UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report: **November 26, 2018**
Date of earliest event reported: **November 20, 2018**

MAXIMUS, INC.
(Exact name of registrant as specified in its charter)

Virginia	**1-12997**	**54-1000588**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1891 Metro Center Drive, Reston, Virginia	**20190-5207**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(703) 251-8500**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On November 20, 2018, the Company issued a press release announcing its financial results for the quarter and fiscal year ended September 30, 2018. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On November 20, 2018, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 and 99.3 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are being furnished pursuant to Item 2.02 above.

Exhibit No.	Description
99.1	Press release dated November 20, 2018
99.2	Conference call transcript for Earnings Call - November 20, 2018
99.3	Slide presentation for Earnings Call - November 20, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		MAXIMUS, Inc.
Date: November 26, 2018	By:	/s/ David R. Francis
		David R. Francis
		General Counsel and Secretary

MAXIMUS News Release

FOR IMMEDIATE RELEASE

CONTACT: Lisa Miles 703.251.8637
lisamiles@maximus.com

Date: November 20, 2018

MAXIMUS Reports Fourth Quarter and Full Year Results for Fiscal Year 2018
- Completes Acquisition and Establishes Guidance for Fiscal Year 2019 -

(RESTON, Va. - November 20, 2018) - MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for the three months and year ended September 30, 2018.

Highlights for fiscal year 2018 include:

- Revenue of $2.39 billion
- GAAP diluted earnings per share of $3.35
- Total company operating margin of 12.4%
- Cash, cash equivalents and short-term investments that totaled $370 million at September 30, 2018
- Solid cash generation with cash flows from operations of $323.5 million and free cash flow of $297.0 million
- Signed year-to-date contract awards of $2.7 billion, new contracts pending (awarded, but unsigned) of $553 million, and a sales pipeline of $2.7 billion at September 30, 2018, and
- On November 16, 2018, MAXIMUS completed the $400 million, all-cash acquisition, subject to working capital adjustments, of U.S. Federal civilian citizen engagement centers.

Revenue for the fourth quarter of fiscal 2018 totaled $558.4 million, and, as expected, was lower compared to $620.9 million reported for the same period last year. While MAXIMUS operates a large portfolio of contracts, revenue in the fourth quarter was slightly below the Company's expectations due to lower-than-anticipated contributions across a handful of contracts. For the fourth quarter of fiscal 2018, net income attributable to MAXIMUS totaled $46.3 million, or $0.71 of diluted earnings per share. This compares to diluted earnings per share of $0.81 for the fourth quarter of fiscal 2017.

Revenue for fiscal 2018 totaled $2.39 billion, compared to $2.45 billion reported for fiscal 2017. The expected decrease is principally attributable to the anticipated declines in the U.S. Federal Services Segment and, to a lesser extent, the Human Services Segment, both of which offset organic growth in the Health Services Segment. As expected, the Company delivered operating margin for fiscal 2018 of 12.4% due to new contracts in the start-up phase that reduced margins in the Human Services Segment. For fiscal 2018, net income attributable to MAXIMUS totaled $220.8 million, or $3.35 of diluted earnings per share. This compares to fiscal 2017 reported net income attributable to MAXIMUS of $209.4 million and diluted earnings per share of $3.17.

Health Services Segment
Health Services Segment revenue for the fourth quarter of fiscal 2018 decreased 8% (7% on a constant currency basis) to $328.2 million, compared to $355.3 million reported for the same period last year. As previously disclosed, revenue was lower due to forecasted changes on several sizable contracts that were rebid and won, extended or option periods that were exercised. Operating income for the fourth quarter totaled $51.9 million (15.8% operating margin), compared to $57.0 million (16.0% operating margin) for the same period last year.

For the full fiscal year, Health Services Segment revenue increased 2% to $1.40 billion, compared to $1.38 billion for the same period last year. Fiscal 2018 operating income totaled $236.4 million (16.8% operating margin), compared to operating income of $215.2 million (15.6% operating margin) for fiscal 2017.

U.S. Federal Services Segment
As expected, U.S. Federal Services Segment revenue for the fourth quarter of fiscal 2018 decreased 8% to $117.4 million, compared to $127.3 million reported for the same period last year. Operating income for the fourth quarter totaled $16.0 million (13.6% operating margin), compared to $13.6 million (10.7% operating margin) for the same period last year.

For the full fiscal year, U.S. Federal Services Segment revenue decreased 12% to $478.9 million, compared to $545.6 million for the same period last year due to contracts that ended, contracts that were re-procured under small business set-asides and some rebid losses. Despite lower revenue, operating margins in fiscal 2018 were slightly improved over the prior year due to operational efficiencies resulting from technology and innovation initiatives. Hence, fiscal 2018 operating income totaled $57.4 million (12.0% operating margin), compared to operating income of $65.0 million (11.9% operating margin) for fiscal 2017.

Human Services Segment
As expected, the Human Services Segment revenue for the fourth quarter of fiscal 2018 decreased 18% (15% on a constant currency basis) to $112.9 million, compared to $138.2 million for the same period last year. The Segment had an operating loss for the fourth quarter of $0.7 million, compared to operating income of $10.8 million (7.8% operating margin) for the same period last year. As previously disclosed, results in the fourth quarter were tempered by the Disability Employment Services contract in Australia which was recently won in rebid and launched on July 1, 2018.

For the full fiscal year, Human Services Segment revenue decreased 3% (4% on a constant currency basis) to $508.4 million, compared to $525.2 million for the same period last year. Fiscal 2018 operating income totaled $18.2 million (3.6% operating margin), compared to operating income of $48.6 million (9.2% operating margin) for fiscal 2017.

During fiscal 2018, the Human Services Segment experienced dynamics that lowered both revenue and profit compared to the prior year, including several new performance-based contracts in the start-up phase with outcome-based pay points that take time to achieve, as well as contracts that are coming to an expected end such as the Work Programme and Work Choice contracts in the United Kingdom.

Backlog, Sales and Pipeline
Backlog was $5.1 billion at September 30, 2018. Year-to-date signed contract awards totaled $2.7 billion at September 30, 2018. The value of new contracts pending at September 30, 2018, (awarded but unsigned) was $553.3 million.

The sales pipeline at September 30, 2018, was approximately $2.7 billion (comprised of approximately $930.6 million in proposals pending, $180.7 million in proposals in preparation and $1.6 billion in opportunities tracking). The pipeline is lower compared to the third quarter of fiscal 2018 due to contracts converting into new awards. During the fourth quarter, the Company backfilled its pipeline with more than $1 billion in opportunities. The Company's sales pipeline only reflects those opportunities where MAXIMUS expects the request for proposal will be released within the next six months.

The Company will introduce a new pipeline reporting methodology in its first fiscal quarter of 2019. The anticipated changes include: 1) Reporting total contract values, including priced option periods. The Company previously reported base contract value, and options were reported in the year in which they were exercised. 2) Modifying the time horizon of reported RFPs to two years, but this remains under study. The Company previously only captured RFPs that were expected to be released within six months. 3) Eliminating the maximum value cap of $150 million on new work opportunities. The Company previously capped new work opportunities at a value of $150 million, but this did not apply to existing work.

MAXIMUS believes that these changes better reflect the business model and long-term nature of the Company's portfolio.

Balance Sheet and Cash Flows

Cash, cash equivalents and short-term investments at September 30, 2018, totaled $370 million. For the fourth quarter of fiscal 2018, cash flows from operations were $134.5 million, with free cash flow of $129.5 million. For fiscal 2018, cash flows from operations were $323.5 million with free cash flow of $297.0 million.

At September 30, 2018, days sales outstanding (DSO) were 63 days, and better than the Company's stated range of 65 to 80 days. Low DSO resulted from strong cash collections in the quarter.

On August 31, 2018, MAXIMUS paid a quarterly cash dividend of $0.045 per share. On October 5, 2018, the Company announced a $0.25 per share cash dividend, payable on November 30, 2018, to shareholders of record on November 15, 2018.

For the full fiscal year, MAXIMUS repurchased approximately 1.1 million shares for $67.6 million (a weighted average price of $62.07). As of September 30, 2018, the Company had $192.8 million available for repurchases under its Board-authorized share repurchase program. Subsequent to year end, MAXIMUS purchased an additional 0.2 million shares for $15 million.

Acquisition Completion and Outlook

On November 16, 2018, MAXIMUS completed the $400 million, all-cash acquisition, subject to working capital adjustments, of selected U.S. Federal civilian citizen engagement centers from General Dynamics Information Technology. The assets will be reported in the Company's U.S. Federal Services Segment. MAXIMUS will file a Form 8-K in December with the financial statements of the acquired assets and pro forma financial information. The Company expects that fiscal 2019 revenue from the acquisition will range between $600 million and $625 million and estimates that it will contribute approximately $0.45 of diluted earnings per share.

MAXIMUS is establishing fiscal 2019 GAAP guidance which includes the acquisition. The Company expects fiscal 2019 revenue to range between $2.925 billion and $3.0 billion. Approximately 93% of the Company's fiscal 2019 forecasted revenue is in the form of backlog, option periods or extensions. This calculation includes $612.5 million of revenue and backlog from the acquisition. For fiscal 2019, the Company expects GAAP diluted earnings per share to range between $3.55 and $3.75. For fiscal 2019, the Company expects cash flows from operations to range between $275 million and $325 million, and free cash flow to range between $235 million and $285 million.

For fiscal 2019, the Company has estimated its effective income tax rate will range between 25% and 26% and weighted average shares outstanding of approximately 65.3 million.

