

Annual Report

December 31, 2024

ManTech International Corporation

**IRS Employer Identification Number
22-1852179**

**Address of Principal Executive Offices
2251 Corporate Park Drive
Herndon, VA
20171**

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Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

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Report of Independent Auditors

Management and the Board of Directors
ManTech International Corporation

Opinion

We have audited the consolidated financial statements of ManTech International Corporation (the “Company”), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of loss, comprehensive loss, changes in shareholders’ equity and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2023 (successor), the period from September 14, 2022 to December 31, 2022 (successor) and the period from January 1, 2022 to September 13, 2022 (predecessor), were audited by another auditor who expressed an unmodified opinion on those financial statements on March 8, 2024.



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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

February 26, 2025

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands, except share and per share amounts)

	Successor	
	December 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 142,833	\$ 113,919
Receivables—net	474,858	512,005
Prepaid expenses	40,233	43,279
Taxes receivable—current	14,453	3,509
Assets held for sale	—	77,072
Other current assets	35,236	22,400
Total Current Assets	707,613	772,184
Goodwill	2,573,950	2,584,122
Other intangible assets—net	1,543,888	1,673,795
Property and equipment—net	103,850	119,173
Operating lease right of use assets	90,182	82,200
Investments	7,573	7,728
Other assets	39,468	13,415
TOTAL ASSETS	\$ 5,066,524	\$ 5,252,617
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	\$ 205,847	\$ 220,026
Accrued salaries and related expenses	141,780	133,105
Contract liabilities	64,815	56,610
Accrued interest expense	38,695	45,636
Operating lease obligations—current	21,931	23,017
Debt—current	21,862	22,780
Liabilities held for sale	—	8,247
Other current liabilities	19,365	16,157
Total Current Liabilities	514,295	525,578
Debt—long term	2,105,616	2,176,596
Deferred income taxes	243,540	295,300
Operating lease obligations—long term	86,470	82,127
Other long-term liabilities	23,483	25,134
TOTAL LIABILITIES	2,973,404	3,104,735
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Additional paid-in capital	2,296,642	2,290,088
Accumulated deficit	(201,701)	(132,907)
Accumulated other comprehensive loss	(1,821)	(9,299)
Common stock—\$0.01 par value; 1,000 shares authorized; 1,000 shares issued at December 31, 2024 and 2023; 1,000 shares outstanding at December 31, 2024 and 2023	—	—
TOTAL SHAREHOLDERS' EQUITY	2,093,120	2,147,882
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,066,524	\$ 5,252,617

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF LOSS
(In Thousands)

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor For the period January 1, 2022 to September 13, 2022
	For the year ended December 31, 2024	December 31, 2023		
REVENUE	\$ 3,115,954	\$ 3,032,101	\$ 843,421	\$ 1,892,486
Cost of services	2,601,530	2,577,450	728,699	1,614,894
General and administrative expenses	360,515	333,036	114,909	276,148
OPERATING INCOME (LOSS)	153,909	121,615	(187)	1,444
Interest expense	(238,994)	(243,956)	(63,417)	(6,565)
Loss on debt extinguishment	(3,290)	—	—	—
Interest income	4,049	4,591	337	257
Other income (expense), net	(922)	(21)	77	(30)
LOSS FROM OPERATIONS BEFORE INCOME TAXES AND EQUITY METHOD INVESTMENTS	(85,248)	(117,771)	(63,190)	(4,894)
Benefit (provision) for income taxes	15,709	40,099	7,671	(15,078)
Equity in earnings of unconsolidated subsidiaries	745	284	—	—
NET LOSS	<u>\$ (68,794)</u>	<u>\$ (77,388)</u>	<u>\$ (55,519)</u>	<u>\$ (19,972)</u>

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands)

	Successor			Predecessor For the period January 1, 2022 to September 13, 2022
	For the year ended		For the period	
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	
NET LOSS	\$ (68,794)	\$ (77,388)	\$ (55,519)	\$ (19,972)
OTHER COMPREHENSIVE INCOME (LOSS):				
Deferral of cash flow hedges, net of tax	7,491	(4,356)	(4,908)	—
Translation adjustments, net of tax	(13)	(32)	(3)	(45)
Actuarial loss on defined benefit pension plans, net of tax	—	—	—	(63)
Total other comprehensive income (loss)	7,478	(4,388)	(4,911)	(108)
COMPREHENSIVE LOSS	<u>\$ (61,316)</u>	<u>\$ (81,776)</u>	<u>\$ (60,430)</u>	<u>\$ (20,080)</u>

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands)

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor
	For the year ended December 31, 2024	December 31, 2023		For the period January 1, 2022 to September 13, 2022
Additional Paid-In Capital				
At beginning of period	\$ 2,290,088	\$ 2,257,131	\$ —	\$ 566,573
Share compensation expense	6,541	6,078	1,001	11,805
Contributions from Parent	13	26,879	2,256,130	—
Stock compensation liability	—	—	—	(14,533)
Stock option exercises	—	—	—	5,305
Payment consideration to tax authority on employees' behalf	—	—	—	(4,035)
At end of period	<u>2,296,642</u>	<u>2,290,088</u>	<u>2,257,131</u>	<u>565,115</u>
Retained Earnings (Accumulated Deficit)				
At beginning of period	(132,907)	(55,519)	—	1,117,867
Net loss	(68,794)	(77,388)	(55,519)	(19,972)
Dividends	—	—	—	(33,547)
At end of period	<u>(201,701)</u>	<u>(132,907)</u>	<u>(55,519)</u>	<u>1,064,348</u>
Accumulated Other Comprehensive Loss				
At beginning of period	(9,299)	(4,911)	—	(273)
Other comprehensive income (loss), net of tax	7,478	(4,388)	(4,911)	(108)
At end of period	<u>(1,821)</u>	<u>(9,299)</u>	<u>(4,911)</u>	<u>(381)</u>
Common stock				
At beginning of period	—	—	—	—
Issuance of common stock	—	—	—	—
At end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Common stock, Class A				
At beginning of period	—	—	—	279
Conversion Class B to Class A common stock	—	—	—	116
Share compensation expense	—	—	—	1
Stock option exercises	—	—	—	1
At end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>397</u>
Common stock, Class B				
At beginning of period	—	—	—	132
Conversion Class B to Class A common stock	—	—	—	(116)
At end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>16</u>
Treasury stock, at cost				
At beginning of period	—	—	—	(9,158)
At end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,158)</u>
Total Shareholders' Equity	<u>\$ 2,093,120</u>	<u>\$ 2,147,882</u>	<u>\$ 2,196,701</u>	<u>\$ 1,620,337</u>

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor
	For the year ended			For the period
	December 31, 2024	December 31, 2023		January 1, 2022 to September 13, 2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net loss	\$ (68,794)	\$ (77,388)	\$ (55,519)	\$ (19,972)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation and amortization of property, equipment and intangible assets	165,710	165,558	45,556	54,672
Deferred income taxes	(53,924)	(77,233)	(21,078)	(3,325)
Noncash lease expense	24,139	30,229	6,628	21,621
Amortization of deferred costs	8,474	8,018	2,396	5,331
Share compensation expense	6,541	6,078	1,001	57,093
Loss on debt extinguishment	3,290	—	—	—
Fixed asset impairment	2,625	—	—	—
Contract loss reserve	(1,066)	(10)	(421)	(1,391)
Return on equity investment	783	—	—	—
Equity in earnings of unconsolidated subsidiaries	(745)	(284)	—	—
Loss on sale and retirement of property and equipment	502	1,355	—	—
Loss on disposition of business	358	—	—	—
Bad debt expense	—	(8)	—	(1,247)
Change in assets and liabilities—net of effects from acquired businesses:				
Receivables—net	32,937	(39,014)	(1,867)	14,860
Prepaid expenses	3,110	(9,440)	7,250	(6,148)
Taxes receivable—current	(9,617)	20,842	8,831	(5,765)
Other current assets	(3,182)	(119)	965	5,183
Employee supplemental savings plan asset—current	—	(1,160)	1,015	—
Employee supplemental savings plan asset—long term	—	—	—	6,294
Other assets	(23,843)	(30)	1,480	(503)
Accounts payable	(15,427)	38,425	(3,078)	48,375
Accrued salaries and related expenses	9,458	12,694	(100,551)	27,135
Contract liabilities	9,764	16,459	1,217	(3,814)
Accrued interest expense	(7,059)	(884)	44,143	470
Accrued retirement—current	—	(21,077)	(5,435)	—
Other current liabilities	(419)	3,754	712	(4,363)
Operating lease obligations	(24,794)	(30,633)	(8,329)	(24,964)
Accrued retirement—long term	—	—	—	(9,541)
Other long—term liabilities	7,621	(6,805)	1,105	1,709
Other	(1,818)	533	(456)	(1,018)
Net cash from (used in) operating activities	64,624	39,860	(74,435)	160,692
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds from disposition of business	71,438	—	—	—
Purchases of property and equipment	(28,146)	(34,948)	(10,337)	(29,326)
Proceeds from sale of property and equipment	2,759	633	58	1,203

