



# David N. Walker Chief Financial Officer and Treasurer First Quarter - Fiscal Year 2010

February 4, 2010





## Select Financial Data: Q1 FY10 Compared to Q1 FY09

(\$mm, except per share data)	Q1		Q1		% change
	FY '09	% Margin	FY '10	% Margin	
<b>Revenue</b>					
Operations	\$ 156.3		\$ 188.8		21%
Consulting	13.4		13.6		1%
<b>Total</b>	<b>169.7</b>		<b>202.4</b>		<b>19%</b>
<b>Operating Income (Loss)</b>					
Operations	\$ 21.0	13.4%	\$ 24.0	12.7%	
Consulting	(0.3)	(2.3%)	1.0	7.1%	
Other	(0.2)	nm	(0.2)	nm	
Segment operating income subtotal	20.5	12.1%	24.8	12.3%	
Legal and settlement expense	-	nm	(0.7)	nm	
<b>Total operating income</b>	<b>20.5</b>	<b>12.1%</b>	<b>24.1</b>	<b>11.9%</b>	
<b>Net Income - Continuing Operations</b>	<b>12.5</b>		<b>14.6</b>		
<b>Net Income - Discontinued Operations</b>	<b>(0.5)</b>		<b>(2.0)</b>		
<b>Net Income</b>	<b>12.0</b>		<b>12.6</b>		<b>6%</b>
Fully Diluted EPS - Continuing Ops	\$ 0.69		\$ 0.81		17%
Fully Diluted EPS - Discontinuing Ops	\$ (0.02)		\$ (0.11)		nm
Fully Diluted EPS - Total	\$ 0.67		\$ 0.70		4%
<b>Adjusted EPS - continuing ops, excluding legal</b>	<b>\$ 0.69</b>		<b>\$ 0.83</b>		<b>20%</b>

### Key Highlights:

Strong Q1 results driven by better-than-expected financial performance in international employment services operations

Revenue up \$19.2%; 13.3% on a constant currency basis

International work represents 25% of total revenue

Company operating margin of 12.3%

Strong adjusted EPS from continuing operations of \$0.83

8K filing last week: \$2.2m net after-tax charge included in discontinued operations for contract transfer

*Note: Numbers are rounded for presentation purposes*



## Operations Segment

### First Quarter Revenue

- Operations Segment revenue grew 20.7% to \$188.7 million compared to last year
- On a constant currency basis, revenue grew 14.2%

### First Quarter Operating Income

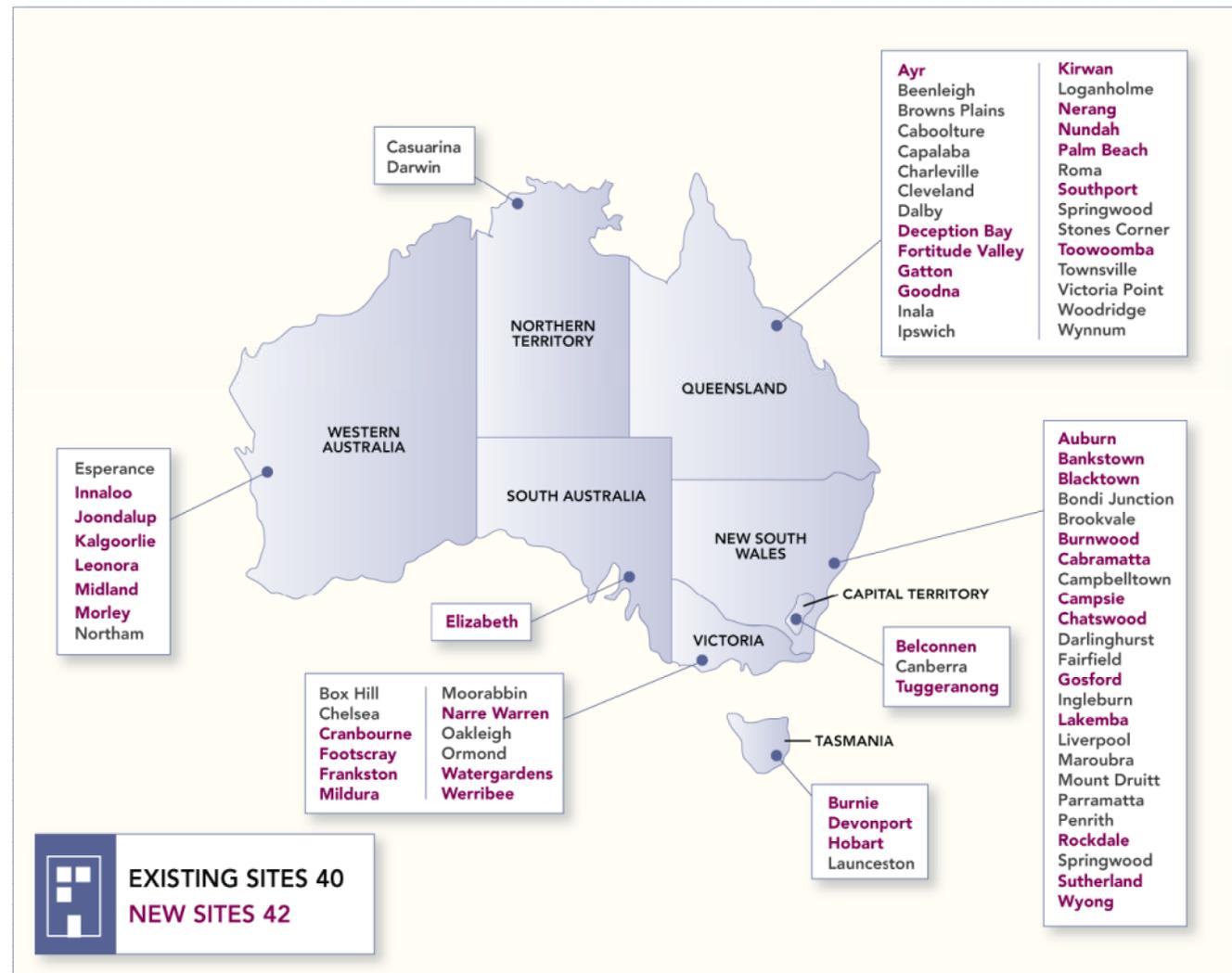
- Operations Segment operating income of \$24.0 million
- Segment operating margin was 12.7%

