

August 8, 2013

maximus

MAXIMUS Reports Financial Results for Third Quarter of Fiscal 2013

- Company Reiterates FY 13 and Preliminary FY 14 Guidance -

RESTON, Va.--(BUSINESS WIRE)-- MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for its third quarter ended June 30, 2013.

Highlights for the quarter ended June 30, 2013 include:

- Revenue grew 26% to \$334.3 million for the third quarter of fiscal 2013 driven by organic growth.
- GAAP diluted earnings per share from continuing operations increased 38% to \$0.40 and adjusted diluted earnings per share from continuing operations increased 32% to \$0.41.
- Strong cash flows resulted in cash and cash equivalents that totaled \$187.9 million at June 30, 2013.
- Year-to-date signed contract awards totaled \$1.3 billion at June 30, 2013 and the sales pipeline remained strong at \$2.2 billion.
- The Company completed a two-for-one stock split effective June 28, 2013. All common stock and per share amounts have been adjusted for the stock split.
- Subsequent to quarter end, the Company announced the acquisition of Health Management Limited, establishing a UK foothold in the independent health assessment market.

Revenue for the fiscal 2013 third quarter increased 26% to \$334.3 million, compared to revenue of \$266.4 million reported for the same period last year, driven by new work and the expansion on existing contracts. Financial results in the quarter reflect solid organic growth across both segments. Revenue for the third quarter of 2013 grew 26% organically compared to the prior-year period.

Fiscal 2013 third quarter income from continuing operations, net of taxes, totaled \$28.0 million, or \$0.40 per diluted share, and included approximately \$0.01 of net legal, settlement and acquisition-related expenses. Excluding these costs, third quarter adjusted diluted earnings per share from continuing operations increased 32% to \$0.41 compared to \$0.31 reported for the same period last year. The year-over-year increase to earnings is attributable to accretive revenue growth. A reconciliation to this non-GAAP measure is included in the accompanying financial schedules.

“This morning’s financial results are right in line with our growth trajectory for the remainder of fiscal 2013 and set a solid platform for continued top- and bottom-line growth next fiscal year,” commented Richard A. Montoni, Chief Executive Officer of MAXIMUS. “MAXIMUS

continues to benefit from macro drivers and solid demand trends for our core health and human services. In the United States, we are pleased to have established a leading position in the first wave of health insurance exchange contracts, and remain optimistic about other long-term opportunities in other areas of health care reform. Internationally, the acquisition of Health Management has provided MAXIMUS with a strengthened position for future opportunities in the United Kingdom health market, supporting our international growth objectives as we expand our service offerings and our geographic footprint.”

Health Services Segment

Health Services Segment revenue for the third quarter of fiscal 2013 increased 28% to \$217.9 million compared to the same period last year, driven by favorable volumes in our health appeals business, organic growth from new work and expansion on existing programs. Health Services Segment operating income for the third quarter of fiscal 2013 increased 34% to \$34.4 million (15.8% operating margin) and benefitted from accretive revenue growth in our Federal appeals and transaction based-programs. This compares to \$25.7 million (15.1% operating margin) for the same period last year, which included a \$10.2 million change order that benefitted both revenue and profit.

Human Services Segment

Human Services Segment revenue for the third quarter of fiscal 2013 increased 21% to \$116.4 million compared to the same period last year, driven principally by the ongoing ramp-up in the United Kingdom as well as growth in other international operations. Human Services Segment operating income for the third quarter of 2013 increased 20% to \$11.0 million (9.5% operating margin) driven by accretive growth in operations outside the U.S. including the ongoing ramp-up in the UK, which offset lower margins in Australia. This compares to \$9.2 million (9.6% operating margin) for the same period last year, which included a net benefit of \$2.1 million on a fixed price contract.

Sales and Pipeline

Year-to-date signed contract awards at June 30, 2013 totaled \$1.3 billion compared to \$1.2 billion reported for the same period last year. New contracts pending (awarded but unsigned) totaled \$413 million.

Sales pipeline for the quarter ended June 30, 2013 was \$2.2 billion (consisting of \$278 million in proposals pending, \$158 million in proposals in preparation, and \$1.8 billion in opportunities tracking) and includes opportunities across multiple geographies and both segments. This is lower compared to \$3.4 billion in sales pipeline reported for the same period last year, due to opportunities converting into new sales. On a sequential basis, the pipeline is consistent with the second fiscal quarter of 2013.