Acquisition of businesses—net of cash acquired	798	(194,637)	(4,109,711)	2,369
Payments to acquire investments	(22)	—	—	—
Proceeds from corporate owned life insurance	—	27,459	4,331	5,311
Investment in capitalized software for internal use	—	(1,978)	—	(375)
Net cash from (used in) investing activities	46,827	(203,471)	(4,115,659)	(20,818)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Borrowings under credit facility	149,000	522,000	37,500	338,500
Repayments under credit facility	(149,000)	(522,000)	(37,500)	(458,500)
Repayments of debt	(82,090)	(21,890)	(5,250)	—
Issuance of debt	985	178,000	2,048,000	—
Deferred financing fees	(716)	(1,780)	(12,349)	—
Debt extinguishment costs	(555)	—	—	—
Principal paid on financing leases	(174)	(103)	(13)	—
Contributions from Parent	13	26,879	2,256,130	—
Dividends paid	—	—	—	(33,574)
Proceeds from exercise of stock options	—	—	—	5,306
Payment consideration to tax authority on employee's behalf	—	—	—	(4,035)
Net cash from (used in) financing activities	(82,537)	181,106	4,286,518	(152,303)
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,914	17,495	96,424	(12,429)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	113,919	96,424	—	53,374
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 142,833	\$ 113,919	\$ 96,424	\$ 40,945
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for interest	\$ 245,994	\$ 238,222	\$ 17,400	\$ 6,020
Noncash investing and financing activities:				
Operating lease obligations arising from obtaining right of use assets	\$ 37,410	\$ 37,690	\$ 1,691	\$ 27,505
Noncash investing activities	\$ 3,532	\$ 519	\$ (527)	\$ (380)
Finance lease obligations arising from obtaining right of use assets	\$ —	\$ 598	\$ —	\$ 1

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business

ManTech International Corporation (depending on the circumstances, “ManTech” “Company” “we” “our” “ours” or “us”) provides mission-focused technology solutions and services for U.S. defense, intelligence community and federal civilian agencies. We excel in full-spectrum cyber, secure mission & enterprise IT, advanced data analytics, software and systems development, intelligent systems engineering, intelligence mission support and mission operations.

On May 14th, 2022, Moose BidCo, Inc. (BidCo) and Moose Merger Sub, Inc. (Acquirer), entered into an Agreement and Plan of Merger (Merger Agreement) with ManTech (Predecessor) to acquire all membership equity interests in the Company (the Acquisition), which subsequently closed on September 14, 2022 (Closing Date). BidCo and Acquirer are both wholly owned subsidiaries of Moose Holdings, Inc. (Parent), who is a wholly owned subsidiary of Carlyle Partners VIII, L.P. (Carlyle), who formed these entities to facilitate the Merger Agreement. Acquirer received a cash contribution from Carlyle of \$2.25 billion and independently issued \$2.14 billion of debt to fund the transaction prior to the Closing Date. On the Closing Date, Acquirer merged with ManTech and ManTech (Successor) continued as the surviving corporation under direct ownership of BidCo and Parent.

The Acquisition was accounted for as a business combination under Accounting Standards Codification (ASC) 805, *Business Combinations*. In accordance with ASC 805, the total purchase price was allocated to net tangible and identifiable intangible assets and liabilities based on their estimated fair values as of the effective date of the Acquisition. The purchase price allocation reflects management’s estimates and judgments in determining the fair value of the assets acquired and liabilities assumed using all relevant information. The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The new basis of accounting will be the basis of the accounting records in the preparation of future financial statements and related disclosures after the Acquisition date. This change in accounting basis is represented in the consolidated financial statements by a black line distinguishing the Predecessor and Successor periods on the statements and in the relevant notes. The black line signifies that the amounts shown for the periods prior to and subsequent to the Acquisition are not comparable. Refer to Note 3 - Business Combinations for additional information.

2. Summary of Significant Accounting Policies

Principles of Consolidation—Our consolidated financial statements include the accounts of ManTech International Corporation, subsidiaries we control and variable interest entities that are required to be consolidated. All intercompany accounts and transactions have been eliminated.

Use of Accounting Estimates—We prepare our consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates involve judgments with respect to, among other things, various future economic factors that are difficult to predict and are beyond our control. Therefore, actual amounts could differ from these estimates.

Business Combinations—The accounting for our business combinations consists of allocating the purchase price to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values, with the excess recorded as goodwill. We have up to one year from the Acquisition date to use information to adjust the fair value of the acquired assets and liabilities as of the Acquisition date, which may result in material changes to their recorded values with an offsetting adjustment to goodwill. Determining the fair value of assets acquired and liabilities assumed requires significant judgment, which includes, among other factors, analysis of historical performance and estimates of future performance. In some cases, we have used discounted cash flow analyses, which were based on our best estimate of future revenue, earnings and cash flows as well as our discount rate, adjusted for risk, and estimated attrition rates. We apply ASC 606, *Revenue from Contracts with Customers*, to

recognize and measure contract assets and contract liabilities in a business combination.

Disposal Group as Held for Sale—A long-lived asset classified as held for sale (but not qualifying for presentation as a discontinued operation in the statement of financial position) will be presented separately in our Consolidated Balance Sheets. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections, respectively, of our Consolidated Balance Sheets. Those assets and liabilities will not be netted and presented as a single amount.

Fair Value of Financial Instruments—The carrying value of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value because of the short-term nature of these amounts.

Derivative financial instruments are recognized as assets and liabilities in the financial statements and measured at fair value on a recurring basis. Our derivative financial instruments are designated as cash flow hedges and are highly effective. The gain or loss on our derivative financial instruments designated as cash flow hedges are recorded as a component of Other comprehensive income (loss) and subsequently reclassified into Interest expense in the same period(s) during which the hedged transaction affects earnings. The gain or loss on our derivative financial instruments that are not highly effective is immediately recognized in earnings. The impact of derivative instruments is included in Net cash from (used in) operating activities on our Consolidated Statements of Cash Flows.

Cash and Cash Equivalents—For the purpose of reporting cash flows, Cash and cash equivalents include cash on hand, amounts due from banks and short-term investments with maturity dates of three months or less at the date of purchase. Our Cash and cash equivalents exceed those that are federally insured. To date, we have not incurred any losses caused by uninsured balances.

Receivables—Receivables include amounts billed and currently due from our customers, amounts billable where the right to consideration is unconditional and amounts unbilled. The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer.

Contract Assets (Unbilled Receivables)—Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally revenue recognition occurs before billing, resulting in contract assets. These contract assets are referred to as unbilled receivables and are reported within Receivables—net on our Consolidated Balance Sheets.

Goodwill—The purchase price of an acquired business is allocated to the tangible assets, financial assets and separately recognized intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as Goodwill. We review Goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value of long-lived assets may not be fully recoverable. We have elected to perform this annual review as of October 31st of each calendar year.

In reviewing Goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If we elect to perform a qualitative assessment and determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then we will perform the quantitative impairment test (described below). We also may bypass the qualitative assessment for any reporting unit in any period and proceed directly to perform the quantitative impairment test.

The quantitative goodwill impairment test is used to identify both the existence of impairment and the amount of the impairment loss, and compares the fair value of a reporting unit with its carrying amount including Goodwill. If the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in the amount

equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The fair values of the reporting units are determined based on a weighting of the income approach, market approach and market transaction approach. The income approach is a valuation technique in which fair value is based from forecasted future cash flows discounted at the appropriate rate of return commensurate with the risk as well as current rates of return for equity and debt capital as of the valuation date. The forecast used in our estimation of fair value was developed by management based on a contract basis, incorporating adjustments to reflect known contract and market considerations (such as reductions and uncertainty in government spending, pricing pressure and opportunities). The discount rate utilizes a risk adjusted weighted average cost of capital. The market approach is a valuation technique in which the fair value is calculated based on market prices realized in actual arm's length transactions. The technique consists of undertaking a detailed market analysis of publicly traded companies that provides a reasonable basis for comparison to us. Valuation ratios, which relate market prices to selected financial statistics derived from comparable companies, are selected and applied to us after consideration of adjustments for financial position, growth, market, profitability and other factors. The market transaction approach is a valuation technique in which the fair value is calculated based on market prices realized in actual arm's length transactions. The technique consists of undertaking a detailed market analysis of merged and acquired companies that provides a reasonable basis for comparison to us. Valuation ratios, which relate market prices to selected financial statistics derived from comparable companies, are selected and applied to us after consideration of adjustments for financial position, growth, market, profitability and other factors.

Other Intangible Assets—Purchased customer contracts and customer relationships, backlog and technology are amortized primarily using the pattern of benefits method over periods ranging from two to twenty years. Our trademark intangible asset is not amortized, but is tested for impairment on at least an annual basis as of October 31st and more frequently if interim indicators of impairment exist. Our trademark is considered to be impaired if the carrying value exceeds the estimated fair value. We elect the option to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a trademark is less than its carrying amount.

