maximus

Fiscal 2024 First Quarter Earnings Call

David Mutryn

Chief Financial Officer

February 8, 2024

Forward-looking Statements & Non-GAAP Information

These slides should be read in conjunction with the Company’s most recent quarterly earnings press release, along with listening to or reading a transcript of the comments of Company management from our most recent quarterly earnings conference call.

This document may contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. For a reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document, see the Company’s most recent quarterly earnings press release.

Included in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "opportunity," "could," "potential," "believe," "project," "estimate," "expect," "forecast," "strategy," "future," "likely," "may," "should," "will," and similar references to future periods.

Forward-looking statements that are not historical facts, including statements about our confidence, strategies and initiatives and our expectations about revenues, results of operations, profitability, liquidity, market demand are forward-looking statements that involve risks and uncertainties.

These risks could cause the Company’s actual results to differ materially from those indicated by such forward-looking statements. A summary of risk factors can be found in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2023, which was filed with the Securities and Exchange Commission (SEC) on November 16, 2023.

Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Throughout this presentation, numbers may not add due to rounding.

maximus

Total Company Results – First Quarter of FY24

($ in millions, except per share data)	Q1 FY24	Q1 FY23	% Change
Revenue			
U.S. Federal Services	$ 677.1	$ 618.2	*9.5 %*
U.S. Services	489.8	439.5	*11.5 %*
Outside the U.S.	160.1	191.6	*(16.4)%*
Total Revenue	**$ 1,327.0**	**$ 1,249.2**	*6.2 %*
Operating Income			
U.S. Federal Services	$ 68.8	$ 51.0	*34.8 %*
U.S. Services	66.1	37.8	*75.0 %*
Outside the U.S.	(0.1)	10.1	*nm*
Other	(2.9)	(0.6)	*nm*
Adjusted Operating Income (Non-GAAP)	**$ 131.9**	**$ 98.3**	*34.2 %*
Divestiture-related charges	(1.0)	-	*nm*
Intangibles amortization	(23.3)	(23.5)	*(0.7)%*
Total Operating Income	**$ 107.5**	**$ 74.8**	*43.8 %*
Operating Margin %	**8.1 %**	**6.0 %**	
Adjusted Operating Margin %	**9.9 %**	**7.9 %**	
Interest expense	$ 21.5	$ 21.6	*(0.5)%*
Effective Tax Rate	*25.0 %*	*25.2 %*	
Net Income	$ 64.1	$ 40.0	*60.4 %*
Diluted EPS	**$ 1.04**	**$ 0.65**	*60.0 %*
Adjusted Diluted EPS (Non-GAAP)	**$ 1.34**	**$ 0.94**	*42.6 %*

- Revenue increased 6.2%, or 6.9% on an organic growth basis, driven by expanded programs in U.S. Federal Services and both resumed and expanded programs in U.S. Services
- Q1 FY24 adjusted operating margin was 9.9% and adjusted EPS was $1.34; results exceeded the company's expectations due to good performance across the segments

maximus

U.S. Federal Services Segment

- Revenue increased 9.5%, which was all organic and due predominantly to volume growth expanded programs, including the VA Medical Disability Examination (MDE) contracts
- Q1 FY24 margin of 10.2% aligned to expectations in which the profile of the segment margin improves across FY24
- Reminder: Q1 FY23 margin reflected hiring in advance of VA MDE volumes that are now being realized

($ in millions)	Q1 FY24	Q1 FY23	*% Change*
Revenue			
U.S. Federal Services	$ 677.1	$ 618.2	*9.5 %*
Operating Income			
U.S. Federal Services	$ 68.8	$ 51.0	*34.8 %*
Operating Margin %	***10.2 %***	***8.3 %***	

maximus

U.S. Services Segment

- Revenue increased 11.5%, which was all organic and driven by both the resumption of Medicaid redetermination activities and expanded programs in eligibility support
- Q1 FY24 margin of 13.5% is likely high water mark for FY24 due to redetermination surge; slight margin normalization expected for remainder of the year (see guidance slide)
- Reminder: Q1 FY23 margin reflected paused redetermination activities, which have a disproportionate impact to the bottom line

($ in millions)	Q1 FY24	Q1 FY23	*% Change*
Revenue			
U.S. Services	$ 489.8	$ 439.5	*11.5 %*
Operating Income			
U.S. Services	$ 66.1	$ 37.8	*75.0 %*
Operating Margin %	***13.5 %***	***8.6 %***	

maximus

Outside the U.S. Segment

- Revenue decreased by 16%; approximately 7% of the decline was from divested businesses and the remaining 9% was due to a combination of slightly lower employment services volumes and currency impacts
- Segment broke even for Q1 FY24; we remain focused on expedited efforts to reduce volatility and yield a portfolio capable of consistent profitability
- Remainder: Q1 FY23 margin reflected healthier employment services volumes

($ in millions)	Q1 FY24	Q1 FY23	*% Change*
Revenue			
Outside the U.S.	$ 160.1	$ 191.6	*(16.4)%*
Operating Income/(Loss)			
Outside the U.S.	$ (0.1)	$ 10.1	*nm*
Operating Margin %	***(0.1)%***	***5.3 %***	

maximus

Debt, Cash Flows, and Capital Allocation

Cash Flows & DSO

$ in millions		Q1 FY24	*FY24 Guidance*
Cash provided by operating activities	$	21.6	
Purchases of property and equipment and capitalized software costs		(22.2)	
Free cash flow	**$**	**(0.6)**	*$300M - $350M*

- Q1 FY24 cash flows were expected and due to seasonality of timing around payments typical for the first quarter
- Collections were on target as reflected by DSO of 59 days at December 31, 2023
- Free cash guidance for FY24 is increasing for the remaining quarters (see guidance slide)

