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Fiscal 2025 First Quarter Earnings Call

Bruce Caswell
President & Chief Executive Officer

February 6, 2025

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, 2024, filed on November 21, 2024.

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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Q1 Highlights

Contact Center Operations (CCO) Contract

- In late November, the government withdrew the attempted early recompete of our contract with the Centers for Medicare and Medicaid Services.
- This clears the way for our current contract to continue operating, which we expect it to, through 2031, using the available option periods.

Veterans Evaluation Services Rebid Win

- We were successfully re-awarded the successor contracts for our VA Medical Disability Examination (MDE) work.
- These two-year contracts began on January 1 and enabled our support of the VBA and the veteran community to continue uninterrupted.

Divestiture in Outside the U.S. Segment

- Completed the divestiture of our employment services businesses in Australia and South Korea, delivering on our commitment to reshape this area of the business.
- This recent divestiture achieves an important goal of reducing volatility and is expected to improve profitability in the segment through fiscal year 2025 and beyond.

Expanded Share Repurchase Program

- Announced in mid-December, the Board of Directors authorized an increase of $200 million to our share repurchase program.
- From October 1, 2024, through January 31, 2025, we have repurchased approximately $290 million shares.

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Durable Business & Unique Position

- Already witnessed the **durability of our core business** during the new administration transition.
- Our portfolio is tied to **well-established entitlement programs** and others requiring mandatory spending that have broad, bipartisan support.
  - Medicare and Veterans Disability Benefits are prime examples
  - Recent events demonstrate their criticality to the government
- Beyond core programs, our earned reputation as **an efficient and accountable service provider** makes us well-equipped to respond to evolving needs and priorities.
- DOGE stated purpose of "modernizing Federal technology and software to maximize governmental efficiency and productivity" is well-aligned to demonstrated experience of Maximus in the areas of software development, network infrastructure, and IT systems.

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Established, Value-Add Partner to Medicaid Customers

- Federal Medicaid spending faces potential changes, including Federal Medical Assistance Percentage (FMAP) reductions to per-person spending caps or block-grants.
- Potential state responses include accessing reserves or examining eligibility requirements.
- Considerations for our business:
  - Changes requiring consumer engagement (i.e. verifying eligibility) **generally increase our activity volume**, which is our dominant contracting model for state Medicaid programs.
  - In many of our largest states, we also administer state-based exchanges in which consumers may become enrolled when no longer eligible for Medicaid. This sustains our engagement with those consumers.
- Anticipate states will vary in approach to potential Medicaid policy changes, and **we see opportunity** to work collaboratively with them **to apply our deep experience to tailor solutions** to their different needs and desired outcomes.

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Recent Wins

We are pleased to have been selected by the Federal Reserve System to provide technology-enabled contact center services through our recently announced Total Experience Management (or TXM) solution. Total contract value of the award is $76 million over 9 years, with options, and is reported in our unsigned award balance at December 31, 2024.

We are also excited to announce a recent win at the National Energy Technology Laboratory (or NETL), part of the Federal Department of Energy. Valued at $123 million total contract value with a five-year period of performance, Maximus will provide expanded professional IT services to meet the business and research needs of the NETL in areas including High Performance Computing, AI/ML development, and ongoing Operations & Maintenance.

Our TXM solution leverages data insights and cost-effectively enables Federal agencies to reach citizens through a multi-channel, secure, cloud-based platform.

New Awards & Pipeline

When measured in the quarter, our book-to-bill is 1.5x.

This represents a healthy step-up from our book to bill at September 30 and tracks to our expectations for an improved metric in this fiscal year.

New Awards (YTD)	December 31, 2024
Signed Contracts	$2.1 billion
Unsigned Contracts	$410 million
Book-to-Bill ratio (TTM)	0.7x
Book-to-Bill ratio (Q1 FY25)	1.5x

$41.4B **total pipeline** of sales opportunities

57% new work

63% U.S. Federal Services Segment

$2.5B Proposals pending

$1.5B Proposals in preparation

$37.5B **Opportunities tracking**

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Innovation Woven into our Strategic Direction

AI & Data Accelerator

- Established by CDIO to providing the necessary resources, frameworks, and infrastructure to harness the full potential of AI across our operations.
- Designed to speed up the development and deployment of AI-driven solutions, from pilots to scale, while ensuring they adhere to our governance principles.
- Central to our strategy is our commitment to responsible AI development with solutions that are implemented ethically, transparently, and with accountability to government guidelines and regulations.