Bruce Caswell, President and Chief Executive Officer of MAXIMUS, commented, "During fiscal 2018, we made demonstrated progress in executing our strategic initiatives, including assessing and prioritizing new and adjacent markets, stepping-up our M&A activities with our recent acquisition, deepening our executive bench, and bringing in new sales and capture leadership. Our vision is to be the premier provider of large-scale complex program management solutions, offering unparalleled support to citizens who access and utilize critical government programs. We continue to see evidence that long-term macro trends remain in our favor."

New Segment Reporting
On October 1, 2018, MAXIMUS reorganized its reporting segments based on the way that our Chief Executive Officer intends to manage performance, allocate resources and evaluate results. The reorganization is largely in response to market changes with the increasing integration of health and human services programs worldwide, and the evolving needs of our government clients as they aim to deliver services in a more holistic manner to their citizens. Accordingly, the three operating segments will be on a geographic basis: U.S. Health & Human Services, U.S. Federal, and Outside the U.S. The Company will file a Form 8-K in early December with historical financial information by quarter in the reclassified segments.

Changes in revenue recognition
Beginning October 1, 2018, MAXIMUS adopted a new methodology for reporting revenue. Although this new method will not affect the timing of revenue on most contracts, we anticipate that revenue on the welfare-to-work contracts will be accelerated. This reflects the obligation to recognize long-term outcome fees across the period of performance, which may be several months, rather than deferring recognition until outcomes are certain, as was the requirement in fiscal 2018 and prior. This should result in a closer matching of revenue and costs within these contracts and should mitigate some losses recorded in these contracts in their early months, although it is typical that any new contract will generally be less profitable than a mature contract.

We project that fiscal 2019 revenue will benefit by approximately $7 million as a result of the new methodology. We project that the cumulative effect of the new methodology on all prior years will increase our retained earnings, increase our deferred tax assets and decrease our deferred revenue by approximately $33 million, $14 million and $47 million as of October 1, 2018, respectively.

Website Presentation, Conference Call and Webcast Information
MAXIMUS will host a conference call this morning, November 20, 2018, 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)/+1.201.689.8341 (International)

For those unable to listen to the live call, a replay will be available through December 4, 2018, by calling:

877.660.6853 (Domestic)/+1.201.612.7415 (International)
Replay conference ID number: 13684707

About MAXIMUS

Since 1975, MAXIMUS has operated under its founding mission of *Helping Government Serve the People®*, enabling citizens around the globe to successfully engage with their governments at all levels and across a variety of health and human services programs. MAXIMUS delivers innovative business process management and technology solutions that contribute to improved outcomes for citizens and higher levels of productivity, accuracy, accountability and efficiency of government-sponsored programs. With more than 30,000 employees worldwide, MAXIMUS is a proud partner to government agencies in the United States, Australia, Canada, Saudi Arabia, Singapore and the United Kingdom. For more information, visit maximus.com.

Non-GAAP and Other Measures
This release refers to non-GAAP financial measures, including free cash flow, constant currency, and days sales outstanding.

We have provided a reconciliation of free cash flow to cash flows from operations.

A description of these non-GAAP measures, the reasons why we use and present them and details as to how they are calculated are included in our Annual Report on Form 10-K.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to cash flows from operations, revenue growth or net income as measures of performance. These non-GAAP financial measures, as determined and presented by us, may not be comparable to related or similarly titled measures presented by other companies.

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 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 Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission, found on maximus.com.

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

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue	$ 558,446	$ 620,903	$ 2,392,236	$ 2,450,961
Cost of revenue	419,508	458,322	1,797,851	1,839,056
Gross profit	138,938	162,581	594,385	611,905
Less:				
Selling, general and administrative expenses	73,535	82,291	285,241	284,593
Amortization of intangible assets	2,462	2,700	10,308	12,208
Restructuring costs	1,033	—	3,353	2,242
Add:				
Gain on sale of a business	—	—	—	650
Operating income	61,908	77,590	295,483	313,512
Less:				
Interest expense	590	111	1,000	2,162
Add:				
Other income, net	798	899	4,726	2,885
Income before income taxes	62,116	78,378	299,209	314,235
Provision for income taxes	16,600	23,410	78,393	102,053
Net income	45,516	54,968	220,816	212,182
Income attributable to noncontrolling interests	(791)	1,639	65	2,756
Net income attributable to MAXIMUS	$ 46,307	$ 53,329	$ 220,751	$ 209,426
Basic earnings per share attributable to MAXIMUS	$ 0.71	$ 0.81	$ 3.37	$ 3.19
Diluted earnings per share attributable to MAXIMUS	$ 0.71	$ 0.81	$ 3.35	$ 3.17
Dividends paid per share	$ 0.045	$ 0.045	$ 0.18	$ 0.18
Weighted average shares outstanding:				
Basic	65,034	65,618	65,501	65,632
Diluted	65,402	66,171	65,932	66,065

MAXIMUS, Inc.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	September 30, 2018	September 30, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 349,245	$ 166,252
Short-term investments	20,264	—
Accounts receivable — billed and billable	357,613	394,338
Accounts receivable — unbilled	31,536	36,475
Income taxes receivable	5,979	4,528
Prepaid expenses and other current assets	43,995	55,649
Total current assets	808,632	657,242
Property and equipment, net	77,544	101,651
Capitalized software, net	22,429	26,748
Goodwill	399,882	402,976
Intangible assets, net	88,035	98,769
Deferred contract costs, net	14,380	16,298
Deferred compensation plan assets	34,305	28,548
Deferred income taxes	6,834	7,691
Other assets	9,959	10,739
Total assets	$ 1,462,000	$ 1,350,662
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 114,378	$ 122,083
Accrued compensation and benefits	95,555	105,667
Deferred revenue	51,182	71,722
Income taxes payable	4,438	4,703
Other liabilities	11,896	12,091
Total current liabilities	277,449	316,266
Deferred revenue, less current portion	20,394	28,182
Deferred income taxes	26,377	20,106
Deferred compensation plan liabilities, less current portion	33,497	30,707
Other liabilities	17,864	9,633
Total liabilities	375,581	404,894
Commitments and contingencies		
Shareholders' equity:		
Common stock	487,539	475,592
Accumulated other comprehensive income	(36,953)	(27,619)
Retained earnings	633,281	492,112
Total MAXIMUS shareholders' equity	1,083,867	940,085
Noncontrolling interests	2,552	5,683
Total equity	1,086,419	945,768
Total liabilities and equity	$ 1,462,000	$ 1,350,662

MAXIMUS, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	
Cash flows from operations:				
Net income	$ 45,516	$ 54,968	$ 220,816	$ 212,182
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of property, plant, equipment and capitalized software	11,982	12,353	51,884	55,769
Amortization of intangible assets	2,462	2,700	10,308	12,208
Deferred income taxes	(2,153)	(3,852)	6,721	4,762
Stock compensation expense	4,525	5,543	20,238	21,365
Gain on sale of a business	—	—	—	(650)
Changes in assets and liabilities, net of effects of business combinations:				
Accounts receivable — billed and billable	40,822	(14,998)	34,033	53,025
Accounts receivable — unbilled	4,608	7,293	4,920	26
Prepaid expenses and other current assets	(552)	(3,360)	4,954	2,584
Deferred contract costs	(402)	923	1,838	2,037
Accounts payable and accrued liabilities	15,971	9,104	(7,725)	(28,309)
Accrued compensation and benefits	7,040	10,552	(8,795)	8,849
Deferred revenue	(1,311)	869	(27,039)	(15,401)
Income taxes	1,349	3,531	7,262	8,901
Other assets and liabilities	4,608	(523)	4,110	(148)
Cash provided by operating activities	134,465	85,103	323,525	337,200
Cash flows from investing activities:				
Purchases of property and equipment and capitalized software costs	(4,968)	(5,066)	(26,520)	(24,154)
Acquisition of businesses, net of cash acquired	—	(2,677)	—	(2,677)
Acquisition of part of noncontrolling interest	—	—	(157)	—
Proceeds from the sale of a business	—	—	—	1,035
Purchases of short-term investments	—	—	(19,996)	—
Other	94	90	369	575
Cash used in investing activities	(4,874)	(7,653)	(46,304)	(25,221)
Cash flows from financing activities:				
Cash dividends paid	(2,891)	(2,920)	(11,692)	(11,674)
Repurchases of common stock	(4,932)	—	(66,919)	(28,863)
Tax withholding related to RSU vesting	—	92	(8,529)	(9,175)
Stock option exercises	—	554	—	924
Borrowings under credit facility	1,949	30,000	136,632	185,000
Repayment under credit facility	(1,983)	(45,079)	(136,769)	(349,981)
Other	(545)	(440)	(4,603)	(1,660)
Cash used in financing activities	(8,402)	(17,793)	(91,880)	(215,429)
Effect of exchange rate changes on cash	(965)	2,217	(2,348)	3,503
Net increase/(decrease) in cash and cash equivalents	120,224	61,874	182,993	100,053
Cash and cash equivalents, beginning of period	229,021	104,378	166,252	66,199
Cash and cash equivalents, end of period	$ 349,245	$ 166,252	$ 349,245	$ 166,252

MAXIMUS, Inc.