Strong financial performance driven by employment services operations in Australia and the United Kingdom



## Australia Operations

- Geographic expansion
- Established presence; helped manage program growth
- 40% more cases than forecasted; repeatable, scalable process enabled us to absorb spike and created benefit of efficiencies
- Expect to sustain higher revenue driven by two new program awards for Green Jobs and Disability Employment Services. (Revenue of \$10m in FY10; start up will slightly dampen margin in Q2 FY10)
- New awards further demonstrate our operational success in meeting performance measures and solid brand recognition





## Performance on New UK Program

- Financial results better-than-expected
- New employment services program under the Government's Flexible New Deal
  - New program, difficult for client to predict caseload trends
  - Initially program did not produce contracted level of caseloads (cases have since picked up)
  - MAXIMUS was paid at the contracted level of cases and managed resources to the actual, lower caseload volume. This created a one-time benefit to the Company.
- Putting it all together
  - Q1 FY10 revenue in the UK was as expected and costs were lower (driven by lower cases); program nearly breakeven in Q1
  - Expect revenue in FY10 of approximately \$20 million (profitable in 2H FY10) and in FY11 expect revenue of approximately \$40 million and nicely profitable



## Consulting Segment

- First quarter revenue totaled \$13.6 million
- Operating income of \$970,000
- Operating margin of 7.1%
- Performance improved as the team focused on fundamentals
  - Labor utilization
  - Cost management
  - Better mix of work





## Balance Sheet & Cash Flow

- Healthy cash and cash equivalents totaling \$126.9 million at December 31, 2009
- Fourth quarter DSOs of 64 days
  - Benefited from large outstanding receivable that was collected in the quarter
- Generated exceptionally strong levels of cash in the first quarter
  - Strong earnings
  - Advance payments from contracts in Australia and the United Kingdom
- Cash provided by operating activities from continuing operations totaled \$48.8 million; free cash flow\* from continuing operations of \$42.2 million

\*The Company defines free cash flow as cash provided by operating activities, less property, plant and equipment and capitalized software



## MAXIMUS Share Repurchase Program

Date Executed	Total Shares Purchased	Total Cost
November - December 2009	186,801	\$8.7 million
January 2010	91,940	\$4.5 million
<b>Total</b>	<b>278,741</b>	<b>\$13.2 million</b>

- MAXIMUS purchased 186,801 shares during the first quarter
- At December 31, 2009, approximate \$49 million remained available under Board-authorized stock repurchase plan
- In January, another 91,940 shares were purchased