Balance Sheet and Cash Flows

Cash and cash equivalents at June 30, 2013 totaled \$187.9 million. Subsequent to quarter end, \$71.4 million was used to acquire Health Management Limited. After this transaction, approximately 60% of the Company's cash and cash equivalents were held overseas. For the third quarter of fiscal 2013, cash provided by operating activities from continuing operations totaled \$49.7 million, with free cash flow of \$32.7 million. Days Sales Outstanding

(DSO) from continuing operations were 65 days and remain within the Company's previously stated range of 65 to 80 days.

On May 31, 2013, MAXIMUS paid a quarterly cash dividend of \$0.045 per share. On July 10, 2013, the Company announced a \$0.045 per share cash dividend, payable on August 30, 2013 to shareholders of record on August 15, 2013.

MAXIMUS repurchased 329,800 shares of the Company's common stock for \$12.4 million during the third quarter of fiscal 2013. At June 30, 2013, the Company had \$102.2 million available for future repurchases under its Board-authorized share repurchase program.

Outlook

MAXIMUS is reiterating its fiscal 2013 revenue, earnings and cash flow guidance. The Company continues to expect fiscal 2013 revenue to range between \$1.26 billion and \$1.31 billion and diluted earnings per share from continuing operations to range between \$1.50 and \$1.58. The Company continues to expect cash provided by operating activities from continuing operations to range between \$115 million and \$135 million. The Company also continues to expect free cash flow from continuing operations to range between \$70 million and \$90 million, but more likely toward the lower end of the range.

MAXIMUS is also reiterating its preliminary fiscal year 2014 revenue and earnings guidance. The Company continues to expect fiscal year 2014 revenue will range between \$1.555 billion and \$1.650 billion and diluted earnings per share is expected to range between \$1.75 and \$1.85. This guidance does not contemplate any future mergers and acquisition activity or any significant legal expenses or recoveries.

Mr. Montoni concluded, "MAXIMUS continues to deliver on our long-term growth strategy and we see many new emerging opportunities for our core capabilities in all of our geographies. With our fiscal 2014 preliminary guidance in place, we remain committed to generating long-term shareholder value as we continue to grow the business."

Website Presentation, Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, August 8, 2013, at 9:00 a.m. (ET). The call is open to the public and can be accessed under the Investor Relations page of the Company's website at <http://investor.maximus.com> or by calling:

877.407.8289 (Domestic)/201.689.8341 (International)

For those unable to listen to the live call, a replay will be available through August 23, 2013. Callers can access the replay by calling:

877.660.6853 (Domestic)/201.612.7415 (International)
Replay conference ID number: 418441

About MAXIMUS

MAXIMUS is a leading operator of government health and human services programs in the United States, United Kingdom, Canada, Australia and Saudi Arabia. The Company delivers business process services to improve the cost effectiveness, efficiency and quality of

government-sponsored benefit programs, such as Medicaid, Medicare, Children's Health Insurance Program (CHIP), Health Insurance BC (British Columbia), as well as welfare-to-work and child support programs around the globe. The Company's primary customer base includes federal, provincial, state, county and municipal governments. Operating under its founding mission of *Helping Government Serve the People*[®], MAXIMUS has approximately 9,750 employees worldwide. For more information, visit www.maximus.com.

Non-GAAP Measures

This release refers to non-GAAP financial measures, including free cash flows from operating activities, adjusted diluted earnings per share from continuing operations and organic growth.

To provide organic growth information, revenue in the prior year is compared to the current year without PSI revenues. We believe organic growth provides a useful basis for assessing the performance of the business excluding PSI. We have provided a reconciliation of free cash flow to operating cash flow from continuing operations. We believe that free cash flow from operations is a useful basis for investors to compare our performance across periods or across our competitors. Free cash flow show the effects of the Company's operations and routine capital expenditure and exclude the cash flow effects of acquisitions, share repurchases, dividend payments and other financing transactions. We have provided a reconciliation to adjusted diluted earnings per share. We believe that this measure is a useful basis for assessing the Company's performance excluding the effect of the costs of acquiring PSI, as well as net legal and settlement expenses.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to net income, cash flows from operating activities, diluted earnings per share or revenue growth as measures of performance.