SEGMENT INFORMATION

(Amounts in thousands)

	Three Months Ended September 30,				Twelve Months Ended September 30,			
	2018	% (1)	2017	% (1)	2018	% (1)	2017	% (1)
	(Unaudited)		(Unaudited)		(Unaudited)			
Revenue:								
Health Services	$ 328,186	100 %	$ 355,338	100%	$ 1,404,959	100%	$ 1,380,151	100%
U.S. Federal Services	117,375	100 %	127,316	100%	478,911	100%	545,573	100%
Human Services	112,885	100 %	138,249	100%	508,366	100%	525,237	100%
Total	$ 558,446	100 %	$ 620,903	100%	$ 2,392,236	100%	$ 2,450,961	100%
Gross Profit:								
Health Services	$ 86,111	26.2 %	$ 99,368	28.0%	$ 372,628	26.5%	$ 347,325	25.2%
U.S. Federal Services	33,690	28.7 %	31,547	24.8%	126,698	26.5%	139,321	25.5%
Human Services	19,137	17.0 %	31,666	22.9%	95,059	18.7%	125,259	23.8%
Total	$ 138,938	24.9 %	$ 162,581	26.2%	$ 594,385	24.8%	$ 611,905	25.0%
Selling, general and administrative expense:								
Health Services	$ 34,172	10.4 %	$ 42,344	11.9%	$ 136,250	9.7%	$ 132,081	9.6%
U.S. Federal Services	17,725	15.1 %	17,966	14.1%	69,312	14.5%	74,345	13.6%
Human Services	19,826	17.6 %	20,848	15.1%	76,835	15.1%	76,675	14.6%
Other	1,812	NM	1,133	NM	2,844	NM	1,492	NM
Total	$ 73,535	13.2 %	$ 82,291	13.3%	$ 285,241	11.9%	$ 284,593	11.6%
Operating income:								
Health Services	$ 51,939	15.8 %	$ 57,024	16.0%	$ 236,378	16.8%	$ 215,244	15.6%
U.S. Federal Services	15,965	13.6 %	13,581	10.7%	57,386	12.0%	64,976	11.9%
Human Services	(689)	(0.6)%	10,818	7.8%	18,224	3.6%	48,584	9.2%
Amortization of intangible assets	(2,462)	NM	(2,700)	NM	(10,308)	NM	(12,208)	NM
Restructuring costs	(1,033)	NM	—	NM	(3,353)	NM	(2,242)	NM
Acquisition-related expenses (2)	(947)	NM	(83)	NM	(947)	NM	(83)	NM
Gain on sale of a business	—	NM	—	NM	—	NM	650	NM
Other (3)	(865)	NM	(1,050)	NM	(1,897)	NM	(1,409)	NM
Total	$ 61,908	11.1 %	$ 77,590	12.5%	$ 295,483	12.4%	$ 313,512	12.8%

(1) Percentage of respective segment revenue. Percentages considered not meaningful are marked “NM.”

(2) Acquisition-related expenses include costs for the acquisition of the U.S. Federal citizen engagement centers, which were incurred in fiscal year 2018 prior to the transaction closing in fiscal year 2019, and costs for the acquisition of Revitalised Limited in fiscal year 2017

(3) "Other" relates to various expenses which are not directly attributable to our segments, including litigation costs.

MAXIMUS, Inc.

FREE CASH FLOW

(Non-GAAP measure)

(Amounts in thousands)

(Unaudited)

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
Cash flows from operations	$ 134,465	$ 85,103	$ 323,525	$ 337,200
Purchases of property and equipment and capitalized software costs	(4,968)	(5,066)	(26,520)	(24,154)
Free cash flow	$ 129,497	$ 80,037	$ 297,005	$ 313,046

Operator: Greeting and welcome to the MAXIMUS Fiscal 2018 Fourth Quarter Conference Call. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone key pad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Lisa Miles, Senior Vice President of Investor Relations for MAXIMUS. Thank you, Ms. Miles, you may begin.

Lisa Miles: Good morning. With me today is Bruce Caswell, President and CEO, and Rick Nadeau, CFO. I'd like to remind everyone that a number of statements being made today will be forward-looking in nature. Please remember that such statements are only predictions. Actual events and results may differ materially as a result of risks we face, including those discussed in Exhibit 99.1 of our SEC filings. We encourage you to review the information contained in our earnings release today and our most recent forms 10-Q and 10-K filed with SEC. The company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances except as required by law.

Today's presentation may contain non-GAAP financial information. Management uses this information in its internal analyses of results and believes 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. For a reconciliation of the non-GAAP measures presented in this document, please see the company's Form 10-K that will be filed later today. And with that, I'll hand the call over to Rick.

Rick Nadeau: Thanks, Lisa. Overall, fiscal year 2018 was characterized by solid execution, a healthy portfolio of contracts, strong cash generation, and a demonstration of our commitment to sensible capital allocation with this recent increase for our quarterly cash dividend and the completion of our largest acquisition today. Just last Friday, we completed the purchase of U.S. Federal Citizen Engagement Centers, which both Bruce and I will talk about in greater detail within our prepared remarks.

As noted in our press release this morning, MAXIMUS reported total company revenue for fiscal year 2018, of \$2.39 billion, which was slightly below our guidance range of \$2.4 billion to \$2.44 billion. This was a result of revenue in the fourth quarter, which was slightly below the company's expectations, due to lower than anticipated contributions across a handful of contracts. Total company operating margin for fiscal year 2018 was 12.4%, which was largely as expected due to new programs in the start-up phase in the Human Services Segment. This compares to 12.8% in fiscal year 2017. For fiscal 2018, diluted earnings per share increased 6% to \$3.35 and benefited from U.S. tax reform. I will start my comments on segment results with the Health Services Segment.

The Health Services Segment continues to consistently deliver strong operating and financial performance. Revenue for the Health Services Segment for fiscal year 2018 totaled \$1.4 billion compared to \$1.38 billion last year. The Segment delivered an operating margin of 16.8% for fiscal year 2018 as compared to 15.6% in fiscal year 2017. As mentioned on the call last quarter, revenue coming into the fourth quarter of fiscal year 2018 was tempered by forecasted changes on several sizable contracts that were rebid in one, extended, or option periods were exercised. For example, this includes the Health Assessment Advisory Service contract that reset on March 1, 2018. And while winning our rebids, and securing multi-year extensions provides a foundation that enables us to focus on long-term growth, new contractual terms can temper short-term growth.

I will now speak to the results from our U.S. Federal Services Segment. As expected, our U.S. Federal Services Segment experienced contraction in fiscal year 2018, finishing the year with $478.9 million in revenue. As previously disclosed, the segment was impacted by contracts that reached their natural and expected conclusion, as well as contracts that were re-procured under small business set-asides, meaning, we were no longer eligible to bid, and some rebid losses.

The U.S. Federal Services Segment delivered operating margin of 12% for fiscal year 2018, benefiting from increased operational efficiencies resulting from technology and innovation initiatives. This was a slight improvement over our 11.9% reported for fiscal year 2017. As a reminder, operating margins for this segment can fluctuate from quarter-to-quarter due to contract mix, and the variability of volumes on performance-based contracts.

For fiscal year 2018, our Human Services Segment experienced dynamics that tempered both revenue and profit. This included a number of new contracts in the start-up phase, as well as contracts that have come to a planned end, including the Work Program and Work Choice contracts in the United Kingdom. As a result, revenue for the Human Service Segment for fiscal year 2018 was down 3%. As I mentioned last quarter, the recently rebid Australian Disability Employment Services contract launched in the fourth quarter, and it is the largest program we have in the start-up phase. This resulted in the segment operating at a slight loss for the fourth quarter and finishing the full fiscal year with an operating margin of 3.6%. Without the impact of the start-up of these contracts, we estimate that Human Services OI margin would have been 5.6% in fiscal year 2018.

I will now briefly discuss the balance sheet and cash flow items. We exceeded our cash flow guidance due to strong cash collections with our DSOs at 63 days, at September 30, 2018. For the full fiscal year, cash from operations totaled $323.5 million, and free cash flow was $297 million, as seen in the reconciliation tables included in our press release.

During fiscal year 2018, we remained active with our opportunistic share buyback program as a means to deploy capital. For the full fiscal year, we purchased nearly 1.1 million shares of common stock for $67.6 million, and subsequent to September 30, 2018, we acquired a little over 200 thousand shares of our common stock for $15 million. We have approximately $178 million remaining under our Board-Authorized Share Repurchase program. We finished fiscal year 2018 with $370 million of cash, cash equivalents, and short-term investments. The positive cash position generated $3 million in interest income over the course of fiscal year 2018.

Over the last couple of months, MAXIMUS has taken several steps to put excess capital to work and to better optimize our balance sheet. The management team is focused on making the right investments at the right time in order to best create long-term shareholder value. Strategic M&A continues to be our first priority as demonstrated by our most recent acquisition. We will continue to buy back shares, and as recently as this quarter, we increased our cash dividend to a 1.5% yield. We will continue with a steadfast intent on ensuring we best position MAXIMUS for the future.

Let me now focus on our recently closed acquisition. The acquisition of the U.S. Federal Citizen Engagement Centers provides us with a level of scale that makes us a more viable prime contractor to the U.S. Federal Government and reduces our need to partner with other companies to win business. The acquisition also enables us to become more competitive on procurements in the federal marketplace.

Let me summarize the expected impacts to our financial statements resulting from the transaction. We now expect the acquisition to contribute revenue for the remaining ten and a half months of fiscal year 2019 between $600 million and $625 million. The two largest contracts that we acquired are cost-plus contracts. As a reminder, revenue and billings for cost-plus contracts include the allowable expenses, plus a fee. Naturally, these types of contracts carry a lower risk, and therefore operate at a lower operating margin, most often in the mid-single digits. While the profit earned on the acquired cost-plus contracts are mid-single digits, they will provide significant synergistic benefits to MAXIMUS and a lift in profitability in other MAXIMUS segments.