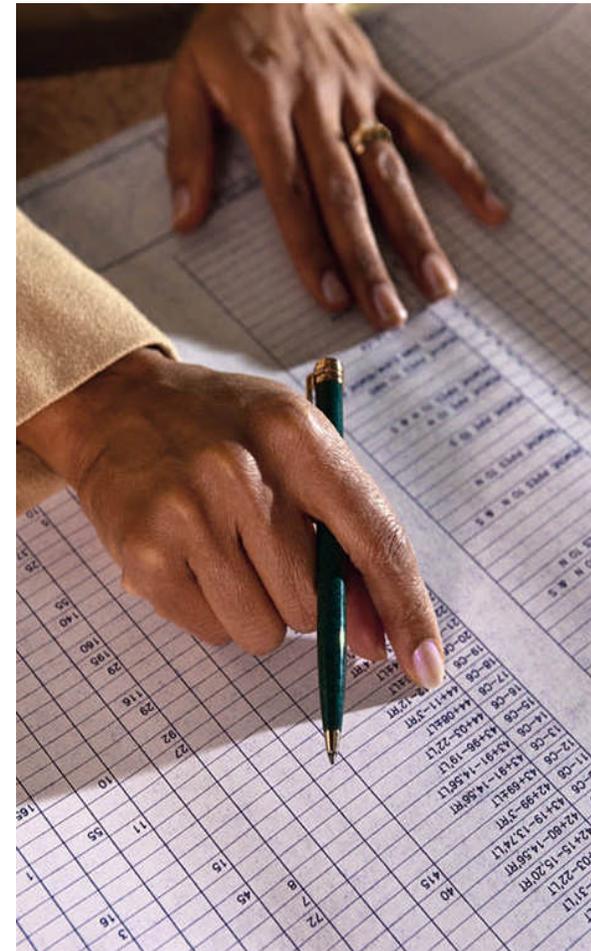


## Raising FY 2010 Guidance From Continuing Operations

Updated FY 2010 guidance from continuing operations

	<b>FY 2010E</b>	<b>FY 2009A</b>	<b>Growth %</b>
<b>Revenue</b>	\$830 - \$850 million	\$717 million	16% - 19%
<b>Adjusted EPS</b>	\$3.35 - \$3.45	\$2.91	15% - 19%

For the second quarter, we expect adjusted diluted EPS to be in-line with consensus of approximately \$0.70 due to timing of start-ups and volume fluctuations





# Richard A. Montoni President and Chief Executive Officer First Quarter - Fiscal Year 2010

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## A Commitment to Deliver Shareholder Value

- **Operational Focus** - Focused on health and human services program administration and divested non-core operations
- **Profitable Growth and Solid Execution** - Pursued new revenue streams within refined core business that offered more favorable terms and increased visibility through long-term recurring revenue
- **Client Diversification and Geographic Expansion** - Diversified our revenue and client base to benefit from a broader range of opportunities, both domestically and abroad

*Strong first quarter financial results are confirmation that our strategy is working as we aim to deliver long-term shareholder value.*