Debt

- At December 31, 2023, the ratio of debt, net of allowed cash, to EBITDA on TTM basis, as calculated in accordance with credit agreement, was 2.1x as compared to 2.2x in the prior quarter; at December 31, 2023, total debt was $1.32 billion

Capital Allocation

- Priorities are maintaining dividend that grows with earnings and strategic acquisitions intended to accelerate organic growth; the M&A program remains active and the company is opportunistic on future deals coming to market
- In the meantime, the company plans to continue to de-lever and build capacity

maximus

Raising Fiscal Year 2024 Guidance

Fiscal 2024 Guidance	**Updated**	*Previous*
Revenue	**$5.05B - $5.20B**	*(no change)*
Adjusted operating income	**$503M - $528M**	*$488M - $513M*
Adjusted diluted EPS	**$5.20 - $5.50**	*$5.05 - $5.35*
Free cash flow	**$300M - $350M**	*$290M - $340M*

FY24 Guidance Reconciliation

($ in millions except per share items)		*Low End*		*High End*
Operating income	$	414	$	439
Add: amortization of intangible assets		88		88
Add: divestiture-related charges		1		1
Adjusted operating income	$	503	$	528
Diluted EPS	$	4.13	$	4.43
Add: effect of amortization of intangible assets on diluted EPS		1.06		1.06
Add: divestiture-related charges		0.01		0.01
Adjusted diluted EPS	$	5.20	$	5.50
Cash flows from operating activities	$	390	$	440
Remove: purchases of property and equipment and capitalized software costs		(90)		(90)
Free cash flow	$	300	$	350

- Improved outlook results from higher margin expectations driven by strong volumes on the portfolio of performance-based contracts and disciplined cost management
  - Midpoint of FY24 earnings guide implies 10.0% adjusted full-year margin as compared to 9.8% from prior guidance
  - Improved margin trend means Q3 and Q4 FY24 margins should be above 10%
- FY24 segment margin commentary:
  - U.S. Services Segment: toward high end of 11 – 12% on full-year basis, and 11 – 12% in remaining 3 quarters which includes post-redetermination surge
  - U.S. Federal Segment: 11 – 12%
  - Outside the U.S.: slightly above breakeven
- Other FY24 assumptions:
  - Interest expense: approximately $73 million
  - Intangibles amortization expense: $88 million
  - Effective income tax rate: 24.5% – 25.5%
  - WASO: 62.0 million – 62.2 million
- The company believes the business model is resilient in the face of negative outcomes from current U.S. federal government budget talks, with <3% of total company revenue impacted if temporary shutdown occurs, while overall Maximus strategy is squarely focused on areas of priority for government spend

maximus

maximus

Fiscal 2024 First Quarter Earnings Call

Bruce Caswell
President & Chief Executive Officer

February 8, 2024

Well-positioned to Mitigate Macro-environmental Risks

Established entitlement programs are resilient and foundational to our business
- Demonstrated with latest open enrollment for Affordable Care Act (ACA): 21 million enrollments for the 2024 plan year
- Veteran benefits: core non-discretionary spending obligation receives broad bipartisan support

Continuing to optimize organization and rethink delivery model
- Maximus Forward driving focus to improved employee retention, which will ultimately reduce costs and improve quality on programs
- Driving efficiencies and gaining greater access to global talent

Technology modernization is priority area and well-supported by durable Federal spending drivers
- Modernization trend will continue and transcend political administrations as government systems age and the complexity of challenges increase

Strong balance sheet, giving us capacity to make strategic investments
- Robust cash flows, healthy assets, and an appropriate amount of debt

Stability from healthy core business
- $5 billion of successful rebid wins in FY23
- Backlog of $20.7 billion at September 30, 2023, over four times our trailing revenue at that time
- Few rebids in FY24 gives increased line of sight to future revenues

maximus

Technology Modernization & Evolution

Chief Digital and Information Officer (CDIO)

- Position marks our evolution from a more traditional CIO role and demonstrates our ongoing commitment to technology modernization
- Derrick Pledger will serve as a catalyst for leveraging digital tools and data to drive business growth while maintaining a resilient and dependable IT foundation
- Our IT and operations teams will deepen collaboration with our government clients to harness data in a manner that optimizes processes and improves the citizen experience – a priority for all government agencies

Advancements in Artificial Intelligence

Agent Training

- Simulations that will allow employees to learn in a safe space, using real life examples
- Time to train new employees will shrink by several days

Agent Assist

- Offers agents solutions to questions as they are raised by the consumer, reducing need to search for information while carrying out the call
- Will reduce wait times, improve first call resolution, and enhance the citizen engagement experience

maximus

New Awards & Pipeline

As of December 31, our book-to-bill ratio was approximately 1.2x (TTM basis)

New Awards (YTD)	December 31, 2023
Signed Contracts	$422 million
Unsigned Contracts	$802 million

$37.7B **total pipeline** of sales opportunities

77% new work

57% U.S. Federal Services Segment

$933M Proposals pending

$1.01B Proposal in preparation

$35.7B **Opportunities tracking**

Closing Remarks

- **Pleased with the performance** of the business during this past quarter
- Progressing toward our **established targets of 10-14%** total company adjusted operating income margin and mid-single digit organic growth
- FY24 forecasts for the U.S. Services and Federal Services segments place us **comfortably within the 11-14% and 10-12%** adjusted operating income targets we established
- With strong tailwinds, a well-performing core business, a healthy balance sheet, and long-term programs with proven resilience, we are **well positioned for continued execution** on our three-to-five-year strategy
- Transformational leadership driving greater technology innovation, and employee-driven initiatives to **grow and retain talent**
- Carrying **strong momentum** into future periods

maximus