Allow me to provide some greater detail about the two primary drivers. First, our total company SG&A cost will increase in order to handle the additional volume of work that the acquisition will create, but the acquired assets will significantly expand the business base used for the allocation of indirect cost, or simply put, adding these assets into the total company portfolio allows us to spread the corporate G&A across a substantially larger base of revenue. Second, the two largest contracts that we acquired are cost-plus contracts. Accordingly, MAXIMUS will be reimbursed for the portion of these corporate SG&A cost that are allowable under U.S. Federal Procurement Rules and are agreed upon allocation methodologies.

So, the bottom line is that the amount of indirect costs that MAXIMUS will recover under the new cost-plus contract is greater than the overall increase in SG&A dollars to support the new assets. While this is dilutive to the overall operating margin, it provides an overall lift in operating income to the company. As we have considered our fiscal year 2019 guidance, we have also included certain estimated expenses related to the transaction. These include interest expense on our borrowings, as well as the reduction in interest income that we are forfeiting from the cash that was used for the acquisition from our balance sheet, one-time acquisition costs, and the amortization of intangibles. The appraisal for the amortization cost is currently in process. In the meantime, we have put forth our best estimates until the appraisal has been completed in the coming weeks. And as most of you know, this amortization is a non-cash charge, which means that our EBITDA will increase more than our operating income.

Considering all elements of the transaction, we now expect the acquisition will contribute approximately 45 cents of diluted earnings per share in fiscal year 2019. We are establishing GAAP guidance for fiscal year 2019, which includes ten and a half months of revenue and profit contribution from the acquired assets. For fiscal year 2019, we currently expect revenue will range between $2.925 billion and $3 billion. For fiscal year 2019, we anticipate that GAAP diluted earnings per share will range between $3.55 and $3.75. This implies an operating margin range between 10.7% and 11%.

On a quarterly basis, we anticipate revenue will be stronger in the second half of the year versus the first half of fiscal year 2019. However, revenue in our second fiscal quarter is currently expected to be seasonally strongest as a result of the operational activities tied to the open enrollment period under the newly acquired operations for the Federal Exchange and Medicare. While open enrollment ends on December 15, the program ramp-down period is forecasted to extend well into our second fiscal quarter. On the bottom-line at this time, we anticipate earnings will have linear progression throughout the year.

That being said, as you know, earnings can be more difficult to predict since we routinely experience fluctuations from quarter to quarter resulting from change orders, volumes, or timing of work. But directionally, we thought it would be useful to provide some detail. At September 30, 2018, we had $5.1 billion in back-log prior to the acquisition. We have layered on annual revenue in back-log from the acquisition of $612.5 million in order to calculate our fiscal year 2019 revenue visibility. As you know, we have a high level of visibility into our forecasted revenue. And for fiscal year 2019, we estimate that approximately 93% of our forecasted revenue is already in the form of back-log, options, or extensions.

For the full fiscal year 2019, we estimate the income tax rate will range between 25% and 26%. Assuming no further stock purchases, the weighted shares outstanding would be 65.3 million for fiscal year 2019. For fiscal year 2019, we expect cash flows from operations to range between $275 million and $325 million. And we expect free cash flow to range between $235 million and $285 million. As most of you know, we implemented the new revenue recognition standard on October 1, the first day of our fiscal year 2019. We have included a discussion in both the press release and the Form 10-K which will be filed later today.

And finally, we have decided to reorganize our reporting segment based on the way we intend to manage performance, allocate resources, and evaluate results. This change has been under study since Bruce took over as CEO earlier this year. And it became effective October 1 at the start of our fiscal year 2019. Our decision to reorganize is largely in response to changes in the markets we operate, with the increasing integration of health and human services programs worldwide and the evolving needs of our government clients as they aim to deliver services in a more holistic manner to their citizens. Accordingly, we will report operating segments on a geographic basis. Our operating segments will be U.S. Health and Human Services, U.S. Federal, and Outside the U.S. We will be filing an 8-K in early December with historical financial information by quarter in the reclassified segments. We will also provide additional color on our fiscal year 2019 guidance by segments as it relates to high level trends. And with that, I'll hand the call over to Bruce.

Bruce Caswell: Thank you, Rick, and good morning everyone. Since I became CEO in April, we have embarked upon a digital transformation, extended our reach into new markets and customer areas, and are working to offer more clinically related services on a global scale. During the year, we have made continued progress on multiple fronts to position MAXIMUS for its next phase.

Today, I want to focus my comments on our recent M&A activities and the acquisition. As we have noted in prior calls, we believe that federal market is a long-term growth area for us. It's one of the priority markets that we identified as part of our strategic market evaluation. We believe we can play a more meaningful role in the U.S. Federal market, and with this acquisition, we have taken decisive action towards building scale, expanding our customer base, and improving our competitive position. In doing so, as Rick noted in his remarks, we've also made the total company more competitive in our markets.

As Rick also noted, we closed the acquisition last Friday. These assets are a natural fit that align with our existing capabilities, bringing together extensive experience and knowledge in managing large citizen-centric government programs. These assets cover some of the largest Civilian Citizen Engagement Centers in the federal government and across the nation. The most well-known among the portfolio of new contracts is the Contact Center Operations for the Centers for Medicare and Medicaid Services.

As a reminder, MAXIMUS has served as a subcontractor on this contract since 2014. You may be familiar with the programs that this contract supports, including the federal exchange under the Affordable Care Act, and the primary support Engagement Center for Medicare, also known as 1-800-Medicare. The overall scope of the contract is focused on efficiently handling general inquiries for the federal exchange, as well as general and claims-related Medicare inquiries. As with most of the operations across the MAXIMUS portfolio, the contracts manage multiple communications channels from beneficiaries and consumers, their families and caregivers, and other individuals or entities that support the agency in these critical programs. We're in the middle of the 2019 open enrollment period for both the programs and we're running at peak operations.

The CMS contract consists of 11 customer engagement centers across the U.S. We provide 24-hour operations seven days a week, 52 weeks a year. Across all of the centers annually, we will handle over 40 million phone calls, 200 thousand pieces of correspondence, and 250 thousand web chats for Medicare and the Federal Exchange. This will now be the largest contract in the MAXIMUS portfolio.

The second most notable acquired contract supports the 2020 census for the U.S. Census Bureau in the Department of Commerce. This contract is also known as the Census Questionnaire Assistance 2020 or CQA. Under the program, MAXIMUS will provide operations support and Citizen Engagement Centers or the 2020 Decennial Census. This contract runs through June 2021.

The contract is designed to provide questionnaire assistance for respondents about specific items on the 2020 census form. We will offer telephone assistance to citizens via multilingual customer contact centers. In all, we are contractually required to operate in a minimum of 12 languages. The program will operate in three primary phases and we are currently entering Phase 2.

The overall scope includes a significant ramp up in equipment, facilities, technology integration, testing, and staffing levels. While these two programs comprise the majority of the assets we purchased, other notable programs include CDC info for the Centers for Disease Control and Prevention, Consumer Resource Center Support Services for the Consumer Financial Protection Bureau, and Annuitant Health Benefit Open Season Printing, Distribution and Processing Services for the Office of Personnel Management. As you might expect, integration efforts are well underway, and a number of key members of the management team have joined MAXIMUS. The teams are keenly focused on transitioning operations seamlessly, keeping an open dialog with our clients and ensuring that we maintain world-class service levels to citizens.

Most notably, this acquisition significantly enhances the company size and position in the federal market building on our solid foundation of program management and IT services. The acquisition also enables greater economies of scale and brings enhanced technology and added operational capabilities that will benefit the entire MAXIMUS portfolio. More specifically, these assets help to further advance our digital strategy for federal civilian agencies by providing an integrated set of commercial products for Call Center Operations, including call routing, managing scripts, call recording, and overall management.

Importantly, this scalable platform is already Fed Ramp certified, which is an important qualification in the federal market and will accommodate evolving capabilities in machine learning and artificial intelligence that we are advancing. Ultimately, we believe this combination creates an unrivaled government partner of best-in-class multi-channel contact center support for complex citizen services.

Following on the heels of the acquisition, MAXIMUS was named the first awardee under the General Services Administration IT 70 contact center solutions vehicle also known as the Contact Center SIN. This vehicle enables federal agencies to procure Citizen Engagement Center technology and operational requirements with a diverse set of pre-vetted Citizen Engagement Center Solutions through a single contract. The Contact Center SIN is focused on a wide range of technologies that support citizen engagement, including artificial intelligence, chat bots, robotic process automation and voice-speech recognition.

As you know, we've made investments to drive more digital and innovative solutions to our clients over the last 18 months. We expect this vehicle will present opportunities for MAXIMUS to more broadly apply the work we've done for governments on driving digital monetization strategies. The Contact Center SIN also aligns with the President's management agenda, which calls for federal agencies to adopt customer service approaches that have been successful in the commercial sector. This is an area where MAXIMUS can maximize its core competencies of operationalizing complex policies driving innovative business processes and supporting vulnerable populations as they engage with governments.

Fundamentally, we are transforming the citizen journey. Moving on to new awards and pipeline, for fiscal 2018, year-to-date signed awards totaled $2.7 billion at September 30, 2018. Our pipeline at September 30, 2018 was $2.7 billion compared to $2.9 billion at June 30, 2018 due to approximately $450 million of work converting into the awarded category. The current pipeline contains opportunities across all three segments and in all of our major geographies with just under 75% tied to new work versus existing work.