We account for the cost of computer software developed or obtained for internal use in accordance with ASC 350-40, *Internal-Use Software*. These costs are capitalized on our Consolidated Balance Sheets then amortized on a straight-line basis over a period of five years or another period as may be required.

We account for software development costs related to software products for sale, lease or otherwise marketed in accordance with ASC 985-20, *Software - Costs of Software to Be Sold, Leased, or Marketed*. For projects fully funded by us, development costs are capitalized from the point of demonstrated technological feasibility until the point in time that the product is available for general release to customers. Once the product is available for general release, capitalized costs are amortized based on units sold or on a straight-line basis over a period of five years or other such shorter period as may be required.

Property and Equipment—Property and equipment is recorded at original cost to us and depreciated on a straight-line basis over the assets' estimated useful life. Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in income. Maintenance and repairs are charged to expense as incurred.

Leases—We account for leases in accordance with ASC 842, *Leases*. We determine whether a contract is or contains a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration. We have the right to control the use of the identified asset when we have both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. In making this determination, we consider all relevant facts and circumstances. We reassess whether a contract is or contains a lease only if the terms and conditions of the contract are changed. We account for lease components and nonlease components associated with a lease as a single lease component. Operating leases are included in Operating lease right of use assets, Operating lease obligations—current and Operating lease obligations—long term on our Consolidated Balance Sheets. Finance leases are included in Property and equipment—net, Other current liabilities

and Other long-term liabilities on our Consolidated Balance Sheets.

Our Right of Use (ROU) asset is recognized as the lease obligation, any initial direct costs and any prepaid lease payments, less any lease incentives and favorable/unfavorable lease terms. Our lease obligations are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Our lease payments consist of amounts relating to the use of the underlying asset during the lease term, specifically fixed payments, payments to be made in optional periods when we are reasonably certain to exercise an option or to terminate the lease and the amounts probable of being owed by us under residual guarantees. Our variable lease payments are excluded in measuring ROU assets and lease obligations because they do not depend on an index or a rate or are not in substance fixed payments. We exclude lease incentives and initial direct costs incurred from our lease payments. Our leases do not provide an implicit rate, instead we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments.

For operating leases, after lease commencement we measure our lease obligation for each period at the present value of any remaining lease payments, discounted by using the rate determined at lease commencement. In our Consolidated Statements of Loss, we recognize a single operating lease expense calculated on a straight-line basis over the remaining lease term. The depreciation of the ROU asset increases each year as a result of the declining lease obligation balance. Variable lease payments are not recognized in the measurement of the lease obligation; they are recognized in the period in which the related obligation has been incurred.

For finance leases, after lease commencement we measure our lease obligation by using the effective interest rate method. In each period, the lease obligation will be increased to reflect the interest that is accrued on the related lease obligation by using the appropriate discount rate, offset by a decrease in the lease obligation resulting from the periodic lease payments. We recognize the ROU asset at cost, reduced by any accumulated depreciation. The ROU asset is depreciated on a straight-line basis. Together, the interest expense and depreciation expense result in a front-loaded expense profile. We present interest expense and depreciation expense separately on our Consolidated Statements of Loss.

We recognize payments related to short-term leases (less than one year) as expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments were incurred. We do not separate nonlease components from lease components on all classes of underlying assets. Our leases include nonlease components such as common area maintenance, utilities and operating expenses. Our transportation vehicles and equipment leases include a residual value guarantee, which is a guarantee made to the lessor that the value of the underlying asset returned to the lessor at the end of the lease will be at least a specific amount. We sublease some of our real estate space. Sublease income is immaterial and is presented net with the corresponding lease expense.

In our Consolidated Statements of Loss we recognize lease expense within General and administrative expenses or Cost of services depending on the use of the underlying lease. For leases classified as financing, the interest on lease obligations is classified within Interest expense.

Investments—Investments where we have the ability to exercise significant influence, but we do not control, are accounted for under the equity method of accounting and are included in Other assets on our Consolidated Balance Sheets. Significant influence typically exists if we have a 20% to 50% ownership interest in the investee. Under this method of accounting, our share of the net earnings (losses) of the investee is included in Equity in earnings (losses) of unconsolidated subsidiaries on our Consolidated Statements of Loss.

Investments where we have less than 20% ownership interest in the investee and lack the ability to exercise significant influence are accounted for under ASC 321-10-35, *Investments - Equity Securities*. Under this topic our investment equals our cost, less impairment, if any. For investments without a readily determinable fair value, we perform a qualitative assessment to determine if any impairment indicator is present. If an indicator is present, we estimate the fair value to determine if the fair value is less than its carrying value. If the fair value is less than its carrying value or if there is an observable price change through a similar security from the same issuer, we would record an impairment.

Debt Issuance Costs and Financing Fees—Debt issuance costs incurred and fees paid to creditors (financing fees) in connection with the issuance of our Term Loan have been recorded as a direct reduction against our Debt—long term and amortized over the life of our Term Loan as a component of Interest expense using the effective interest method. Costs incurred in connection with the issuance of our undrawn Delayed Draw Term Loan and Revolving Credit Facility have been recorded as Prepaid expenses and Other assets and amortized over their life using the straight-line method.

Impairment of Long-Lived Assets—Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be fully recoverable, we evaluate the probability that future undiscounted net cash flows will be less than the carrying amount of the assets. If any impairment were indicated as a result of this review, we would recognize a loss based on the amount by which the carrying amount exceeds the estimated fair value.

Contract Liabilities—We receive advances and milestone payments from our customers on selected contracts that exceed revenue earned to date, resulting in Contract liabilities. Contract liabilities typically are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are reported on our Consolidated Balance Sheets on a net contract basis at the end of each reporting period.

Revenue Recognition—In accordance with ASC 606, *Revenue from Contracts with Customers*, we account for a contract when: both we and the customer approve and commit; our rights and those of the customer are identified and payment terms are identified; the contract has commercial substance; and collectability of consideration is probable. At contract inception, we identify the distinct goods or services promised in the contract, referred to as performance obligations. Then we determine the transaction price for the contract, which is the consideration that we can expect in exchange for the promised goods or services in the contract. The transaction price can be a fixed or variable amount. It is common for our contracts to contain award fees, incentive fees or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and historical, current and forecasted information that is reasonably available to us. The transaction price is allocated to each distinct performance obligation using our best estimate of the standalone selling price for each distinct good or service promised in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service promised. Revenue is recognized when, or as, the performance obligation is satisfied.

We recognize revenue over time when there is a continuous transfer of control to our customer. For our U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, Revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, we use our judgment to determine if an input measure or output measure best depicts the transfer of control over time. For service contracts, we typically satisfy our performance obligations as services are rendered. We typically use a cost-based input method to measure progress. Contract costs include labor, material and allocable indirect expenses. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. For time-and-material contracts, we bill the customer per labor hour and per material, and Revenue is recognized in the amount invoiced since the amount corresponds directly to the value of our performance to date. For stand-ready service contracts, a time-elapsed output method is used to measure progress, and Revenue is recognized on a straight-line basis over the term of the contract. If a contract does

not meet the criteria for recognizing Revenue over time, we recognize Revenue at a point in time. Revenue is recognized at the point in time when control of the good or service is transferred to our customer. We consider control to transfer when we have a present right to payment and our customer has legal title. Determining a measure of progress and when control transfers requires us to make judgments that affect the timing of when Revenue is recognized. Almost all of our contracts satisfy their performance obligations over time.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications impact the contract when the modification either creates a new performance obligation or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as a cumulative adjustment to Revenue and profit. Furthermore, a significant change in one or more estimates could affect the profitability of our contracts. We recognize adjustments in estimated profit on contracts in the period identified. The impact of adjustments in contract estimates can be reflected in either Revenue or Cost of services on our Consolidated Statements of Loss.

We have an estimate at completion (EAC) process in which management reviews the progress and execution of our performance obligations. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenue and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the contract milestones and other technical contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation, execution by our subcontractors, the availability and timing of funding from our customer and overhead cost rates, among other variables. A significant change in one or more of these estimates could affect the profitability of our contracts. If, as a part of our EAC process, we determine that the cost to deliver on a contract will exceed the revenue to be earned at the contract level, we estimate the loss and record it in the period in which it is identified.

The following table includes the aggregate impact of adjustments in contract estimates on our Revenue (in thousands):

Successor		Predecessor	
For the year ended		For the period	
December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$ 11,830	\$ 6,042	\$ 2,276	\$ (151)

No adjustment on any one contract was material to our consolidated financial statements for the periods presented.

Contract Costs—Contract costs include direct labor, direct materials, overhead and, when applicable, general and administrative expenses. Incremental costs of obtaining a contract that we expect to recover are recognized as deferred contract costs and are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services. Other incremental costs are expensed when incurred. Costs of fulfilling a contract or anticipated contract that generate or enhance resources that will be used in satisfying future performance obligations and are expected to be recovered, are recognized as deferred contract costs. Our deferred contract costs are amortized on a systematic basis that is consistent with the transfer of the goods or services to the customer. Other costs of fulfilling a contract (costs of wasted materials, labor or other resources to fulfill the contracts that were not reflected in the price of the contract and costs that relate to satisfied performance obligations in the contract) are expensed when incurred.