Maximus Ventures (CVC)

- Via our inaugural investment, we will be partnering with a company that is developing human-in-the-loop AI capabilities specific to clinical assessment services.
- Our objective is to support our clinicians in a manner that allows for fully auditable, timely, effective, and quality health assessments and evaluations.

We believe our unique positioning with federal and state governments makes us an attractive partner for innovative health technology companies and start-ups wishing to access these large markets where contract vehicles, relationships, and the complex nature of government contracting are challenging.

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David Mutryn
Chief Financial Officer

February 6, 2025

Total Company Results – First Quarter of FY25

($ in millions, except per share data)	Q1 FY25	*Margin*	Q1 FY24	*Margin*	*% Change*
U.S. Federal Services	$ 780.7		$ 677.1		*15.3 %*
U.S. Services	452.3		489.8		*(7.7)%*
Outside the U.S.	169.8		160.1		*6.0 %*
Total Revenue	**$ 1,402.7**		**$ 1,327.0**		*5.7 %*
U.S. Federal Services	$ 99.1	*12.7%*	$ 68.8	*10.2%*	*44.0 %*
U.S. Services	40.8	*9.0%*	66.1	*13.5%*	*(38.2)%*
Outside the U.S.	8.1	*4.8%*	(0.1)	*-0.1%*	*nm*
Intangibles amortization	(23.0)		(23.3)		*(1.3)%*
Divestiture-related charges	(38.3)		(1.0)		*nm*
Other	0.1		(2.9)		*nm*
Total Operating Income	**$ 86.8**	***6.2%***	**$ 107.5**	***8.1%***	*(19.3)%*
Intangibles amortization	$ 23.0		$ 23.3		*(1.3)%*
Divestiture-related charges	38.3		1.0		*nm*
Depreciation & amortization (PP&E/CapSW)	8.5		8.4		*0.5 %*
Adjusted EBITDA (Non-GAAP)	**$ 156.6**	**11.2%**	**$ 140.3**	**10.6%**	*11.6 %*
Interest expense	$ 17.5		$ 21.5		*(18.5)%*
Effective Tax Rate	*40.3 %*		*25.0 %*		
Net Income	$ 41.2		$ 64.1		*(35.8)%*
Diluted EPS	**$ 0.69**		**$ 1.04**		*(33.7)%*
Intangibles amortization per share	$ 0.28		$ 0.28		*- %*
Divestiture-related charges per share	0.64		0.02		*nm*
Adjusted Diluted EPS (Non-GAAP)	**$ 1.61**		**$ 1.34**		*20.1 %*

- Revenue increased 5.7%, or 6.3% on an organic basis:
  - Driven primarily by the U.S. Federal Segment
  - Outside the U.S. had double-digit organic growth, with 6.0% growth rate net of divestiture
- Adjusted EBITDA margin was 11.2% and adjusted EPS was $1.61 for Q1 FY25
- The sale of Australia and South Korea employment services businesses in the Outside the U.S. Segment resulted in divestiture-related charges:
  - Charges totaled ~$38 million, or $0.64 per share
  - Of the total charges, $21 million resulted from accumulated foreign exchange losses
  - Charges drove a higher Q1 FY25 tax rate

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U.S. Federal Services Segment

- Revenue increased by 15.3% and was all organic
- Growth drivers were across the portfolio, including clinical assessments, outsized volumes on other clinical programs, and customer service-type programs
- Q1 FY25 segment margin of 12.7% bolstered by the outsized volumes in other clinical programs which are not expected to carry through remainder of the fiscal year

($ in millions)	Q1 FY25	Q1 FY24	% Change
Revenue			
U.S. Federal Services	$ 780.7	$ 677.1	*15.3 %*
Operating Income			
U.S. Federal Services	$ 99.1	$ 68.8	*44.0 %*
Operating Margin %	***12.7 %***	***10.2 %***	

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U.S. Services Segment

- Revenue decreased by 7.7%
  - Q1 FY24 had outsized growth from the Medicaid-related portfolio; mostly excess volumes from the completed unwinding exercise
- The margin gap between comparative quarters is due to:
  - Q1 FY24 margin was enhanced by the excess volume
  - Q1 FY25 margin reflected seasonality that was anticipated in full-year outlook
- Full-year FY25 margin outlook for the segment is unchanged at ~11%

