development.

Consider too how Booz Allen approaches this aspect of its strategy. Calderone said Booz Allen is involved in processes that often sees it pitted

against other prospective buyers for a business, but that is not the only way.

“The Liberty and the Tracepoint acquisitions: both of those were done outside of processes and that is a testament to the quality of the strategies and the relationships that our market colleagues had, it makes my job a lot easier. So we anticipate doing a lot of that,” he said.