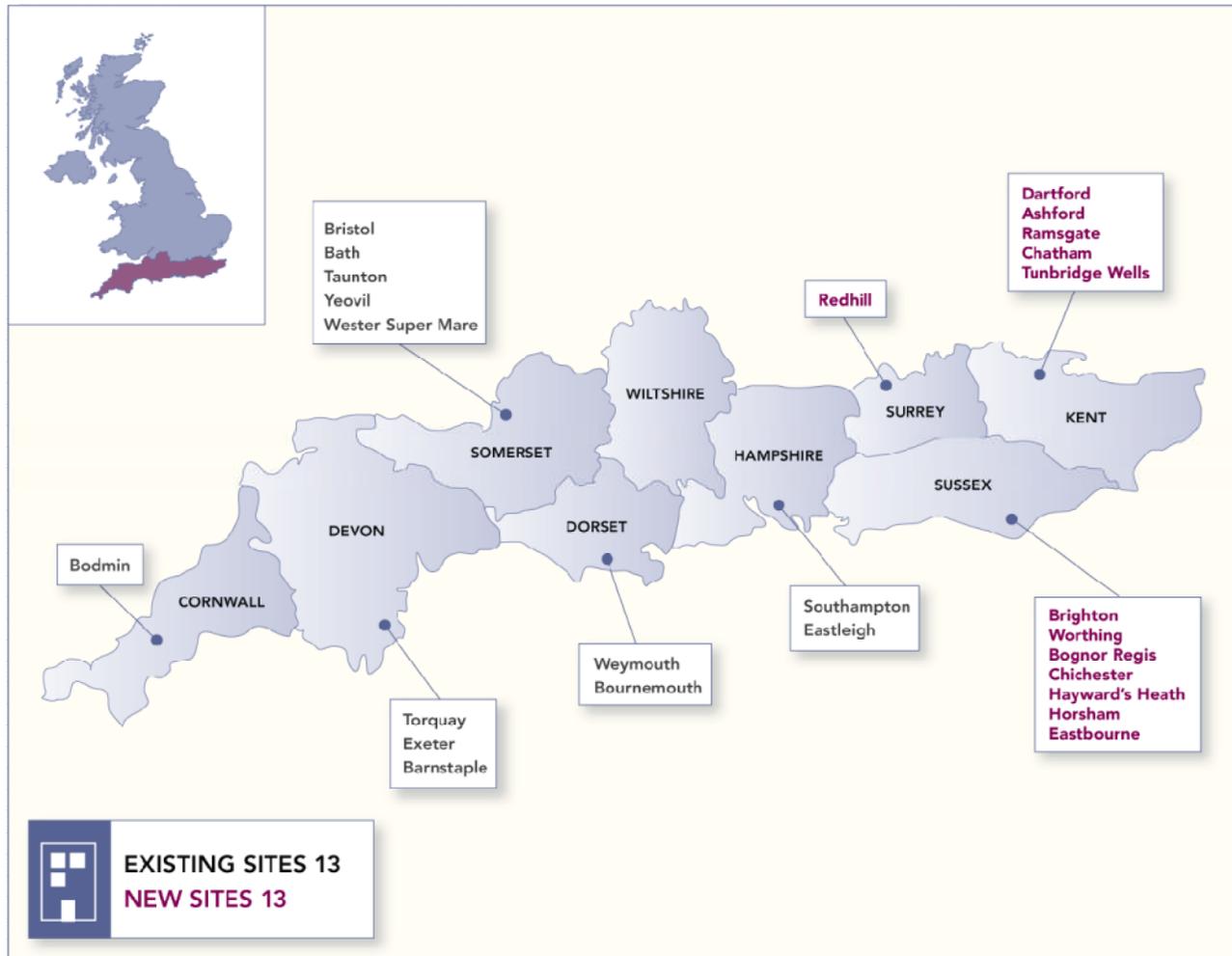


## International Market Strategy

- International revenue now represents 25% of our business mix
- International market strategy largely an extension of domestic strategy
  - Helping foreign governments manage the delivery of public health and human services programs
  - Governments around the world are contending with similar social issues: increasing healthcare needs, long-term care with aging populations, employment services, rising caseloads
- International go-to-market approach is deliberate and cautious
  - Focused on stable countries, with favorable labor laws and currencies
  - Actively managing the risk profile, applying the same stringent criteria we rely on domestically
  - More selective in our bidding strategies, passing on bids that do not meet our criteria of risk management, defined scope, and profitable growth

*The cornerstone of our international strategy is **Land, Execute, and Expand.** We enter a market, gain a foothold, and grow the business by filling a need with our core capabilities.*

## Land, Execute, Expand – UK Market Example



- Dispatched a combined team from the U.S. and Australia more than a year ahead of the bid to search for acquisition targets
- The team found the right target, developed relationships, and pre-marketed our capabilities
- Operations in the UK trending in the right direction and benefitting from early efforts and investments
- Ready to pursue additional opportunities in this market



## International Operations

- Recently visited several MAXIMUS locations in the UK and Australia
  - Several productive meetings with government officials in the agencies we serve
  - Governments trying to adopt new ways to deliver service more efficiently and effectively
- Spent time with on-the-ground leadership teams
  - Native Australian Michael Hobday has led these operations for the past five years
  - Local management teams able to navigate market-specific issues, while tapping into the resources of the entire MAXIMUS organization
- Pursuing additional work and new opportunities internationally
  - Received new incremental work in Australia for the Green Jobs and Disability programs
  - Actively marketing several new core opportunities in Australia, the UK, and Canada

*Our experience and knowledge across geographic markets allows us to deploy the same rigor and discipline in any location, ensuring a smooth start up and long-term success.*