The dollar value of new work at September 30th was roughly the same as compared to June 30th. Over the last several months, we have examined our methodology for reporting pipeline metrics which was established more than 15 years ago and built for a different type of business model. We have decided to change our practices and adapt our pipeline to better reflect the market realities of our current long-term BPO book of business. There are three key modifications. First, let's start with how contract values were previously recorded.

The old methodology dictated that a contract was recorded in the pipeline at its base contract value. If that same contract had option periods, the option periods were reported separately and only included in the pipeline in the year in which they were exercised. Our new methodology would instead capture the total contract value, meaning that the pipeline would reflect the base contract plus the option years that are priced.

One of the considerations for this change is our increased book of federal business. Oftentimes federal contracts are one to two-year base contracts with multi-year option periods that are priced. We believe this change is more reflective of the true long-term nature of our contracts and client relationships. Second, our reported pipeline under the prior method only captures opportunities where the RFP is expected to be released within the next six months. This simply doesn't reflect the realities of the sales and procurement cycles we see in the BPO business. While we still have this under study, we intend to move to a new reporting methodology with a new time horizon that will likely be two years.

Third, under our legacy reporting model, the base value for new work opportunities was capped with the maximum value of $150 million regardless of the actual estimated value. This did not apply to rebids or existing work in the MAXIMUS portfolio, only new work. We ultimately felt the cap was a bit arbitrary and was developed when MAXIMUS was a much smaller organization. Under our new methodology, we intend to report the actual estimated value of the bid at the time we enter it into the pipeline. It's important to recognize that this will create much more fluctuation in the pipeline as values can change as RFP's mature through the procurement process.

In summary, while fiscal 2018 was characterized by solid execution, we fell a little short in achieving some of our revenue goals. We have taken steps to aggressively address this head on including assessing and prioritizing new and adjacent markets, stepping up our M&A activities, bringing in new sales and capture leadership and realigning our business segments beginning in FY19 to maximize our go-to market strategy, all of which are designed to address this period of slower growth.

Our vision is to be the premier provider of large-scale complex program management solutions offering unparalleled support to citizens who access and utilize critical government programs. We are making demonstrated progress in executing our strategic initiatives, but I want to reiterate our commitment to delivering solid operational and financial execution and strong cash generation. We continue to see evidence that long-term macro trends remain in our favor and the core of the business is sound.

Finally, I want to thank our customers for the trust they place in us each day, our employees across the globe for their continued service and commitment and welcome our many new Citizen Engagement Center employees as they transition to MAXIMUS. With that, I'll open it up for Q & A. Operator?

Operator: Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star one on your telephone key pad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. We ask that you limit your follow-up questions to one, so that others may have the opportunity to ask questions. You may re-enter the queue by pressing star one. For participants using speaker equipment, it may be necessary to pick up your hand set before pressing the star keys. One moment please while we pull for questions. Our first question comes from the line of Charlie Strauzer with CJS Securities. Please proceed with your question.

Charlie Strauzer: Hi, good morning.

Bruce Caswell: Good morning, Charlie.

Charlie Strauzer: So I just wanted to talk a little bit more about the acquisition if we could, just in general, get your additional color and thoughts on the kind of longer term opportunities there, and also when you look at the 45 cents of accretion, it's a little bit more than we had modeled on the back of the envelope a year before getting your guidance, and that implies that the base is lower, maybe you can explain a little bit more on each metric there as to why that's occurring there? Thank you.

Bruce Caswell: Absolutely, Charlie, it's Bruce, I'm going to start with just the strategic rationale of it and then address your question about the longer-term opportunities this creates, and then ask Rick to address the question related to the accretive nature of the transaction and the 45 cents. So, first of all, we've said for some time that the Federal Market is a market where we think we can have a bigger presence and should have a bigger presence. It's the largest customer in the world. Our Federal Civilian book of business, it was about a half a billion. We felt that in many ways by getting the book over a $1 billion, we become a very credible bidder at a prime and are open to new opportunities with other federal agencies. We're excited that with this acquisition, we contemporaneously have gained the position on the Contact Center SIN vehicle that we mentioned in our prepared remarks, which puts us in a great position now as the premier provider of citizen-centric customer contact centers in the federal government to win more business.

As much as that's a great strategic rationale and it, I will say, addresses two of the important market priorities that we were looking at as part of our strategic review. The first being the importance of achieving critical mass in a key growth market as I've mentioned, and the second being bringing us new digital capabilities. I spoke a bit about that in my prepared remarks in terms of the contact center technologies that we gained. Equally important, are the economies of scale that the acquisition brings to us. And Rick spoke at some length about that in terms of the benefits to our business and to our rate structure within the federal business that it also improves our competitive position across the Board in the company. It makes us competitive in other segments as well.

So, with that, it really gives scale economies, the operational efficiencies, the technology gain that we get and the critical mass in federal all added up to make it a very attractive acquisition. And I'll turn it over to Rick for further commentary.

Rick Nadeau: Sure. Thanks, Charlie. In my prepared remarks, I talked about five different areas of how we calculate the impact of the acquisition. First, you have the operating income that relates to the operations. We have synergistic benefits. We have interest amortization, and then of course, transaction costs. I think there are really two main drivers to our updated expectations. First, I think we're expecting to receive a bit more revenue and operating margin in '19 than we previously assumed providing a lift to the earnings.

Secondly, as we've been able to study this transaction more, the two large cost-plus contracts we believe we will be able to realize more cost synergies than we previously expected. So, while there are still some moving pieces and as we continue to study it, we do believe that 45 cents is a reasonable expectation for the total earnings contribution. I think the estimate that we have in there on valuation and amortization of the intangibles, we're still waiting for that appraisal, but we've worked with the appraiser. So, that's really the one open item, but I think basically as we were able to study it more, we determined that it was of more positive benefit to us.

Charlie Strauzer: Excellent, thank you very much.

Rick Nadeau: Okay. Next question--oh, I'm sorry. Anything further?

Lisa Miles: On the base operations.

Rick Nadeau: Yeah, Charlie, did you ask about the base operations? Okay, all right. I didn't hear that part of the question, but I'll go ahead and answer that. I think Charlie wanted us also to talk about what are the factors that cause the base operations to be a little bit lighter than what we expected. And I think that we have two contracts. I talked about one when I said, for example, in the earnings--in my prepared comments, and that is the HAAS contract. It was--we began the option period in March 1, 2018. And we also have another contract in California, the Medicaid Enrollment Broker contract. Both of these contracts have been reset, if you will. We have more length on the contract, but as a result of getting additional length on the contract there is some giveback, if you will, or degradation of the operating income margin basically trading length for profitability in the early part.

As you know and as we've talked about previously with contracts of this kind of length, we often are able to work it over time into an improving operating income margin. I think as we looked at those two contracts and thought about some of the other aspects, we really felt like the comparison of FY19 to FY18 would be a degradation of about 25 cents per share.

Lisa Miles: Thanks, Charlie. Next question, please.

Operator: Thank you. Our next question comes from the line of Dave Styblo with Jefferies. Please proceed with your question.

Dave Styblo: Hey there, good morning. I'm going to follow-up on Charlie's question a bit and ask about the accretion on the GDIT asset just to get a better perspective on how sustainable the accretion is, and the revenue is on that. Obviously, you'll be annualizing that as you move into fiscal year '20, with the extra month-and-a-half. But I think one thing maybe we don't have as much visibility on is sort of where are you maybe in the revenue ramp on some of those key contracts, in particular the Census? Does that continue to grow in 2020 and in 2021, or where are we in that stage, and if you could even talk about what the size of that revenue contribution is, I think it would be helpful to understand the visibility there.

Bruce Caswell: Okay, Dave. Good morning, it's Bruce. I think we can answer a few of those questions, maybe not everyone, but I'll ask Rick to jump in. Okay, yes. There are two big cost-plus contracts, the one that is the CMS CCO contract, if you will, is rather stable. It has another four years to run until the end of the contract, at which point it'll go through a re-compete. You're right, the Census contract runs through June of 2021. Calendar year 2020 will be the bulk of the revenue, if you will. So yes, there will be some additional growth in revenue from our fiscal '19 to our fiscal '20 for the Census contract.

And then after the calendar year of 2020 ends and while we're in our fiscal year 2021 we'll start to see the ramp down and the revenue will go away around the June 2021 period. But there will be, as I said, a ramp in that calendar year '20. Our fiscal year '20 will be stronger than FY19. So, we have some additional growth to go on that contract.

Dave Styblo: And will fiscal year '21 be larger than fiscal year '19 for revenue then?

Bruce Caswell: Well, that'll depend on the success that we have with respect to new work awards. But yes, we will ramp from '19. We will grow in--well, the Census contract will grow in '20. That

Census contract will then be smaller in '21. When you compared '21 to '19, I think it'll depend on how successful we are with the growth aspects of the business.

Dave Styblo: Okay, that's helpful. And then I guess there's probably some additional synergies that you can expand beyond fiscal year '19. Is there any way to quantify how much the one-time costs are embedded in guidance for fiscal year '19, and if synergies can grow higher in fiscal year '20 versus '19?

Bruce Caswell: Yes, that's a great question. FY '19 does have significant cost synergies. As the base gets bigger in FY '20, yes the cost synergies will be bigger. What really happens, as you know, in government contracting is the size of that base that you're spreading those indirect costs on can give you a tremendous lift. And so that base does grow in FY '20. And so, the synergies we get this year will be bigger next year. And then we're going to have to work to grow FY '21, or else there's going to actually be less cost synergy, if you will, as compared to FY '20 and '21.