General and Administrative Expenses—General and administrative expenses include the salaries and wages, plus associated fringe benefits of our employees not performing work directly for customers, and associated

facilities costs. Among the functions covered by these costs are corporate business development, bid and proposal, contracts administration, finance and accounting, legal, corporate governance and executive and senior management. In addition, we include share compensation, as well as depreciation and amortization expenses related to the general and administrative function. We recognize interest related to unrecognized tax benefits within Interest expense and penalties related to unrecognized tax benefits in General and administrative expenses.

We classify indirect costs incurred as Cost of services and General and administrative expenses in the same manner as such costs are defined in our disclosure statements under U.S. Government Cost Accounting Standards.

Depreciation and Amortization Expenses—Furniture and office equipment are depreciated using the straight-line method with estimated useful lives ranging from five to seven years. For assets that are acquired for use by the customer, the fixed asset will be depreciated by a method and estimated useful life that corresponds to the criteria specified by the contract. Leasehold improvements are amortized using the straight-line method over the shorter of the asset's useful life or the term of the lease.

Share Compensation—We account for share compensation in accordance with ASC 718, *Compensation - Stock Compensation*, which requires the use of a valuation model to calculate the fair value of stock-based awards. We have elected to use the Black-Scholes-Merton pricing model to determine fair value of stock options on the dates of grant for our stock options. The fair value of our time-based stock options is recognized as operating expenses on a straight-line basis over the vesting period of the time-based stock option. The fair value of our performance-based stock options will be recognized upon the execution of a liquidity event. The compensation expense for restricted stock is recognized over the service period and is based on the grant date fair value of the shares. We account for forfeitures as they occur.

Income Taxes—We account for income taxes in accordance with ASC 740, *Income Taxes*. Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year-to-year. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the “more likely than not” criteria. We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would “more likely than not” sustain the position following an audit. For tax positions meeting the “more likely than not” threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Comprehensive Income (Loss)—Comprehensive income (loss) consists of two components: Net loss and other comprehensive income (loss), net of tax. Other comprehensive income (loss), net of tax, refers to revenue, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of Shareholders' equity but are excluded from Net loss. Our other comprehensive income (loss), net of tax, consists of the deferral of interest on our designated cash flow hedges and foreign currency translation adjustments that result from consolidation of our foreign entities.

Foreign-Currency Translation—All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average monthly exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss).

Recently Adopted Accounting Standards Updates

Accounting Standards Updates (ASU) adopted during the year ended December 31, 2024 did not have a material impact on our consolidated financial statements.

Recently Issued But Not Yet Adopted ASUs

ASUs effective after December 31, 2024 are not expected to have a material effect on our consolidated financial statements.

3. Business Combinations

Definitive Logic Holdings Corporation (Definitive Logic)—On September 8, 2023, we completed the acquisition of Definitive Logic through an agreement and plan of merger by and among Definitive Logic Holdings Corporation, ManTech International Corporation, Project Starship Merger Sub, Inc. and Shareholder Representative Services, LLC. Definitive Logic is a government services company that provides digital transformation consulting and technology solutions to the Department of Defense, Federal Civilian and other homeland security customers. Definitive Logic's capabilities and customers will advance ManTech's market position as a trusted advisor to the government and drive our high-tech and Artificial Intelligence strategies for growth.

The acquisition was accounted for as a business combination. The results of Definitive Logic's operations have been included in our consolidated financial statements since that date. We funded the acquisition with borrowings under our Credit Agreement.

The purchase price was \$198.6 million, which includes a finalized working capital adjustment. The purchase price was allocated to the underlying assets and liabilities based on their estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired and liabilities assumed was recorded as goodwill. The purchase price allocation is complete as of December 31, 2024.

In conjunction with the acquisition, certain members of Definitive Logic's executive management were given the opportunity to reinvest a portion of their proceeds into non-voting common stock of Moose Holdings. The investment in Moose Holdings totaled \$26.9 million which was accounted for as Contributions from Parent, Moose Holdings for the year ended December 31, 2023.

Recognition of goodwill is largely attributed to the value paid for Definitive Logic's capabilities, which will broaden our consultative capabilities and customer reach. The tax-deductible goodwill of \$16.8 million for this transaction will be amortizable for tax purposes over 15 years. The remainder of goodwill attributable to the acquisition of Definitive Logic will not be deductible for tax purposes.

The components of other intangible assets associated with the acquisition were customer relationships and backlog valued at \$43.7 million and \$5.8 million, respectively. The fair values of the customer relationships and backlog were determined using the excess earnings method (income approach) in which the value is derived from an estimation of the after-tax cash flows specifically attributable to backlog and customer relationships. Assumptions used in the analysis included revenue and expense forecasts, contributory asset charges, tax amortization benefit and discount rates. Customer contracts and related relationships represent the underlying relationships and agreements with Definitive Logic's existing customers. Customer relationships and backlog are amortized using the pattern of benefits method over their estimated useful lives of 20 years and 2 years, respectively. The weighted-average amortization period of other intangibles is 18 years.

The following table represents the purchase price allocation for Definitive Logic (in thousands):

	Successor
Cash and cash equivalents	\$ 4,610
Receivables	22,079
Prepaid expenses	3,986
Taxes receivable—current	1,543
Other current assets	245
Goodwill	137,975
Other intangible assets	49,500
Property and equipment	199
Operating lease right of use assets	1,325
Investments	1,257
Accounts payable	(7,881)
Accrued salaries and related expenses	(5,616)
Contract liabilities	(6,366)
Accrued interest expense	(60)
Operating lease obligations—current	(155)
Other current liabilities	(1,239)
Deferred income taxes	678
Operating lease obligations—long term	(1,533)
Other long-term liabilities	(1,948)
Net assets acquired and liabilities assumed	<u>\$ 198,599</u>

Carlyle Merger—On the Closing Date, each share of ManTech Common stock issued and outstanding was automatically converted into the right to receive a cash amount of \$96.00 per share. Furthermore, the outstanding restricted stock units and stock options were immediately vested and cancelled. Holders of restricted stock units received \$96.00 in cash. Holders of stock options received \$96.00 less the option exercise price in cash. Immediately following acquisition of all the equity interest in ManTech, the issued and outstanding Common stock of the Acquirer converted into shares of ManTech, the surviving corporation and Merger Sub. Inc. was dissolved.

The merger was accounted for as a business combination. The purchase consideration was \$4.15 billion, which was then allocated to all identified assets acquired and liabilities assumed based on their estimated fair value at the date of merger. The excess of the consideration transferred over the fair value of assets acquired and liabilities assumed was recorded as goodwill. Goodwill is not deductible for tax purposes. The purchase price allocation is complete as of December 31, 2023.

The components of other intangible assets associated with the acquisition were customer relationships, trademark, backlog and technology valued at \$1,085.2 million, \$639.4 million, \$71.9 million and \$1.2 million, respectively. The fair values of the customer relationships and backlog were determined using the excess earnings method (income approach) in which the value is derived from an estimation of the after-tax cash flows specifically attributable to customer relationships and backlog. Assumptions used in the analysis included revenue and expense forecasts, contributory asset charges, tax amortization benefit and discount rates. The fair values of trademark and technology were determined using the relief from royalty method (income approach). Assumptions used in the analysis included revenue, royalty rate, life and discount rates. Trademark has an indefinite life. Customer relationships, backlog and technology are amortized using the pattern of benefits method over their estimated useful lives of approximately 20 years, 2 years and 5 years, respectively. The weighted-average amortization period of other intangibles is 19 years.

The following table represents the purchase price allocation for ManTech at September 14, 2022 (in thousands):

	Successor
Cash and cash equivalents	\$ 41,032
Receivables	460,377
Prepaid expenses	36,088
Employee supplemental savings plan assets—current	31,737
Taxes receivable—current	32,953
Other current assets	8,571
Goodwill	2,483,230
Other intangible assets	1,804,974
Property and equipment	129,345
Operating lease right of use assets	87,548
Investments	7,244
Other assets	11,522
Accounts payable	(182,595)
Accrued salaries and related expenses	(217,972)
Contract liabilities	(31,288)
Operating lease obligations—current	(29,050)
Accrued retirement—current	(26,512)
Other current liabilities	(8,754)
Deferred income taxes	(397,009)
Operating lease obligations—long term	(73,885)
Other long—term liabilities	(16,430)
Net assets acquired and liabilities assumed	<u>\$ 4,151,126</u>

Acquisition Costs—The following table includes our acquisition costs, which are included in General and administrative expenses in our Consolidated Statements of Loss (in thousands):

	Successor		
	For the year ended		For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022
Definitive Logic	\$ 177	\$ 3,097	\$ —
Carlyle Merger	\$ —	\$ —	\$ 11,400

In addition, the Predecessor incurred and paid for sell-side transaction costs of \$44.4 million for investment banking and other professional services in connection with the Carlyle Merger, which are included in General and administrative expenses in the Predecessor period.

