Fiscal 2024 Third Quarter Earnings Call

David Mutryn
Chief Financial Officer

August 8, 2024

Forward-looking Statements & Non-GAAP Information

These slides should be read in conjunction with our most recent quarterly earnings press release, along with listening to or reading a transcript of management comments 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.

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Total Company Results – Third Quarter of FY24

($ in millions, except per share data)	Q3 FY24	Q3 FY23	% Change
Revenue			
U.S. Federal Services	$ 683.3	$ 584.0	*17.0 %*
U.S. Services	472.3	449.1	*5.2 %*
Outside the U.S.	159.3	155.7	*2.3 %*
Total Revenue	**$ 1,314.9**	**$ 1,188.7**	*10.6 %*
Operating Income			
U.S. Federal Services	$ 106.1	$ 74.1	*43.3 %*
U.S. Services	61.5	47.0	*30.8 %*
Outside the U.S.	(1.4)	(15.2)	*nm*
Other	(0.9)	(24.0)	*nm*
Adjusted Operating Income (Non-GAAP)	**$ 165.3**	**$ 81.8**	*102.0 %*
Divestiture-related charges	-	-	*nm*
Intangibles amortization	(23.5)	(23.4)	*0.5 %*
Total Operating Income	**$ 141.7**	**$ 58.4**	*143.0 %*
Operating Margin %	**10.8 %**	**4.9 %**	
Adjusted Operating Margin %	**12.6 %**	**6.9 %**	
Interest expense	$ 20.6	$ 21.0	*(2.2)%*
Effective Tax Rate	*25.4 %*	*15.1 %*	
Net Income	$ 89.8	$ 30.9	*191.0 %*
Diluted EPS	**$ 1.46**	**$ 0.50**	*192.0 %*
Adjusted Diluted EPS (Non-GAAP)	**$ 1.74**	**$ 0.78**	*123.0 %*

- Revenue increased 10.6%, or 11.2% on an organic basis
- All three segments posted organic growth with U.S. Federal Services being the primary driver in the quarter
- Q3 FY24 adjusted operating margin was 12.6% and adjusted EPS was $1.74
- Strength of earnings this quarter driven by exceptional performance across both domestic segments
- Reminder: Q3 FY23 contained cybersecurity incident that reduced earnings by $0.26

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U.S. Federal Services Segment

- Revenue increased 17.0%, which was all organic and driven predominantly by volume growth on expanded clinical programs
- Q3 FY24 margin of 15.5% reflects our focus on solid execution in a period of high demand, particularly in the assessment space
  - Higher margin also reflects a temporarily favorable mix of lower cost-plus revenue and higher performance-based revenue

($ in millions)	Q3 FY24	Q3 FY23	*% Change*
Revenue			
U.S. Federal Services	$ 683.3	$ 584.0	*17.0 %*
Operating Income			
U.S. Federal Services	$ 106.1	$ 74.1	*43.3 %*
Operating Margin %	***15.5 %***	***12.7 %***	

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U.S. Services Segment

- Revenue increase of 5.2% was all organic and due to strong performance across the Medicaid-related portfolio. A portion were excess volumes from the now-completed unwinding exercise
- Q3 FY24 margin of 13.0% reflects slight normalization in the segment margin versus last quarter's 14%, though this quarter still contained some temporary over-performance from excess volumes
- Good state of health across the large base of programs following the temporary over-performance and unwind exercise this year

($ in millions)	Q3 FY24	Q3 FY23	% Change
Revenue			
U.S. Services	$ 472.3	$ 449.1	5.2 %
Operating Income			
U.S. Services	$ 61.5	$ 47.0	30.8 %
Operating Margin %	***13.0 %***	***10.5 %***	

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Outside the U.S. Segment

- Revenue increased by 2.3% with 6.8% organic growth that was partially offset by reduced revenue from divested businesses
- Segment realized a small operating loss in Q3 FY24 compared to a $15.2 million operating loss in Q3 FY23
- We are confident in our ability to continue shaping this segment within this fiscal year and note the organic growth in the segment this quarter was driven primarily by the U.K. and its more diversified base of business