Dave Styblo: Okay. And then maybe just shifting gears real quick on the new FIN contract, can you tell us a little bit more about the opportunities? I guess these are all very large end markets, but can you give us a sense of maybe what your sweet spot is of contracts that you'd be able to target there, maybe the timing of when some of those RP's would come up or we might see some announcements of an opportunity for you guys to win? And also, obviously, the GDIT opens up more short-term goal there. So just broadly speaking, to increase opportunities from having more prime contracts?

Bruce Caswell: Sure. Dave, probably a good way to think about it is to think about it would way we did with Alliant 2. Because Alliant 2 was a new GWAC or government-wide acquisition contract, and it takes some time for the schedule for procurements to get put in place by the agencies, and then to start seeing the deal flow through that. And the good news is we've now started to see deals flow through Alliant 2 and we've had some wins on that vehicle. And so that pipeline is starting to fill up. And it's important because on Alliant 2 there are a number of contracts that historically would've been bid under other vehicles, like TIPS or others that will out under Alliant 2. So, you want to have it for both offensive and defensive reasons.

Pivoting to the Contact Center SIN, this vehicle is--it's a new vehicle that's designed to replace an old one which was called the U.S.A. Contact vehicle, it expired in August of 2018. And it had a relatively narrow set of solutions that it offered. And as we mentioned in the prepared remarks, this vehicle actually broadens the types of solutions that are available under the contract to really reflect many more of the technologies right, that are prevalent in call center operations these days compared to back when U.S.A Contact was acquired. So, I think, number one, it makes this vehicle a much more attractive vehicle for any federal agency that's seeking not just to do kind of standard contact center operations, but to infuse some of these new digital technologies and capabilities into what they're doing.

They'll be able to onboard those new technologies more quickly. And I think, frankly, will, I hope, see through this vehicle opportunities for agencies that historically haven't seen the business case for contract center operations going through the vehicle now to become a more attractive vehicle for them. So, while I wouldn't put a particular size on the type of opportunities we'd be looking for, the reality now is that we're the premier provider of this capability in the Federal Civilian Marketplace. So, we'll be focused on opportunities that kind of play to our sweet spot in the sense of enable us, number one, to leverage the technology that we've acquired as part of the assets that I mentioned in my prepared remarks.

Number two, potentially allow us to leverage the scale of the customer contact center operations that we have in place. I don't want to be overly optimistic about the second point only because some federal agencies generally like to ensure that their centers are exclusively dedicated just to their program. And so, we're only, in limited instances, seeing cases where you can leverage an existing operation to serve another federal client. But there are such instances, such as when we support disaster relief efforts. So, I would look to leverage existing scale, leverage technology that we've acquired, and obviously the capabilities of the management team under that contract vehicle.

Lisa Miles: Thanks, Dave. Next question, please.

Operator: Thank you. Our next question comes from the line of Jamie Stockton with Wells Fargo. Please proceed with your question.

Jamie Stockton: Good morning. Thanks for taking my questions. I guess maybe the first one, the revenue shortfall doing the quarter. I know you had a number of contributing factors versus kind of what you had guided for. Can you talk about whether it was just a timing issue or are these kind of ongoing volume issues related to specific contracts?

Bruce Caswell: And Jamie, good morning, it's Bruce. And I'll ask Rick to address that.

Rick Nadeau: Jamie, as you suspect, the answer is yes, a little bit of both. I think that what you had in the fourth quarter was the restart of the Disability Employment Services contract in Australia, option period--sorry, and then we had contract extensions and we had option periods. I think all of those are ongoing types of things. But we also had some pending change orders that we thought could hit in the fourth quarter, they now are expected to come in the first-half of the fiscal year '19. So, I would say that it's a little bit of both, as you might have suspected.

Jamie Stockton: Okay. And then maybe just--I know you guys are going to recast your segments and give us some new data on that in the not too distant future. But if we set aside the General Dynamics business that you acquired, and then just think about the three segments. Can you directionally talk about what growth should look like or what's embedded in your guidance of FY '19?

Bruce Caswell: Yes, you know Jamie, I think that we'll likely do that when we get into the details of the new segment, and we'll recast the '19 guidance in that way. And we'll give you some color as well based on how those segments would've applied in the historical financial performance as well. So, I think we'll be in a better position at that point. I think if I were to give you any initial sense of direction, as I said earlier, that we think that the U.S. Federal Government remains a very, very strong market area for us.

It's the largest customer segment in the world. We're seeing very positive outcomes as a consequence of this transaction and these assets that we've acquired, strong reception in the marketplace and with our customers, new contract vehicles that we've now been able to achieve, the Alliant 2 as well as the Contact Center SIN. So, my optimism as it relates to these new segments that would first relate to our growth potential in federal. We'll be happy to give you more color as we update the segments in the future.

Jamie Stockton: Great, thank you.

Lisa Miles: Thanks, Jamie. Next question, please.

Operator: Thank you. Once again, if you'd like to ask a question, please press star one on your telephone key pad. For participants using speaker equipment, it may be necessary to pick up your hand set before pressing the star keys. Our next question comes from the line of Donald Hooker with KeyBanc Capital Markets. Please proceed with your question.

Donald Hooker: Hey, great. Good morning. Hey just a bunch of my questions have been asked, but maybe looking at that Human Services Segment or at least the old definition of that. In terms of the Australian Employment Services contract, I know that was a little bit of a drag, and I know there's some competition within that contract, as I understand. Can you talk about kind of any early signs of that getting back to profitability, when does that sort of hit breakeven as we look in to next year?

Rick Nadeau: We have two contracts in Australia, and I want to make sure I'm clear with respect to the two of them. One is the jobactive contract and that's bigger than the Disability Employment Services contract, we call DES. Yes, DES will hit--it's going through start-up losses at this particular point. And yes, it will turn on the curve, and it'll become profitable during FY19. jobactive is also a contract that has been ongoing, and that has been profitable. We are seeing, as we've said previously, in full employment economies around the world, the Welfare-to-Work business has been challenged. Volumes do matter in our business. And when the volumes are kind of low the profitability does suffer, but that contract is profitable, and the DES contract will become profitable in FY19.

Donald Hooker: Got you, thank you, and then maybe just one last one from me in that same part of the world, I guess you guys had talked about some opportunities in some of the Asia-Pac countries, I think you talked about Singapore.

Bruce Caswell: Yes, sure, Donald, it's Bruce. Yes, we've been operating actually in Singapore for just over a year now. And helping the government address an interesting population. These are professionals, managers, engineers, and technicians. The acronym is PMET, and that have been displaced through structural changes in the economy and helping them get back to work. I've been very pleased with the team's performance and our performance with the client there. And as a consequence, we're seeing some new opportunities open up in Singapore.

I once had an individual say, don't consider it a government, think of it as a well-run corporation. And individuals that are in key ministerial posts within certain agencies in the government tend to rotate around, so if you do well for them in one function, they're likely to recommend you in another. So, on the one hand, I'm very pleased with the Singapore team and the service that we're delivering for that very important client.

Secondly, other countries in the region do look to Singapore as kind of a standard there or leader as it relates to some of these programs. So, as you can imagine, we're doing some active marketing in the region, looking at other opportunities to serve selected other clients in the region. So, I would say stay tuned as it relates to the Asia-Pac region.

Donald Hooker: Thank you.

Bruce Caswell: Sure.

Lisa Miles: Thanks, Don. Next question, please.

Operator: Thank you. Our next question comes from the line of Frank Sparacino with First Analysis. Please proceed with your question.

Frank Sparacino: Hi, guys. My question relates to the CCO contract. Rick, I don't think you, and this may by intentionally, quantified how large that is and maybe how large the two cost-plus contracts are relative to the $600 million-plus in revenue. But secondly, on the CCO contract, can you just talk about sort of year-to-year historically. Has that been a relatively stable contract in terms of revenue and profitability? I assume it's largely driven by the traditional metrics in that business, but that's my question.

Rick Nadeau: Yes, the CCO contract is the biggest contract in that portfolio, and pretty significant in that total $600 million-plus of revenue. Over time, as programs become more mature, you will see some reduction in volumes, but that contract has been relatively stable over the historical performance that we studied, and we're expecting it to be relatively stable in the next four years.

Bruce Caswell: Any follow-up, Frank?

Frank Sparacino: No, thank you.

Lisa Miles: Thanks, Frank. Next question, please.

Operator: Thank you. Our next question comes from the line of Richard Close with Canaccord Genuity. Please proceed with your question.

Richard Close: Great. Want to ask on the pipeline, and then I have a follow-up question if I could ask as well. With respect to the pipeline, the numbers that you provided here for the fourth quarter, I just want to be clear that that's under the old methodology and maybe you could provide what it would be under the new methodology?

Bruce Caswell: Okay. Richard, it's Bruce, thank you. I can answer half the question. The numbers we provided are under the old methodology, absolutely. But we can't provide it under the new methodology. We're going to begin applying that new methodology October 1st of this year with the first quarter. So, the next earnings call will be the first time we'll be reporting under the new methodology.

Richard Close: Okay. And my follow-up question is regarding maybe the step down in revenue and the earnings of core and citing the HASS contract in California as well in the 25 cents there. As you think about those contracts going forward, Rick, maybe talk about the timing on when you would essentially get that 25 cents back?