4. Revenue from Contracts with Customers

We derive revenue from contracts with customers primarily from contracts with the U.S. government in the areas of intelligence, defense, homeland security and other federal civilian agencies. Substantially all of our revenue is derived from services and solutions provided to the U.S. government or to prime contractors supporting the U.S.

government, including services by our employees and our subcontractors, and solutions that include third-party hardware and software that we purchase and integrate as a part of our overall solutions. Customer requirements may vary from period-to-period depending on the contract. We provide our services and solutions under three types of contracts: cost-reimbursable, fixed-price and time-and-materials. Under cost-reimbursable contracts, we are reimbursed for costs that are determined to be reasonable, allowable and allocable to the contract and paid a fee representing the profit margin negotiated between us and the contracting agency, which may be fixed or performance based. Under fixed-price contracts, we perform specific tasks for a fixed price. Fixed-price contracts may include either a product delivery or specific service performance over a defined period. Under time-and-materials contracts, we are reimbursed for labor at fixed hourly rates and generally reimbursed separately for allowable materials, costs and expenses at cost.

The following tables disclose Revenue (in thousands) by contract type, customer and prime or subcontractor for the periods presented.

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor For the period January 1, 2022 to September 13, 2022
	For the year ended December 31, 2024	For the year ended December 31, 2023		
Cost-reimbursable	\$ 2,140,217	\$ 2,219,682	\$ 611,127	\$ 1,329,724
Fixed-price	573,882	436,748	127,603	296,350
Time-and-materials	401,855	375,671	104,691	266,412
	<u>\$ 3,115,954</u>	<u>\$ 3,032,101</u>	<u>\$ 843,421</u>	<u>\$ 1,892,486</u>

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor For the period January 1, 2022 to September 13, 2022
	For the year ended December 31, 2024	For the year ended December 31, 2023		
U.S. Government	\$ 3,077,234	\$ 2,992,459	\$ 833,320	\$ 1,880,665
State agencies, international agencies and commercial entities	38,720	39,642	10,101	11,821
	<u>\$ 3,115,954</u>	<u>\$ 3,032,101</u>	<u>\$ 843,421</u>	<u>\$ 1,892,486</u>

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor For the period January 1, 2022 to September 13, 2022
	For the year ended December 31, 2024	For the year ended December 31, 2023		
Prime contractor	\$ 2,902,812	\$ 2,848,984	\$ 790,173	\$ 1,757,313
Subcontractor	213,142	183,117	53,248	135,173
	<u>\$ 3,115,954</u>	<u>\$ 3,032,101</u>	<u>\$ 843,421</u>	<u>\$ 1,892,486</u>

We deliver a broad array of IT and technical services solutions under contracts with the U.S. government, state and local governments and commercial customers. The components of receivables are as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Billed and billable receivables	\$ 368,190	\$ 407,564
Unbilled receivables	117,312	115,313
Allowance for doubtful accounts	(10,644)	(10,872)
Receivables—net	<u>\$ 474,858</u>	<u>\$ 512,005</u>

Receivables at December 31, 2024 are expected to be substantially all collected within one year. We do not believe that we have significant exposure to credit risk as billed receivables and unbilled receivables are primarily due from the U.S. government. The allowance for doubtful accounts represents our estimate for exposure to compliance, contractual issues and bad debts related to prime contractors. We measure future expected credit losses expected to occur over the estimated life or remaining contractual life of an asset (which includes losses that may be incurred in future periods). When we identify receivables with unique risk characteristics, we evaluate such receivables on an individual basis.

At December 31, 2024 and 2023, our Contract liabilities were \$64.8 million and \$56.6 million, respectively. Changes in the balance of Contract liabilities are primarily due to the timing difference between our performance and our customers' payments. During the year ended December 31, 2024 and 2023, we recognized Revenue of \$29.0 million and \$25.8 million relating to amounts that were included in the opening balance of Contract liabilities as of December 31, 2023 and 2022, respectively.

The following table discloses our remaining performance obligations as of December 31, 2024 and when we expect to recognize the remaining performance obligations as Revenue (in millions):

	Successor			
	For the year ending		Thereafter	Total
December 31, 2025	December 31, 2026			
	\$ 2,032.5	\$ 413.8	\$ 902.5	\$ 3,348.8

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2024 and 2023 was as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Beginning goodwill	\$ 2,584,122	\$ 2,485,980
Acquisitions	—	140,084
Acquisition fair value adjustment	(2,108)	(2,752)
Divestiture and Asset held for sale	(8,064)	(39,190)
Ending goodwill	<u>\$ 2,573,950</u>	<u>\$ 2,584,122</u>

Other intangible assets consist of the following (in thousands):

	Successor					
	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 1,189,047	\$ 274,285	\$ 914,762	\$ 1,192,080	\$ 152,108	\$ 1,039,972
Trademark	626,354	—	626,354	628,764	—	628,764
Capitalized software	9,642	6,870	2,772	9,887	4,828	5,059
Other intangible assets—net	<u>\$ 1,825,043</u>	<u>\$ 281,155</u>	<u>\$ 1,543,888</u>	<u>\$ 1,830,731</u>	<u>\$ 156,936</u>	<u>\$ 1,673,795</u>

The following table includes intangible asset amortization expense (in thousands):

	Successor			Predecessor
	For the year ended		For the period	For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$	124,597	\$ 123,194	\$ 33,364	\$ 23,174

We estimate that we will have the following amortization expense for the future periods indicated below (in thousands):

Successor	
For the year ended:	
December 31, 2025	\$ 115,560
December 31, 2026	\$ 110,448
December 31, 2027	\$ 99,754
December 31, 2028	\$ 87,054
December 31, 2029	\$ 76,205

6. Property and Equipment

Major classes of property and equipment are summarized as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Furniture and equipment	\$ 158,726	\$ 143,024
Leasehold improvements	37,591	30,339
Finance leases	734	760
Property and equipment—gross	197,051	174,123
Accumulated depreciation and amortization	(93,201)	(54,950)
Property and equipment—net	<u>\$ 103,850</u>	<u>\$ 119,173</u>

The following table includes the depreciation and amortization expense of property and equipment (in thousands):

Successor		Predecessor	
For the year ended		For the period	
December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$ 41,113	\$ 42,364	\$ 12,192	\$ 31,498

7. Leases

Our operating leases are primarily made up of real estate. Our variable lease payments do not depend on an index or a rate and are not in substance fixed payments. Our leases have remaining lease terms of 1 month to 8 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 year. We have not disclosed information related to our finance leases as they are immaterial to our financial statements.

Our operating lease information on our Consolidated Balance Sheets (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Operating lease right of use assets	\$ 90,182	\$ 82,200
Operating lease obligations—current	\$ 21,931	\$ 23,017
Operating lease obligations—long term	\$ 86,470	\$ 82,127

The components of operating lease expense is as follows (in thousands):

Successor		Predecessor	
For the year ended		For the period	
December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$ 35,378	\$ 40,677	\$ 9,286	\$ 25,789

The weighted average information related to operating leases is as follows:

	Successor	
	December 31, 2024	December 31, 2023
Weighted Average Remaining Lease Term	5 years	5 years
Weighted Average Discount Rate	10 %	10 %

Future minimum lease payments under non-cancellable operating leases is as follows (in thousands):

Successor

For the year ended:

December 31, 2025	\$ 29,214
December 31, 2026	30,777
December 31, 2027	26,917
December 31, 2028	17,679
December 31, 2029	13,968
Thereafter	18,645
Total future minimum lease payments	137,200
Less imputed interest	(28,799)
Total	<u>\$ 108,401</u>

The following table includes lease expenses (in thousands):

	Successor			Predecessor
	For the year ended		For the period	For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
Short-term lease expense	\$ 6,189	\$ 7,165	\$ 2,712	\$ 6,471
Variable lease costs	\$ 3,376	\$ 3,628	\$ 979	\$ 2,139

8. Debt

On April 24, 2024, we entered into Amendment 1 to our Credit Agreement with a syndicate of lenders and Owl Rock Core Income Corp. as the administrative agent and collateral agent. The principal repayment terms were unchanged, including maturity dates. Margin rates on the debt were changed, while other interest related terms were unchanged. We received no additional cash from lenders. Some lenders in the syndicate were fully repaid and removed from the agreement. Some lenders were partially repaid but remained in the syndicate with some principal remaining outstanding under the terms of Amendment 1. All repayments were made by another lender in the syndicate paying cash through the administrative agent; thus we did not repay principal to any lenders. In accordance with the terms of the original credit agreement, lenders that were fully or partially repaid were owed a premium of 1% of the principal amount repaid. This prepayment premium of \$1.0 million was paid in cash by the lender assuming the related loan, and the amounts increased the new principal balance owed by the borrower to the lender that made the cash payment. The outstanding principal balance of the Delayed Draw Term Loan drawn as of the amendment date was rolled into the new Term Loan principal balance. Furthermore, Amendment 1 provided us with the ability to elect to pay interest in kind (PIK interest), which incurs a higher total rate of interest than interest paid in cash. PIK interest, if elected, will be capitalized into the principal amount of the debt on each interest payment date. Also, Amendment 1 reduced the available Delayed Draw Term Loan commitments \$0.32 billion and extended the termination date of the Delayed Draw Term Loan to June 14, 2025. The Revolving Credit Facility commitments remained at \$0.25 billion, but some commitments for individual lenders were changed.