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission, found on www.maximus.com.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

| | Three Months | | Nine Months | |
|---|-----------------------|------------------|-----------------------|------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | \$334,323 | \$266,353 | \$946,940 | \$749,408 |
| Cost of revenue | 239,763 | 187,652 | 678,406 | 546,094 |
| Gross profit | 94,560 | 78,701 | 268,534 | 203,314 |
| Selling, general and administrative expenses | 49,181 | 43,877 | 138,096 | 114,592 |
| Acquisition-related expenses | 1,174 | 1,877 | 1,500 | 2,110 |
| Legal and settlement expenses/(recoveries), net | (182) | (352) | (202) | (990) |
| Operating income from continuing operations | 44,387 | 33,299 | 129,140 | 87,602 |
| Interest and other income, net | 701 | 1,164 | 2,444 | 3,092 |
| Income from continuing operations before income taxes | 45,088 | 34,463 | 131,584 | 90,694 |
| Provision for income taxes | 17,052 | 13,987 | 50,051 | 38,349 |
| Income from continuing operations | 28,036 | 20,476 | 81,533 | 52,345 |
| Discontinued operations, net of income taxes: | | | | |
| Loss from discontinued operations | (3) | — | (597) | — |
| Gain on disposal | 67 | 9 | 169 | 117 |
| Income (loss) from discontinued operations | 64 | 9 | (428) | 117 |
| Net income | <u>\$ 28,100</u> | <u>\$ 20,485</u> | <u>\$ 81,105</u> | <u>\$ 52,462</u> |
| Basic earnings (loss) per share: | | | | |
| Income from continuing operations | \$ 0.41 | \$ 0.30 | \$ 1.20 | \$ 0.77 |
| Income (loss) from discontinued operations | — | — | (0.01) | 0.01 |
| Basic earnings per share | <u>\$ 0.41</u> | <u>\$ 0.30</u> | <u>\$ 1.19</u> | <u>\$ 0.78</u> |
| Diluted earnings (loss) per share: | | | | |
| Income from continuing operations | \$ 0.40 | \$ 0.29 | \$ 1.17 | \$ 0.75 |
| Income (loss) from discontinued operations | — | — | (0.01) | 0.01 |
| Diluted earnings per share | <u>\$ 0.40</u> | <u>\$ 0.29</u> | <u>\$ 1.16</u> | <u>\$ 0.76</u> |
| Dividends paid per share | <u>\$ 0.045</u> | <u>\$ 0.045</u> | <u>\$ 0.135</u> | <u>\$ 0.135</u> |
| Weighted average shares outstanding: | | | | |
| Basic | <u>68,162</u> | <u>67,946</u> | <u>68,168</u> | <u>67,615</u> |
| Diluted | <u>69,867</u> | <u>69,736</u> | <u>69,864</u> | <u>69,440</u> |

MAXIMUS, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | June 30, | September 30, |
|--|--------------------|----------------------|
| | 2013 | 2012 |
| | <u>(unaudited)</u> | <u></u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 187,911 | \$ 189,312 |
| Restricted cash | 12,313 | 11,593 |
| Accounts receivable — billed, net of reserves of \$3,293 and \$3,975 | 221,319 | 172,705 |
| Accounts receivable — unbilled | 16,329 | 10,539 |
| Prepaid income taxes | 3,359 | 3,800 |
| Deferred income taxes | 25,183 | 22,207 |
| Prepaid expenses and other current assets | 36,466 | 38,528 |
| Total current assets | <u>502,880</u> | <u>448,684</u> |
| Property and equipment, net | 63,371 | 58,798 |
| Capitalized software, net | 36,106 | 27,390 |
| Goodwill | 109,295 | 112,032 |
| Intangible assets, net | 21,596 | 25,330 |
| Deferred contract costs, net | 11,695 | 9,284 |
| Deferred income taxes | 1,167 | 1,369 |
| Deferred compensation plan assets | 9,768 | 9,220 |
| Other assets, net | 3,180 | 3,186 |
| Total assets | <u>\$ 759,058</u> | <u>\$ 695,293</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 87,689 | \$ 73,128 |
| Accrued compensation and benefits | 55,052 | 56,105 |
| Deferred revenue | 66,009 | 60,026 |
| Current portion of long-term debt | 167 | 178 |
| Income taxes payable | 8,537 | 3,100 |
| Other accrued liabilities | 8,715 | 6,599 |
| Total current liabilities | <u>226,169</u> | <u>199,136</u> |
| Deferred revenue, less current portion | 7,939 | 19,550 |
| Long-term debt | 1,333 | 1,558 |
| Acquisition-related contingent consideration, less current portion | 380 | 406 |
| Income taxes payable, less current portion | 1,460 | 1,412 |
| Deferred income taxes | 16,711 | 10,384 |
| Deferred compensation plan liabilities, less current portion | 14,093 | 11,741 |
| Total liabilities | <u>268,085</u> | <u>244,187</u> |
| Total shareholders' equity | 490,973 | 451,106 |
| Total liabilities and shareholders' equity | <u>\$ 759,058</u> | <u>\$ 695,293</u> |