($ in millions)	Q3 FY24	Q3 FY23	*% Change*
Revenue			
Outside the U.S.	$ 159.3	$ 155.7	*2.3 %*
Operating Income/(Loss)			
Outside the U.S.	$ (1.4)	$ (15.2)	*nm*
Operating Margin %	***(0.9)%***	***(9.8)%***	

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Debt, Cash Flows, and Capital Allocation

Cash Flows & DSO

$ in millions	Q3 FY24	YTD FY24	FY24 Guidance
Cash provided by operating activities	$ 199.3	$ 351.4	
Purchases of property and equipment and capitalized software costs	(34.7)	(82.2)	
Free cash flow	**$ 164.6**	**$ 269.2**	*$350M - $380M*

- Q3 FY24 cash flows were healthy building off our continued business momentum
- Collections were on target as reflected by DSO of 59 days at June 30, 2024
- Free cash flow guidance for FY24 is increasing again from last quarter's raise (see guidance slide)

Debt

- At June 30, 2024, the ratio of debt, net of allowed cash, to EBITDA on TTM basis, as calculated in accordance with credit agreement, was 1.5x as compared to 1.7x in the prior quarter; at June 30, 2024, total debt was $1.16 billion

Capital Allocation

- We were able to de-lever to 1.5 times one quarter earlier than our end-of-FY24 goal
- The share repurchase program is opportunistic in nature; in the third quarter, we repurchased nearly $51 million worth of shares at an average price of $82.79 per share

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Raising Fiscal Year 2024 Guidance

Fiscal 2024 Guidance	Updated	*Previous*
Revenue	**$5.25B - $5.35B**	*$5.15B - $5.25B*
Adjusted operating income	**$570M - $590M**	*$540M - $560M*
Adjusted diluted EPS	**$6.00 - $6.20**	*$5.65 - $5.85*
Free cash flow	**$350M - $380M**	*$330M - $370M*

FY24 Guidance Reconciliation

($ in millions except per share items)		*Low End*		*High End*
Operating income	$	479	$	499
Add: amortization of intangible assets		90		90
Add: divestiture-related charges		1		1
Adjusted operating income	$	570	$	590
Diluted EPS	$	4.90	$	5.10
Add: effect of amortization of intangible assets on diluted EPS		1.09		1.09
Add: divestiture-related charges		0.01		0.01
Adjusted diluted EPS	$	6.00	$	6.20
Cash flows from operating activities	$	460	$	490
Remove: purchases of property and equipment and capitalized software costs		(110)		(110)
Free cash flow	$	350	$	380

- Third consecutive raise to FY24 guidance
  - Midpoint of FY24 revenue is up $100 million from prior guidance and implies ~9% organic growth over FY23
  - New FY24 earnings guidance midpoints imply adjusted operating margin of ~11.0%, up from 10.6% in prior guidance
- FY24 commentary
  - Q4 FY24 earnings expected to be more balanced and representative of the typical profile of the business, especially as compared to the extraordinary results this third quarter
  - U.S. Federal Segment full-year margin expected to be ~12.5%; U.S. Services Segment full-year margin expected to be ~13%; Outside the U.S. Segment remains on track to be slightly above breakeven for the full year
- Other FY24 assumptions
  - Interest expense: approximately $80 million
  - Intangibles amortization expense: $90 million
  - Effective income tax rate: 24.5% – 25.5%
  - WASO: ~61. 5 million