Amendment 1 includes total commitments of \$2.76 billion made available through (i) Term Loan of \$2.19 billion with a maturity date of September 14, 2029; (ii) Delayed Draw Term Loan of \$0.32 billion with a maturity date of September 14, 2029; and (iii) Revolving Credit Facility of \$0.25 billion with a maturity date of September 14, 2028.

We accounted for the full and partial repayments of the Term Loan as extinguishments. For the year ended

December 31, 2024, we recorded Loss on debt extinguishment of \$3.3 million, which related to unamortized discounts on the old debt, a portion of the prepayment premiums and debt issuance costs. Other changes to the Term Loan were accounted for as modifications.

The unamortized Term Loan issuance costs and financing fees of \$46.8 million remaining from the original debt instrument were carried forward into the new debt instrument as a direct reduction against our Debt—long term and amortized over the life of our Term Loan as a component of Interest expense using the effective interest method. The Term Loan lender fees incurred of \$0.4 million in connection with Amendment 1 were also accounted for as a direct reduction against our Debt—long term and amortized over the life of our Term Loan as a component of Interest expense using the effective interest method. The Term Loan third party fees incurred of \$1.0 million in association with Amendment 1 were expensed during the year ended December 31, 2024.

The unamortized Revolving Credit Facility issuance costs and financing fees of \$4.5 million remaining from the original debt instrument will continue to be deferred as an asset and amortized over its life on a straight-line basis. The lender and third-party fees incurred for the Revolving Credit Facility of \$0.1 million and Delayed Draw Term Loan of \$0.2 million related to Amendment 1 will also be deferred as an asset and amortized over their life on a straight-line basis.

Borrowings under our Credit Agreement are collateralized by substantially all our assets and those of our material subsidiaries and bear interest at one of the following variable rates as selected by us at the time of the borrowing: Term Secured Overnight Financing Rate plus market-rate spreads (5.00% to 5.25% based on our consolidated first lien net leverage ratio) or Prime rate plus market spreads (4.00% to 4.25% based on our consolidated first lien net leverage ratio).

The terms of Amendment 1 permit prepayment and termination of the loan commitments at any time, subject to certain conditions. It specifies financial covenants, including the maintenance of certain leverage ratios and a consolidated senior secured net leverage ratio. Amendment 1 also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit or impose restrictions on our ability to incur liens, incur additional indebtedness, make investments, make acquisitions, and undertake certain other actions. We were in compliance with our financial covenants under the Credit Agreement.

Debt consists of the following (in thousands):

	Successor			
	December 31, 2024		December 31, 2023	
	Effective Interest Rate	Outstanding Balance	Effective Interest Rate	Outstanding Balance
Term Loan	10.3 %	\$ 2,169,754	10.2 %	\$ 2,073,750
Delayed Draw Term Loan		—	10.2 %	177,110
Less: Unamortized debt issuance costs and deferred financing fees		(42,276)		(51,484)
		2,127,478		2,199,376
Less: Debt—current		(21,862)		(22,780)
Debt—long term		<u>\$ 2,105,616</u>		<u>\$ 2,176,596</u>

For the years ended December 31, 2024 and 2023, we incurred \$7.1 million and \$6.7 million of Interest expense associated with debt issuance costs and financing fees, respectively.

At December 31, 2024, there were no borrowings on our Revolving Credit Facility. Unamortized debt issuance cost and financing fees deferred as an asset on our Consolidated Balance Sheets are as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Prepaid expenses	\$ 1,080	\$ 1,015
Other assets	\$ 2,958	\$ 3,764

For the years ended December 31, 2024 and 2023, we incurred \$1.1 million and \$1.0 million of amortization expense associated with debt issuance and financing fees deferred as assets, respectively.

The maximum available borrowing under our Credit Agreement at December 31, 2024 was \$0.59 billion.

Under the terms of our Credit Agreement, we are required to repay quarterly 0.25% of the initial principal amount of each loan, which is payable on the last business day of March, June, September and December. Amendment 1 requires mandatory prepayments under certain other conditions, such as excess cash flow, certain asset sales, and the incurrence of other indebtedness, as defined in the Credit Agreement.

The maturity amounts for the next 5 years on our Debt—long term are as follows (in thousands):

Successor	
Year Ending:	
December 31, 2025	\$ 21,862
December 31, 2026	\$ 21,862
December 31, 2027	\$ 21,862
December 31, 2028	\$ 21,862
December 31, 2029	\$ 10,931

9. Commitments and Contingencies

Contracts with the U.S. government, including subcontracts, are subject to extensive legal and regulatory requirements and, from time-to-time, agencies of the U.S. government, in the ordinary course of business, investigate whether our operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government investigations of us, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting activities. Management believes it has adequately reserved for any losses that may be experienced from any investigation of which it is aware. The Defense Contract Audit Agency has completed our incurred cost audits through 2022 with no material adjustments. The remaining audit for 2023 is not expected to have a material effect on our financial position, results of operations or cash flow and management believes it has adequately reserved for any losses.

In the normal course of business, we are involved in certain governmental and legal proceedings, claims and disputes and have litigation pending under several suits. We believe that the ultimate resolution of these matters will not have a material effect on our financial position, results of operations or cash flows.

10. Shareholders' Equity

We have 1,000 shares of authorized Common stock, par value \$0.01 per share. On December 31, 2024, there were 1,000 shares of Common stock outstanding. Holders of Common stock are entitled to 1 vote for each share held of record. Shareholders are entitled to receive, when and if declared by the Board of Directors from time-to-time, such dividends and other distributions in cash, stock or property from our assets or funds legally and contractually available for such purposes subject to any dividend preferences that may be attributable to preferred stock that may be authorized. The shares of Common stock are not convertible into any other series or class of securities.

We received an additional capital contribution of \$26.9 million for the year ended December 31, 2023 from our Parent related to direct investments made in our Parent from certain members of our executive management.

11. Share Compensation

Successor

2022 Equity Incentive Plan—Our Parent adopted the 2022 Equity Incentive Plan (2022 Plan), which is designed to advance the interests of our shareholders by enhancing our ability to attract, retain, and motivate persons who make important contributions to us by providing such persons with equity ownership opportunities and thereby better aligning the interests of such persons with those of the our shareholders. The types of awards available under the 2022 Plan include stock options and restricted stock. The 2022 Plan is administered by the Compensation Committee. Equity awards granted under the 2022 Plan are settled in shares of Common stock of our Parent. Awards may be granted under the 2022 Plan covering up to 1,693,548 shares of Common stock. At December 31, 2024, the remaining aggregate number of shares of our Common stock available for future grants under the 2022 Plan was 273,507.

Stock Options—Under the 2022 Plan, our Parent has issued stock options. A stock option granted gives the holder the right, but not the obligation to purchase a certain number of shares at a predetermined price for a specific period of time. Our Parent issued two types of options: (1) time-based options that vest over 5 years in equal installments, and (2) performance-based options that vest immediately prior to a Liquidity Event subject to a Multiple on Invested Capital hurdle. For each employee participant, 35% of the options are time-based and 65% of the options are performance-based. For each Board of Director participant, 100% of the options are time-based. Under the terms of the 2022 Plan, the contractual life of the option grants may not exceed 10 years. The options expire in 10 years from the date of grant. During the years ended December 31, 2024 and 2023 and the period September 14, 2022 to December 31, 2022, our Parent granted 143,894, 324,759 and 1,063,000 options, respectively.

Share Compensation Expense—The following table includes share compensation expense data (in thousands):

	Successor		
	For the year ended		For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022
Share compensation expense	\$ 6,541	6,078	\$ 1,001
Income tax benefit related to share compensation	\$ 52	\$ 15	\$ —

Fair Value Determination—We have used the Black-Scholes-Merton option pricing model to determine fair value of the stock option awards on the date of grant. We will reconsider the use of the Black-Scholes-Merton model if additional information becomes available in the future that indicates another model would be more appropriate or if grants issued in future periods have characteristics that cannot be reasonably estimated under this model.

The following weighted-average assumptions were used for option grants during the years ended December 31, 2024 and 2023 and the period September 14, 2022 to December 31, 2022:

- *Volatility*—The expected volatility of the options granted was estimated based upon historical volatility of our historical share price through weekly observations of our trading history.
- *Expected life of options*—The expected life of options granted to employees was determined from historical exercises of the grantee population. For options under the 2022 Plan, the time-based options had graded vesting over 5 years in equal installments and a contractual term of 10 years.
- *Risk-free interest rate*—The yield on zero-coupon U.S. Treasury strips was used to extrapolate a forward-yield curve. This “term structure” of future interest rates was then input into a numeric model to provide the equivalent risk-free rate to be used in the Black-Scholes-Merton model based on the expected term of the underlying grants.
- *Dividend yield*—The Black-Scholes-Merton valuation model requires an expected dividend yield as an input. For options under the 2022 Plan, no dividends are expected.