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

| | <u>Three Months</u> | | <u>Nine Months</u> | |
|---|-----------------------|------------------|-----------------------|------------------|
| | <u>Ended June 30,</u> | | <u>Ended June 30,</u> | |
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Cash flows from operating activities: | | | | |
| Net income | \$ 28,100 | \$ 20,485 | \$ 81,105 | \$ 52,462 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| (Income) loss from discontinued operations | (64) | (9) | 428 | (117) |
| Depreciation and amortization | 7,829 | 6,968 | 25,763 | 18,513 |
| Deferred income taxes | (3,727) | 687 | 3,030 | (4,628) |
| Non-cash equity based compensation | 3,646 | 3,208 | 10,708 | 8,841 |
| Change in assets and liabilities: | | | | |
| Accounts receivable — billed | (16,761) | (184) | (50,072) | 7,084 |
| Accounts receivable — unbilled | 2,231 | 281 | (5,921) | 218 |
| Prepaid expenses and other current assets | (1) | (4,153) | (2,522) | (8,245) |
| Deferred contract costs | (1,038) | 210 | (2,451) | 1,319 |
| Accounts payable and accrued liabilities | 7,752 | (15,572) | 16,480 | (3,274) |
| Accrued compensation and benefits | 8,818 | 2,267 | 6,941 | (4,020) |
| Deferred revenue | (6) | (130) | (2,940) | 11,161 |
| Income taxes | 12,550 | 631 | 5,989 | 9,541 |
| Other assets and liabilities | 339 | 1,334 | 2,624 | (3,794) |
| Cash provided by operating activities – continuing ops | 49,668 | 16,023 | 89,162 | 85,061 |
| Cash used in operating activities – discontinued ops | (33) | - | (587) | - |
| Cash provided by operating activities | 49,635 | 16,023 | 88,575 | 85,061 |
| Cash flows from investing activities: | | | | |
| Purchases of property and equipment | (11,518) | (5,308) | (24,869) | (11,884) |
| Capitalized software costs | (5,412) | (1,018) | (13,652) | (2,850) |
| Acquisition of PSI, net of cash acquired and final settlement | - | (66,000) | 3,380 | (66,000) |
| Proceeds from note receivable | 113 | 27 | 285 | 299 |
| Proceeds from sale of discontinued operations | - | - | - | 2,240 |
| Cash used in investing activities | (16,817) | (72,299) | (34,856) | (78,195) |
| Cash flows from financing activities: | | | | |
| Repurchases of common stock | (12,411) | (140) | (27,814) | (9,889) |
| Employee tax withholding on restricted stock units vesting | (2,191) | (1,357) | (8,868) | (4,445) |
| Tax benefit due to option exercises and RSU vesting | - | 965 | 4,680 | 3,475 |
| Cash dividends paid | (3,071) | (3,056) | (9,202) | (9,117) |
| Stock option exercises | 88 | 1,636 | 1,840 | 6,411 |
| Repayment of long-term debt | (43) | - | (130) | - |
| Cash used in financing activities | (17,628) | (1,952) | (39,494) | (13,565) |
| Effect of exchange rate changes on cash and cash equivalents | (14,622) | (2,409) | (15,626) | 2,649 |
| Net increase/(decrease) in cash and cash equivalents | 568 | (60,637) | (1,401) | (4,050) |
| Cash and cash equivalents, beginning of period | 187,343 | 229,537 | 189,312 | 172,950 |
| Cash and cash equivalents, end of period | <u>\$187,911</u> | <u>\$168,900</u> | <u>\$187,911</u> | <u>\$168,900</u> |

MAXIMUS, Inc.
SEGMENT INFORMATION
(Dollars in thousands)
(Unaudited)