## Domestic Operations

- **Stable demand; opportunities offsetting any softness in the market**
  - In fiscal 2009, we estimated that project reductions from state budget pressures only impacted 1.5% of our total revenue base
  - State governments likely to continue to wrestle with budgetary pressures but demand remains resilient because of the critical nature of our services and the fact that a large percentage is federally mandated
- **Gaining traction in adjacent domestic markets**
  - Recently received notice of award to provide enrollment assistance for individuals with disabilities seeking long-term care services
  - Award is in a state where we already serve as the Medicaid enrollment broker (land & expand)
  - An important first step into a new and exciting market in which states are adapting to new ways to deal with populations that need long-term care
  - We hope to pursue similar opportunities to help agencies improve quality care while better managing the cost of providing services to a growing subset of the Medicaid population



## Domestic Legislative Trends

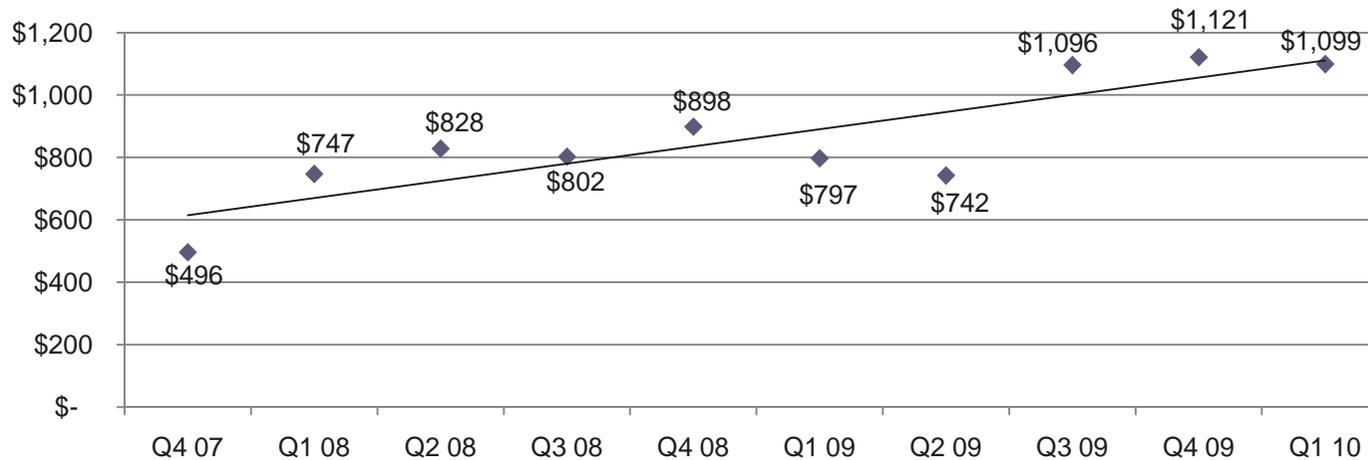
- Governments will continue to require our services to meet ever changing demographics and increasing demands
  - Health care reform is a long-term process; whether sweeping legislation or smaller components, governments must still be able to respond in an efficient and cost-effective manner
  - As a leading provider in the administration of public health programs, we are ready to meet this demand no matter how the reform ultimately plays out
- In the near term, the proposal to freeze the federal budget does not include entitlement programs and will not have a material impact on MAXIMUS
  - Administration remains focused on programs that help low-income and middle class individuals
  - Believe demand for our services remains strong

*We expect to benefit from trends that favor new service delivery models that address financial challenges that governments face and help them meet programmatic goals.*



## Sales and Pipeline

**MAXIMUS Trailing Twelve-Month Sales (Signed)**  
(\$ in millions)



<b>Pipeline</b>	<b>Q1 2009*</b>	<b>Q1 2010*</b>
Proposals Pending	\$517M	\$299M
Proposals in Preparation	\$237M	\$60M
RFPs Tracking	\$488M	\$1,277M
<b>Total Pipeline</b>	<b>\$1,242M</b>	<b>\$1,636M</b>

\*Restated to reflect divested businesses and ERP



## Cash Position

- Continue to maintain healthy levels of cash
- Cash deployment strategy focused on a mix of options, including investments in organic growth, tuck-in acquisitions, and returning cash to shareholders
- Resumed our board-authorized share repurchase program; remain committed to realizing shareholder value
- Strong cash flows enables us to remain active with the stock repurchase program while maintaining a strong balance sheet with no debt



## Conclusion

- Solid first quarter results driven by stronger-than-expected contribution from international operations and consistent solid performance in domestic business
- Benefiting from our strategy of operational focus, profitable growth, solid execution, client diversification, and geographic expansion
- Focused on allocating our resources to maximize returns and drive targeted growth in all of our global markets
- We look forward to helping clients worldwide adopt new ways to deal with increasing demands and meet the needs of their constituents