Rick Nadeau: Well, the California contract is a 10-year contract. It started on October 1, 2018. So, we will be running that for the next 10 years, starting at that particular point. And we've also, as I've said previously, been running that contract for a long period, looking backwards. The HAAS contract, the next time it gets re-competed it would restart on March 1, 2020. So, we'll be going through a re-compete on that contract, but what it was, was an original three-year base, and then we're in the first of two option years this year. And so, the new contract, the fifth year of the contract will start on March 1, 2019, and it will end on February 29, 2020. We'll be going through re-procurement at that particular point. And hopefully our incumbency value will carry the day and we'll continue to serve that contract into the future.

Richard Close: And what is your thought process in terms of getting the timing of better margins. Does that come in the second-half of a contract or is it more the last quarter of a contract?

Rick Nadeau: Well, it's continuously. I think you start at the beginning of the contract, and then as you come down the learning curve, as your people get more experienced with the new aspects of the program as you introduce and increase the robotics process automation and other innovations, you're going to see continued improvement over the life of a contract. So, it's not--I think you'll get some acceleration toward the end because of the cumulative effect of everything that you've done. But your synergistic benefits from operating, it should start day two.

Richard Close: Okay, thank you.

Lisa Miles: Thanks, Richard. Next question, please.

Operator: Thank you. Ladies and gentlemen, we have reached the end of our question and answer session and are out of time for today's call. MAXIMUS, thank you for your time and participation. You may disconnect your lines at this time.


MAXIMUS
Fiscal 2018
Fourth Quarter & Year End
Earnings Call
Rick Nadeau
Chief Financial Officer
November 20, 2018

Forward-looking Statements & Non-GAAP Information

These slides should be read in conjunction with the Company's most recent 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 earnings press release and annual report.

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

A number of statements being made today will be forward-looking in nature. Such statements are only predictions and actual events or results may differ materially as a result of risks the Company faces, including those discussed in Exhibit 99.1 of our SEC filings. We encourage you to review the information contained in our earnings release and our most recent Forms 10-Q and 10-K filed with the SEC. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Total Company Results – Fiscal Year 2018

($ in millions, except per share data)	FY18	FY17	% Change
Revenue			
Health Segment	$ 1,405.0	$ 1,380.2	2%
Federal Segment	478.9	545.6	(12%)
Human Segment	508.4	525.2	(3%)
Total	$ 2,392.2	$ 2,451.0	(2%)
Operating Income			
Health Segment	$ 236.4	$ 215.2	10%
Federal Segment	57.4	65.0	(12%)
Human Segment	18.2	48.6	(62%)
Segment Income	$ 312.0	$ 328.8	(5%)
Intangibles amortization	(10.3)	(12.2)	
Acquisition expense	(0.9)	(0.1)	
Gain on sale of business	–	0.7	
Other	(5.3)	(3.7)	
Total	$ 295.5	$ 313.5	(6%)
Operating Margin %	12.4%	12.8%	
Effective Tax Rate	26.2%	32.5%	
Net Income attributable to MAXIMUS	$ 220.8	$ 209.4	5%
Diluted EPS - GAAP	$ 3.35	$ 3.17	6%

- FY18 was characterized by:
  - solid execution
  - healthy portfolio of contracts
  - strong cash generation
  - demonstration of our commitment to sensible capital allocation with the recent increase to quarterly cash dividend and the completion of our largest acquisition
- On Friday, November 16, we completed the purchase of U.S. Federal civilian citizen engagement centers
- Revenue for FY18 was slightly below our guidance range of $2.40B to $2.44B. This was a result of revenue in the fourth quarter that was below the Company's expectations due to lower-than-anticipated contributions across a handful of contracts
- Operating margin for FY18 was largely as expected due to new programs in the start-up phase in the Human Services Segment
- FY18 diluted earnings per share increased 6% and benefitted from U.S. tax reform

Health Services Segment

($ in millions)	FY18	FY17	% Change	Q4 FY18	Q4 FY17	% Change
Revenue						
Health Services	$ 1,405.0	$ 1,380.2	2%	$ 328.2	$ 355.3	(8%)
Operating Income						
Health Services	$ 236.4	$ 215.2	10%	$ 51.9	$ 57.0	(9%)
Operating Margin %	16.8%	15.6%		15.8%	16.0%	

- Continues to consistently deliver strong operating and financial performance
- As mentioned on the call last quarter, revenue coming into Q4 FY18 was tempered by forecasted changes on several sizable contracts that were rebid and won, extended, or option periods were exercised
  - For example, the Health Assessment Advisory Service contract that reset on March 1, 2018
  - Winning rebids and securing multi-year extensions provides a foundation that enables a focus on long-term growth but new contractual terms can temper short-term growth

U.S. Federal Services Segment

($ in millions)	FY18	FY17	% Change	Q4 FY18	Q4 FY17	% Change
Revenue						
U.S. Federal Services	$ 478.9	$ 545.6	(12%)	$ 117.4	$ 127.3	(8%)
Operating Income						
U.S. Federal Services	$ 57.4	$ 65.0	(12%)	$ 16.0	$ 13.6	18%
Operating Margin %	12.0%	11.9%		13.6%	10.7%	

- As expected, U.S. Federal Services Segment experienced contraction in FY18
- As previously disclosed, the Segment was impacted by contracts that reached their natural and expected conclusion as well as contracts that were re-procured under small business set-asides (meaning we were no longer eligible to bid), and some rebid losses
- Operating margin for FY18 benefitted from increased operational efficiencies resulting from technology and innovation initiatives
- As a reminder, operating margins for this Segment can fluctuate from quarter to quarter due to contract mix and the variability of volumes on performance-based contracts

Human Services Segment

($ in millions)	FY18	FY17	% Change	Q4 FY18	Q4 FY17	% Change
Revenue						
Human Services	$ 508.4	$ 525.2	(3%)	$ 112.9	$ 138.2	(18%)
Operating Income						
Human Services	$ 18.2	$ 48.6	(62%)	$ (0.7)	$ 10.8	(106%)
Operating Margin %	3.6%	9.2%		(0.6%)	7.8%	

- Human Services Segment experienced dynamics that tempered both revenue and profit
  - This included a number of new contracts in the start-up phase as well as contracts that have come to a planned end, including the Work Programme and Work Choice contracts in the United Kingdom
  - As a result, revenue for Human Services Segment was down 3%
- The recently rebid Australian Disability Employment Services contract launched in Q4 and it is the largest program in the start-up phase
  - This resulted in the Segment operating at a slight loss for Q4 FY18
- Without the impact of the contracts in start-up phase, Human Services OI margin would have been 5.6% in FY18

Cash Flows, DSOs, Uses of Cash, Capital Allocation

$ in millions	FY18
Cash flows from operations	$323.5
Cash paid for property, equipment & capitalized software	($26.5)
Free cash flow	$297.0

Days Sales Outstanding (DSO)

- Exceeded cash flow guidance due to strong cash collections. DSOs at 63 days at year end

Share Repurchases

- FY18, repurchased nearly 1.1M shares of common stock for $67.6M
- Subsequent to September 30, 2018, acquired 0.2M shares of common stock for $15M
- Approximately $178M remaining under board authorized share repurchase program at November 15, 2018

Cash

- Ended FY18 with $370M of cash, cash equivalents and short-term investments
- Positive cash position generated $3M in interest income over the course of FY18

Capital Allocation

- Taken several steps to put excess capital to work and better optimize our balance sheet
- Management is focused on making the right investments at the right time in order to best create long-term shareholder value
- Strategic M&A continues to be first priority as demonstrated by our most recent acquisition
- Will continue to buy back shares and we increased our cash dividend to a 1.5% yield
- Steadfast intent on ensuring we best position MAXIMUS for the future

Acquisition of U.S. Federal Citizen Engagement Centers

Acquisition provides MAXIMUS with a level of scale that makes us a more viable prime contractor to the U.S. Federal Government and reduces our need to partner with other companies to win business. This acquisition also enables us to become more competitive on procurements in the federal marketplace.

Expected impacts to our financial statements resulting from the acquisition

- Expect revenue for the remaining 10 ½ months of FY19 between $600M and $625M

- The two largest acquired contracts are cost-plus
  - Revenue and billings for cost-plus contracts include the allowable expenses, plus a fee
  - These types of contracts carry a lower risk and operate at a lower operating margin – in the mid-single digits

- While the profit earned on the acquired cost-plus contracts are mid-single digits, they will provide significant synergistic benefits to MAXIMUS and a lift in profitability in other segments. Two main drivers:
  1. While total Company SG&A costs will increase in order to handle the additional volume of work, the acquired assets will significantly expand the business base used for the allocation of indirect costs. Simply put, adding this business into the total Company portfolio allows us to spread the corporate SG&A cost across a substantially larger base of revenue
  2. The two largest contracts that we acquired are cost-plus contracts. Accordingly, MAXIMUS will be reimbursed for the portion of these corporate SG&A costs that are allowable under U.S. Federal procurement rules and our agreed upon allocation methodologies

- Bottom line: The amount of indirect costs that MAXIMUS will recover under the new cost-plus contracts is greater than the overall increase in SG&A dollars to support the new assets, and while dilutive to the overall operating margin it provides an overall lift in operating income to the Company

Acquisition Impact on Fiscal Year 2019 Guidance

- FY19 guidance, includes certain estimated expenses related to the acquisition:
  - Interest expense on our borrowings and the reduction in interest income forfeited from the cash used for the acquisition
  - One-time acquisition costs
  - Amortization of intangibles; the appraisal is currently in process and expected to be completed in coming weeks. Amortization is a non-cash charge and EBITDA will increase more than operating income
- Considering all elements of the transaction, we now expect the acquisition will contribute approximately $0.45 of diluted EPS in FY19