| | Three Months Ended June 30, | | | | Nine Months Ended June 30, | | | |
|---|-----------------------------|-------|------------------|-------|----------------------------|-------|------------------|-------|
| | 2013 | % (1) | 2012 | % (1) | 2013 | % (1) | 2012 | % (1) |
| Revenue: | | | | | | | | |
| Health Services | \$217,901 | 100% | \$170,403 | 100% | \$591,847 | 100% | \$489,616 | 100% |
| Human Services | 116,422 | 100% | 95,950 | 100% | 355,093 | 100% | 259,792 | 100% |
| Total | <u>334,323</u> | 100% | <u>266,353</u> | 100% | <u>946,940</u> | 100% | <u>749,408</u> | 100% |
| Gross Profit: | | | | | | | | |
| Health Services | 62,868 | 28.9% | 50,787 | 29.8% | 162,778 | 27.5% | 127,923 | 26.1% |
| Human Services | 31,692 | 27.2% | 27,914 | 29.1% | 105,756 | 29.8% | 75,391 | 29.0% |
| Total | <u>94,560</u> | 28.3% | <u>78,701</u> | 29.5% | <u>268,534</u> | 28.4% | <u>203,314</u> | 27.1% |
| Selling, general, and administrative expense: | | | | | | | | |
| Health Services | 28,507 | 13.1% | 25,135 | 14.8% | 78,882 | 13.3% | 67,286 | 13.7% |
| Human Services | 20,674 | 17.8% | 18,727 | 19.5% | 59,597 | 16.8% | 47,291 | 18.2% |
| Corporate/Other | — | NM | 15 | NM | (383) | NM | 15 | NM |
| Total | <u>49,181</u> | 14.7% | <u>43,877</u> | 16.5% | <u>138,096</u> | 14.6% | <u>114,592</u> | 15.3% |
| Operating income from continuing operations: | | | | | | | | |
| Health Services | 34,361 | 15.8% | 25,652 | 15.1% | 83,896 | 14.2% | 60,637 | 12.4% |
| Human Services | 11,018 | 9.5% | 9,187 | 9.6% | 46,159 | 13.0% | 28,100 | 10.8% |
| Corporate/Other | — | NM | (15) | NM | 383 | NM | (15) | NM |
| Segment Operating Income | 45,379 | 13.6% | 34,824 | 13.1% | 130,438 | 13.8% | 88,722 | 11.8% |
| Acquisition-related expenses | 1,174 | NM | 1,877 | NM | 1,500 | NM | 2,110 | NM |
| Legal and settlement expenses/(recoveries), net | (182) | NM | (352) | NM | (202) | NM | (990) | NM |
| Total | <u>\$ 44,387</u> | 13.3% | <u>\$ 33,299</u> | 12.5% | <u>\$129,140</u> | 13.6% | <u>\$ 87,602</u> | 11.7% |

(1) Percentage of respective segment revenue. Changes not considered meaningful are marked "NM."

MAXIMUS, Inc.
NON-GAAP MEASURES

MAXIMUS, Inc.
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS
FY 2013 and FY 2012
(Unaudited)

| | Quarter Ended | | | FY 2013 |
|---|---------------|---------------|---------------|---------------|
| | Dec. 31, 2012 | Mar. 31, 2013 | Jun. 30, 2013 | Year to Date |
| Diluted EPS from continuing operations-GAAP basis | \$0.31 | \$0.45 | \$0.40 | \$1.17 |
| Adjustments: | | | | |
| Legal, settlement and acquisition-related expenses, net | — | — | 0.01 | 0.01 |
| Adjustment for terminated contract | — | (0.09) | — | (0.09) |
| Subtotal pro forma adjustments | — | (0.09) | 0.01 | (0.08) |
| Adjusted diluted EPS from continuing operations | <u>\$0.31</u> | <u>\$0.36</u> | <u>\$0.41</u> | <u>\$1.09</u> |

| | Quarter Ended | | | | Year Ended |
|---|---------------|----------|----------|-----------|------------|
| | Dec. 31, | Mar. 31, | Jun. 30, | Sept. 30, | Sept. 30, |
| | 2011 | 2012 | 2012 | 2012 | 2012 |
| Diluted EPS from continuing operations-GAAP basis | \$0.26 | \$0.21 | \$0.29 | \$0.34 | \$1.09 |
| Adjustments: | | | | | |
| Legal, settlement and acquisition-related expenses, net | – | – | 0.02 | 0.01 | 0.03 |
| Adjustment for tax accounts | – | 0.03 | – | 0.02 | 0.06 |
| Subtotal pro forma adjustments | – | 0.03 | 0.02 | 0.03 | 0.09 |
| Adjusted Diluted EPS from continuing operations | \$0.26 | \$0.24 | \$0.31 | \$0.37 | \$1.18 |

MAXIMUS, Inc.
FREE CASH FLOW
(Dollars in thousands)
(Unaudited)

| | Three Months | | Nine Months | |
|---|----------------|----------|----------------|-----------|
| | Ended June 30, | | Ended June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Cash provided by operating activities – continuing operations | \$ 49,668 | \$16,023 | \$ 89,162 | \$ 85,061 |
| Purchases of property and equipment | (11,518) | (5,308) | (24,869) | (11,884) |
| Capitalized software costs | (5,412) | (1,018) | (13,652) | (2,850) |
| Free cash flow from continuing operations | \$ 32,738 | \$ 9,697 | \$ 50,641 | \$ 70,327 |

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Source: MAXIMUS