The following table summarizes the weighted-average assumptions used in our calculations of the fair value for the time-based options granted for the years ended December 31, 2024 and 2023 and the period September 14, 2022 to December 31, 2022:

	Successor		For the period September 14, 2022 to December 31, 2022
	For the year ended December 31, 2024	December 31, 2023	
Volatility	42.9%	45.8%	45.3%
Expected life of options	5.9 years	6.1 years	6.4 years
Risk-free interest rate	4.2%	3.8%	3.9%
Dividend yield	—%	—%	—%

Stock Option Activity—The weighted-average fair value of time-based options granted during the year ended December 31, 2024 and 2023 and the period September 14, 2022 to December 31, 2022, as determined under the Black-Scholes-Merton valuation model, was \$47.08, \$46.92 and \$50.52, respectively. The combined fair value of granted stock options that vested was \$5.6 million, \$4.1 million and none for the year ended December 31, 2024 and 2023 and the period September 14, 2022 to December 31, 2022, respectively

The following table summarizes stock option activity for the 2022 Plan.

Successor		Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Stock options outstanding	September 14, 2022	—	\$ —	
Granted		1,063,000	\$ 100.00	
Stock options outstanding	December 31, 2022	1,063,000	\$ 100.00	
Granted		324,759	\$ 106.64	
Cancelled and expired		(70,900)	\$ 100.00	
Stock options outstanding	December 31, 2023	1,316,859	\$ 101.64	9 years
Granted		143,894	\$ 120.35	
Cancelled and expired		(93,869)	\$ 102.93	
Stock options outstanding	December 31, 2024	<u>1,366,884</u>	\$ 103.52	8 years
Stock options exercisable	December 31, 2024	182,493	\$ 101.84	8 years

The following table summarizes non-vested stock options for the year ended December 31, 2024:

Successor		Number of Shares	Weighted Average Fair Value
Non-vested share options	December 31, 2023	1,236,029	\$ 48.84
Granted		143,894	\$ 47.08
Vested		(108,760)	\$ 51.38
Cancelled		(86,772)	\$ 45.86
Non-vested share options	December 31, 2024	<u>1,184,391</u>	\$ 45.42

Unrecognized compensation expense related to outstanding time-based stock options was \$15.9 million as of December 31, 2024, which is expected to be recognized over a weighted-average period of 3 years and will be adjusted for forfeitures as they occur. Unrecognized compensation expense related to outstanding performance-based stock options was \$43.6 million as of December 31, 2024, which is expected to be recognized upon a change in control.

Restricted Stock—Under the 2022 Plan, our Parent issued restricted stock. A restricted stock award is an issuance of shares that cannot be sold or transferred by the recipient until the vested period lapses. Restricted stock will vest over 5 years in equal installments beginning on the first anniversary of the date of grant. The related compensation expense is recognized over the service period and is based on the grant date fair value of the stock and the number of shares expected to vest. The grant date fair value of the restricted stock is equal to the transaction price of the common units.

The following table summarizes the 2022 Plan restricted stock activity:

Successor	Number of Shares	Weighted Average Fair Value
Non-vested restricted stock December 31, 2022	20,000	\$ 100.00
Granted	31,667	\$ 103.42
Vested	<u>(7,667)</u>	<u>\$ 101.09</u>
Non-vested restricted stock December 31, 2023	44,000	\$ 102.27
Granted	1,490	\$ 117.50
Vested	<u>(11,490)</u>	<u>\$ 104.01</u>
Non-vested restricted stock December 31, 2024	<u><u>34,000</u></u>	<u>\$ 102.35</u>

Predecessor

2016 Management Incentive Plan and Carlyle Merger—The types of awards available under the 2016 Management Incentive Plan (2016 Plan) included stock options, restricted stock, and restricted stock units (RSUs). In accordance with the Merger Agreement, each option to purchase shares of our Common stock that was outstanding and unexercised immediately prior to the Closing Date, whether or not vested or exercisable, immediately vested in full and was cancelled and converted into the right to receive a cash payment, without interest and less any Taxes required to be withheld, equal to the Per Share Merger Consideration of \$96.00 per share minus the exercise price payable per share. In the event that the per share exercise price under any Company option is equal to or greater than the Per Share Merger Consideration, such option was cancelled as of the Acquisition date without any cash payment or other consideration being made. At the Closing Date, each restricted stock or restricted stock unit award granted that was outstanding immediately prior to the Closing Date, whether or not vested, was immediately vested in full and became free of restrictions and was cancelled and converted automatically into the right to receive a cash payment (without duplication or interest and less any applicable withholding taxes) equal to the Per Share Merger Consideration of \$96.00 per share.

Stock Options—Under the 2016 Plan, we issued stock options. A stock option granted gives the holder the right, but not the obligation to purchase a certain number of shares at a predetermined price for a specific period of time. We issued options that vest over 3 years in equal installments beginning on the first anniversary of the date of grant. Under the terms of the 2016 Plan, the contractual life of the options grants may not exceed 8 years. The options expire 5 years from the date of grant.

Stock Compensation Expense—The following table includes stock compensation expense (in thousands):

	Predecessor For the period January 1, 2022 to September 13, 2022
Share compensation expense	\$ 57,093
Income tax benefit related to share compensation	\$ 1,120

Stock Option Activity—For the period January 1, 2022 to September 13, 2022 (Predecessor), the combined fair value of granted options that vested was \$57.1 million.

The following table summarizes stock option activity for the 2016 Plan during the Predecessor periods:

Predecessor		Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Stock options outstanding	December 31, 2021	567,316	\$ 58.70	
Exercised		(102,585)	\$ 52.34	
Cancelled and expired		(10,317)	\$ 64.40	
Cash conversion		(454,414)	\$ 60.01	
Stock options outstanding	September 14, 2022	<u>—</u>	\$ —	0 years
Stock options exercisable	September 14, 2022	—	\$ —	0 years

12. Retirement Plan

We maintain a qualified defined contribution plan. Our qualified defined contribution plan covers substantially all employees and complies with Section 401 of the Internal Revenue Code. Under this plan, we stipulated a basic matching contribution that matches a portion of the participants' contribution based upon a defined schedule. Additionally, this plan contains a discretionary contribution component where we may contribute additional amounts based on a percentage of eligible employees' compensation. Contributions are invested by an independent investment company. The choice of investment alternatives is at the election of each participating employee.

The following includes the defined contribution plan contributions by us, the employer (in thousands):

Successor		Predecessor	
For the year ended		For the period	
December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$ 43,372	\$ 41,026	\$ 11,467	\$ 30,098

13. Income Taxes

The domestic and foreign components of income (loss) from operations before income taxes and equity method investments were as follows (in thousands):

	Successor			Predecessor
	For the year ended		For the period	For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
Domestic	\$ (85,243)	\$ (117,750)	\$ (63,189)	\$ (4,888)
Foreign	(5)	(21)	(1)	(6)
Loss from operations before income taxes and equity method investments	<u>\$ (85,248)</u>	<u>\$ (117,771)</u>	<u>\$ (63,190)</u>	<u>\$ (4,894)</u>

The Benefit (provision) for income taxes was comprised of the following components (in thousands):

	Successor			Predecessor
	For the year ended		For the period	For the period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
Federal	\$ 23,009	\$ 33,491	\$ 7,843	\$ 10,731
State	12,958	11,709	1,740	6,480
Foreign	(286)	266	2,774	38
Current provision	35,681	45,466	12,357	17,249
Federal	(39,956)	(63,039)	(17,777)	(2,358)
State	(13,712)	(14,709)	(3,357)	(1,153)
Deferred (benefit)	(53,668)	(77,748)	(21,134)	(3,511)
Federal	2,131	(7,872)	1,106	1,524
State	147	(4)	—	(178)
Foreign	—	59	—	(6)
Non-current provision (benefit) resulting from allocating tax benefits directly to changes in liabilities	2,278	(7,817)	1,106	1,340
(Benefit) provision for income taxes	\$ (15,709)	\$ (40,099)	\$ (7,671)	\$ 15,078

The effective income tax rate reconciliation is as follows:

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor
	For the year ended			For the period
	December 31, 2024	December 31, 2023		January 1, 2022 to September 13, 2022
Statutory U.S. Federal tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:				
Goodwill	(11.7)%	— %	— %	— %
Research and development credit	5.9 %	10.7 %	1.5 %	41.1 %
Return-to-provision adjustment	2.6 %	— %	— %	3.7 %
Foreign tax adjustment	(1.1)%	(0.2)%	(4.4)%	0.1 %
State taxes—net of Federal benefit	0.6 %	1.9 %	2.0 %	(77.9)%
Meals and entertainment	(0.5)%	(0.1)%	— %	(1.2)%
Transaction costs	(0.1)%	5.1 %	(7.7)%	(70.8)%
Share compensation	0.1 %	— %	— %	19.3 %
Employee Supplemental Savings Plan	— %	(3.5)%	(0.2)%	(29.8)%
Excess executive compensation	— %	— %	— %	(204.7)%
Insurance	— %	— %	— %	(2.3)%
Other, net	1.8 %	(0.8)%	(0.1)%	(6.6)%
Effective tax rate	18.6 %	34.1 %	12.1 %	(308.1)%