($ in millions)	Q1 FY25	Q1 FY24	*% Change*
Revenue			
U.S. Services	$ 452.3	$ 489.8	*(7.7)%*
Operating Income			
U.S. Services	$ 40.8	$ 66.1	*(38.2)%*
Operating Margin %	***9.0 %***	***13.5 %***	

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Outside the U.S. Segment

- Revenue increased by 6.0%
  - Organic growth was 10.7% and partially offset by divested revenue
- Q1 FY25 margin was 4.8% and reflects reduced volatility after completed divestitures
- Internal evaluation of the segment's performance will continue, though we believe prioritized shaping actions are now complete following the most recent divestiture

($ in millions)	Q1 FY25	Q1 FY24	*% Change*
Revenue			
Outside the U.S.	$ 169.8	$ 160.1	*6.0 %*
Operating Income/(Loss)			
Outside the U.S.	$ 8.1	$ (0.1)	*nm*
Operating Margin %	***4.8 %***	***(0.1)%***	

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Cash Flows & Balance Sheet

Cash flows & DSO

$ in millions		Q1 FY25	FY25 Guidance
Cash (used in)/provided by operating activities	$	(80.0)	
Purchases of property and equipment and capitalized software costs		(23.0)	
Free cash flow (Non-GAAP)	**$**	**(103.0)**	*$355M - $385M*

- Q1 FY25 negative cash flows had been expected from seasonality around timing of payments
- DSO's were 62 days

Share Repurchases & Debt

- Q1 FY25 share repurchases totaled 3.1 million shares for $237 million, and post-Q1 repurchases totaled 0.7 million shares for $53 million (total of $290 million repurchased); approx. $85 million remains under current Board of Directors authorization for future repurchases
- At December 31, 2024, the ratio of debt, net of allowed cash, to consolidated EBITDA on TTM basis, as calculated in accordance with credit agreement, was 1.8x as compared to 1.4x in the prior year; at December 31, 2024, total debt was $1.4 billion
- Higher debt ratio is a result of the share repurchase activity and remains below target 2 – 3x ratio
- Capital deployment priorities are unchanged

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Raising Fiscal Year 2025 Earnings Guidance

Fiscal 2025 Guidance	Updated	*Previous*
Revenue	**$5.2B - $5.35B**	*$5.275B - $5.425B*
Adjusted EBITDA margin	**Approx. 11.2%**	*Approx. 11%*
Adjusted diluted EPS	**$5.90 - $6.20**	*$5.70 - $6.00*
Free cash flow	**$355M - $385M**	*$345M - $375M*

($ in millions except per share items)	FY25 Guidance Reconciliation *Low End*	*High End*
Operating income	$ 405	$ 429
Add: amortization of intangible assets	92	92
Add: depreciation & amortization of PP&E and CapSW	43	43
Add: divestiture-related charges	38	38
Adjusted EBITDA	$ 578	$ 602
Revenue	$ 5,200	$ 5,350
Adjusted EBITDA Margin	11.1%	11.3%
Diluted EPS	$ 4.09	$ 4.39
Add: effect of amortization of intangible assets on diluted EPS	1.17	1.17
Add: divestiture-related charges	0.64	0.64
Adjusted diluted EPS	$ 5.90	$ 6.20
Cash flows from operating activities	$ 435	$ 465
Remove: purchases of property and equipment and capitalized software costs	(80)	(80)
Free cash flow	$ 355	$ 385

- FY25 revenue guidance crosswalk:

	FY25 Revenue
Previous Guidance (Midpoint)	**$ 5,350**
Outside the U.S. Divestiture	(100)
Other organic growth	25
Updated Guidance (Midpoint)	**$ 5,275**

- FY25 segment margin commentary:
  - U.S. Federal Segment: ~11.5%
  - U.S. Services Segment: ~11%
  - Outside the U.S. Segment: 3 – 5%
- Other FY25 assumptions:
  - Amortization of intangible assets expense: $92 million
  - Depreciation & amortization of PP&E and CapSW: $43 million
  - Interest expense: $75 million
  - Full-year effective income tax rate: 28 – 29%
  - WASO: ~58 million
- Tracking to business near term (following FY25) target for adjusted EBITDA margin of 10 – 13%

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