Fiscal Year 2025 Early Thoughts

- FY25 revenue may look similar to latest revenue guidance for FY24
  - Significant over-performance in FY24 has led to consecutive guidance raises, which is atypical for our business
  - The business targets mid-single digit organic growth over the longer term; FY23 was 7% and FY24 guidance midpoint is 9%
  - Revenue guidance raise across FY24 totals $175M; more than half the amount not expected to recur next year
    - Most notably higher volumes associated with redeterminations in the U.S. Services segment
  - FY25 early view implies sufficient organic growth to replace the non-recurring component
- FY25 earnings should reflect ongoing stability and strength of the business
  - Earnings guidance raise across FY24 totals $0.90 per share; a sizeable portion of that amount is attributable to over-performance and not expected to recur
  - In FY25, continued performance optimization, Outside the U.S. improvement, and lower interest expense give us confidence that we could at least partially (or perhaps fully) cover the non-recurring earnings component
  - Anticipate achieving at least 10% adjusted operating income, recognizing ~11% implied adjusted margin in FY24 is bolstered by the non-recurring work
- FY25 guidance to be provided on November year-end call per normal practice

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Fiscal 2024 Third Quarter Earnings Call

Bruce Caswell
President & Chief Executive Officer

August 8, 2024

Revenue Growth

IRS

$87 million, 5-year POP; Designing and developing functional and technical enhancements for the agency's Internal Operations & Accounting program.

$171 million, 6-year POP; Award recognizes our high technical qualifications and illustrates the value proposition we often discuss on acquisition rationale.

$263 million, 5-year POP; Rebid with new scope element supporting our contact center agents with technologies that should increase efficiencies in the enrollment process - ultimately providing a better experience for the consumer.

FEMA

$75 million potential, seasonal contract; Nearly 700 skilled agents will be answering calls and accepting applications from those impacted by recently declared Federal disasters, with a focus on those affected by Hurricane Beryl in Texas.

Growth Elements for the Future

- The Contact Center as a Service (or CCaaS) capability that our Total Experience Management (TXM) solution provides will be an added differentiator for Maximus as governments seek single providers to deliver secure, scalable, cloud-based solutions to serve employees and citizens.
- We are also encouraged about the growing transition to modular solutions supporting delivery of state Medicaid programs — an area we term Medicaid Enterprise Systems (or MES) in our U.S. Services Segment. Our MES solutions support the goal of "best-in-class" technology for specific Medicaid functions. With a deep understanding of Medicaid systems and policy, we are well-positioned to support our state clients as they make this transition.
- States are acknowledging the benefits of bringing together assessment programs that have been historically disparate. We are working closely with our customers to consolidate assessment programs with the goal of a far better experience for the consumer and increased quality and efficiency for the state.
- A greater number of states are interested in establishing their own state-based exchanges.

New Awards & Pipeline

Book-to-bill reflects, in part, a lower-than-normal period of rebid activity. Our rebid win rates remain at historic levels near 90%.
We anticipate our book-to-bill to remain below one through the end of our fiscal year, and expect to see it rise again as the volume of adjudications, both rebids and new work, is expected to increase over the next 12 months.

New Awards (YTD)	June 30, 2024
Signed Contracts	$1.3 billion
Unsigned Contracts	$398 million
Book-to-Bill ratio (TTM)	0.6x

$44.1B **total pipeline** of sales opportunities

55% new work

62% U.S. Federal Services Segment

$2.9B Proposals pending

$7.3B Proposal in preparation

$33.8B **Opportunities tracking**

Election Year Impact

We have a demonstrated history of delivering strong financial results under both parties.

Election year may create an environment in which we are navigating many cross-currents, driven by changes in policies and administrations, making for a more dynamic management environment for our business and industry.

A hallmark of the Maximus business model is our ability to navigate periods of volatility and view them as opportunities to demonstrate capabilities to best serve citizens.

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Recent Recognition:

TIME Magazine America's Best Companies 2024

The award recognizes companies based on three elements:
– **employee satisfaction**
– **revenue growth**
– **transparency of sustainability efforts**

This recognition from TIME underscores Maximus' role as a leader among America's midsize companies.

Congratulations to the entire team at Maximus

for achieving this milestone!

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