The following table includes our income taxes paid, net of refunds (in thousands):

	Successor		For the period September 14, 2022 to December 31, 2022	Predecessor
	For the year ended			For the period
	December 31, 2024	December 31, 2023		January 1, 2022 to September 13, 2022
\$	49,759	\$ 19,203	\$ 2,612	\$ 22,480

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. A summary of the tax effect of the significant components of Deferred income taxes is as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Goodwill and other intangibles	\$ 400,004	\$ 425,478
Lease arrangements	23,265	22,209
Property and equipment	12,959	18,842
Gross deferred tax liabilities	436,228	466,529
Interest expense limitation	(70,043)	(55,407)
Section 174 research & experimentation cost	(70,010)	(60,621)
Lease obligations	(30,024)	(28,210)
Retirement and other liabilities	(17,633)	(20,668)
Foreign and state operating loss carryforwards	(5,111)	(4,916)
Allowance for potential contract losses and other contract reserves	(2,696)	(3,273)
Foreign tax credit	—	(43)
Less: Valuation allowance	2,829	1,909
Gross deferred tax assets	(192,688)	(171,229)
Deferred income taxes	<u>\$ 243,540</u>	<u>\$ 295,300</u>

At December 31, 2024, we had federal, state and foreign net operating losses of approximately \$—, \$26.9 million and \$9.4 million, respectively. The federal and foreign net operating losses may be carried forward indefinitely. The state net operating losses expire beginning 2028 through 2043. We recorded a full valuation allowance against the foreign net operating losses and a partial valuation allowance against the state net operating losses, as we do not believe those losses will be fully utilized in the future.

Our liabilities for gross unrecognized tax benefit are included in Other current liabilities and Other long-term liabilities in our Consolidated Balance Sheets. If ultimately recognized, these liabilities would reduce our annual effective tax rate in a future period.

A reconciliation of our gross unrecognized tax benefits is as follows (in thousands):

	Successor		
	December 31, 2024	December 31, 2023	December 31, 2022
Gross unrecognized tax benefit at beginning of year	\$ 12,619	\$ 15,939	\$ 13,134
Increases in tax positions for current year	3,400	3,360	2,273
Lapse in statute of limitations	(2,499)	(2,134)	(6)
Increases in tax positions for prior years	2,309	3,805	760
Decreases in tax positions for prior years	(871)	(8,351)	(222)
Gross unrecognized tax benefit at end of year	<u>\$ 14,958</u>	<u>\$ 12,619</u>	<u>\$ 15,939</u>

Interest and penalties of \$1.6 million and \$1.3 million are included in Accrued interest expense in our Consolidated Balance Sheets at December 31, 2024 and 2023, respectively. Interest and penalties on our net unrecognized tax benefits included in Interest expense in our Consolidated Statements of Loss were not material for all periods.

The following table includes the change in unrecognized tax benefit (expense) related to research and development tax credits (in thousands):

Successor		Predecessor	
For the year ended		For the period	
December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022	January 1, 2022 to September 13, 2022
\$ 520	\$ (6,212)	\$ 676	\$ 1,507

We anticipate \$2.1 million of unrecognized tax benefit will reverse in 2025 due to the expiration of federal statute of limitations. We are subject to income taxes in the U.S., various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require significant judgment to apply. We are no longer subject to U.S. federal income tax and non-U.S. income tax examinations by tax authorities for the years before 2020. We are currently under examination by various state tax authorities for tax years 2016 - 2020.

14. Derivative Financial Instruments

Our derivative financial instruments protect us against adverse fluctuations in interest rates by reducing our exposure to variability in cash flows on a portion of our floating-rate debt. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we use interest rate caps and interest rate swaps. Our interest rate caps are designated as cash flow hedges, which involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. Our interest rate swaps are designated as cash flow hedges, which involve exchanging our variable interest rate with a fixed interest rate to limit our exposure to increases on the variable interest rate portion of our debt. During the Successor periods, derivative financial instruments were used to hedge the changes in our cash flows (interest payments) attributable to changes in a contractually specified interest rate, on an amount of debt equal to the then-outstanding notional amount. Our derivative financial instruments are designated as cash flow hedges. We do not enter into or hold derivative financial instruments for any other purposes.

As of December 31, 2024, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Successor		Maturity
	Number of Instruments	Notional	
Interest Rate Swaps	3	\$ 1,000,000,000	January 31, 2026, April 30, 2026 and January 31, 2027
Interest Rate Caps	2	\$ 1,300,000,000	January 31, 2026 and 2027

We determined the fair value of our derivative instruments based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. As such, these are classified as level 2 within the fair value hierarchy.

The fair values of our derivative financial instruments are as follows (in thousands):

	Successor	
	December 31, 2024	December 31, 2023
Other current assets	\$ 4,277	\$ 3,528
Other assets	\$ 3,799	\$ —
Other current liabilities	\$ 7,027	\$ 2,183
Other long—term liabilities	\$ 2,875	\$ 11,452

As of December 31, 2024 and 2023, our Accumulated other comprehensive loss was \$2.3 million and \$11.9 million, respectively. Our gains reclassified from Accumulated other comprehensive loss into Interest expense are as follows (in thousands):

	For the Year Ended		For the Period
	December 31, 2024	December 31, 2023	September 14, 2022 to December 31, 2022
	\$ 5,797	\$ 2,342	\$ —

15. Related Party

In connection with the Carlyle Merger, we entered into a Consulting Services Agreement with an affiliate of Carlyle (the Consultant) relating to the provision of certain management consulting and advisory services that were incurred as part of the Carlyle Merger as well as certain management consulting and advisory services following the consummation of the Carlyle Merger. In consideration of the consulting services that were incurred as part of the Carlyle Merger, we paid \$20.0 million, which was recorded as General and administrative expenses in the period September 14, 2022 to December 31, 2022. In consideration of the consulting services to be provided following the consummation of the Carlyle Merger, we agreed to pay \$2.5 million annually, payable quarterly. In consideration of any services, other than the consulting services as defined in the Consulting Services Agreement, that may be provided by the Consultant to us from time to time during the term of the agreement, the Consultant shall be entitled to receive such additional compensation as agreed upon by us and the Consultant. The Consulting Services Agreement will continue in full force and effect for so long as (i) the Consultant and its affiliates collectively and beneficially own, directly or indirectly, at least ten percent of the outstanding voting securities of us, its Successor, or any Parent entity of us or such successor; and (ii) an officer, director, employee, associate or representative of the Consultant or any of its affiliates serves as a member of the board of directors or similar governing body of us, its successor, any Parent entity of us or such successor; provided that it may be terminated at any time by written notice to us from the Consultant.

16. Divestiture

On March 7, 2024, we completed the sale of our Defense Advanced Research Projects Agency programs and select National Reconnaissance Office programs. The sale price was \$86.4 million, which included a finalized working capital adjustment. We received cash of \$70.0 million at close and \$1.6 million for the settlement of working capital adjustment. The remaining \$15.0 million is payable upon the completion of the novation process for certain contracts. We recorded a loss on the sale of \$0.4 million, which included \$1.9 million of transactions costs and is in Other income (expense), net on our Consolidated Statements of Loss for the year ended December 31, 2024. For the year ended December 31, 2023, we incurred costs of \$0.7 million related to the sale process, which is included in General and administrative expenses on our Consolidated Statements of Loss. The divestiture did not qualify to be presented as discontinued operations as it does not represent a strategic shift that would have a major effect on our operations and financial results.

The following table includes the assets and liabilities divested with the sale (in thousands):

	Successor
Receivables	\$ 15,690
Goodwill	47,254
Other intangible assets	31,799
	<u>\$ 94,743</u>
Accounts payable	\$ 6,071
Accrued salaries and related expenses	3,410
Contract liabilities	279
Other current liabilities	83
	<u>\$ 9,843</u>

As of December 31, 2023, the assets and liabilities of the disposal group were classified as held for sale. The carrying amounts of the major classes of assets and liabilities included as part of the disposal group classified as held for sale are as follows (in thousands):

	Successor December 31, 2023
Goodwill	\$ 39,190
Other intangible assets	26,355
Receivables	11,527
Assets held for sale	<u>\$ 77,072</u>
Accounts payable	\$ 5,542
Accrued salaries and related expenses	2,625
Contract liabilities	80
Liabilities held for sale	<u>\$ 8,247</u>

17. Subsequent Event

We evaluated subsequent events for disclosure and recognition through February 26, 2025, which is the date the consolidated financial statements were available to be issued. We did not have any subsequent events requiring disclosure.