GAAP Fiscal Year 2019 Guidance

Fiscal 2019 Guidance			
Revenue	$2.925B – $3.0B	Cash flows from operations	$275M – $325M
GAAP Diluted EPS	$3.55 – $3.75	Free cash flow	$235M – $285M

Commentary

- Includes 10.5 months of revenue from the acquisition
- On a quarterly basis, anticipate revenue will be stronger in 2H FY19 vs. 1H FY19
- Revenue in Q2 FY19 expected to be seasonally strongest due to the operational activities tied to the Open Enrollment (OE) period under the newly acquired contract center operations for the federal health insurance exchange and Medicare. (OE ends on December 15, and program ramp-down period is forecasted to extend well into Q2 FY19)
- On the bottom-line, we anticipate earnings will have a linear progression throughout the year, but can be difficult to predict due to fluctuations from change orders, volumes or timing of work

Backlog

- At September 30, 2018, $5.1B in backlog, pre-acquisition
- Added annual revenue and backlog from the acquisition of $612.5M in order to calculate our FY19 revenue visibility
- For FY19 we estimate approximately 93% of forecasted revenue in the form of backlog, options or extensions

Income tax rate

- Range between 25% and 26%

Weighted Average Shares Outstanding

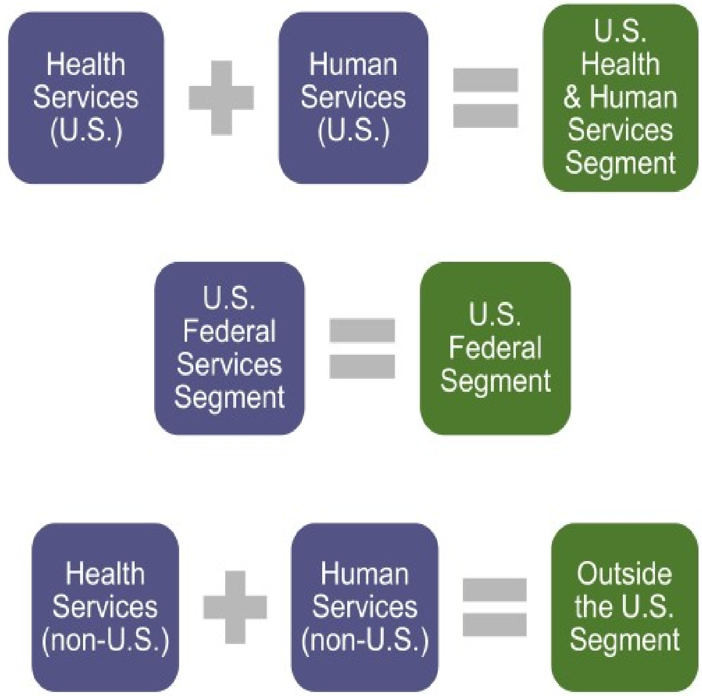
- 65.3 million, with no additional share repurchases

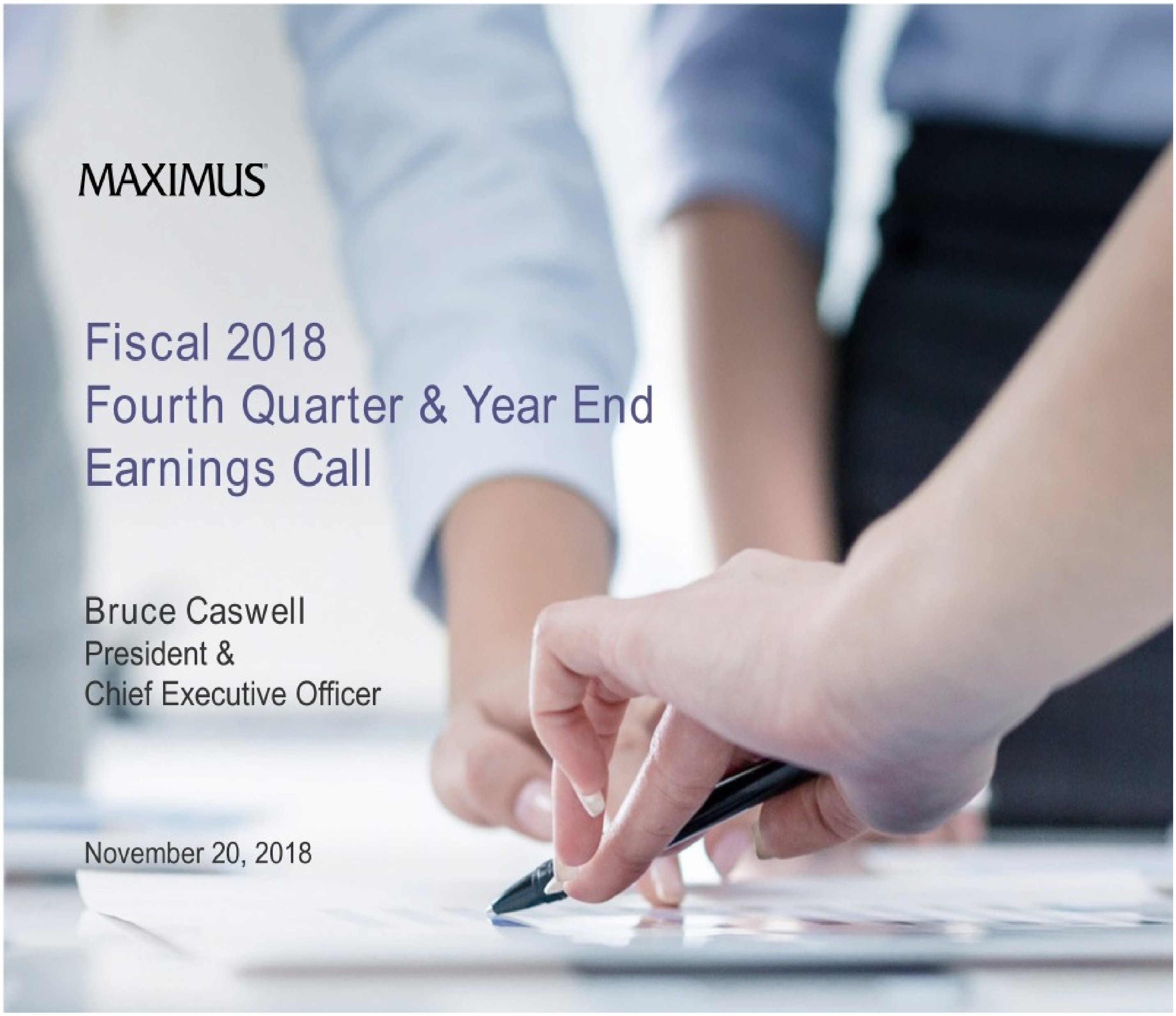
New revenue recognition standard

- Implemented on October 1, the first day of FY19

Reorganizing Reporting Segments

- Reorganize reporting segments based how we intend to manage performance, allocate resources and evaluate results
- Has been under study since Bruce took over as CEO earlier this year and it became effective October 1
- Decision is largely in response to changes in the markets we operate with the increasing integration of health and human services programs worldwide and the evolving needs of our government clients who aim to deliver services in a more holistic manner to citizens
- Operating segments will be on a geographic basis:
  - U.S. Health & Human Services
  - U.S. Federal
  - Outside the U.S.
- Will file an 8-K in December with historical financial information by quarter in the reclassified segments and will include color on FY19 guidance by segment as it relates to high level trends




MAXIMUS
Fiscal 2018
Fourth Quarter & Year End
Earnings Call
Bruce Caswell
President &
Chief Executive Officer
November 20, 2018

Positioning MAXIMUS for the Next Phase

- Embarked upon a digital transformation, extended our reach into new markets and customer areas and are working to offer more clinically related services on a global scale
- Today, I want to focus my comments on our recent M&A activities and the acquisition
- We believe the federal market is a long-term growth area — one of the priority markets identified as part of our strategic market evaluation
- MAXIMUS can play a more meaningful role in the U.S. Federal market. With the acquisition we have taken decisive action towards building scale, expanding our customer base & improving our competitive position
- Makes the total Company more competitive in our markets
- These assets:
  - Are a natural fit that align with our existing capabilities bringing together extensive experience and knowledge in managing large citizen-centric government programs
  - Cover some of the largest civilian citizen engagement centers in the federal government and across the nation

CMS Contact Center Operations (CCO) Contract

- MAXIMUS has served as a subcontractor on this contract since 2014
- The programs that this contract supports, include the federal exchange under the Affordable Care Act and the primary support engagement center for Medicare — also known as 1-800-MEDICARE
- Overall scope of the contract is focused on efficiently handling general inquiries for the federal exchange as well as general and claims-related Medicare inquires
- As with most of the operations across the MAXIMUS portfolio, the contracts manage multiple communications channels from beneficiaries and consumers, their families and caregivers, and other individuals or entities that support the agency in these critical programs
- We are in the middle of the 2019 open enrollment period for both the programs and we are running at peak operations
- Consists of 11 customer engagement centers across the U.S. We provide 24 hour operations, seven days a week, 52 weeks a year.
- Annually, we will handle for Medicare and the federal exchange:
  - 40M+ phone calls
  - 200,000 pieces of correspondence
  - 250,000 web chats
- This will now be the largest contract in the MAXIMUS portfolio

2020 Census Contract and Other Programs

- Known as the Census Questionnaire Assistance 2020 — or CQA
- Under the program, MAXIMUS will provide operations support and citizen engagement centers for the 2020 Decennial Census; contract runs through June 2021
- Contract is designed to provide questionnaire assistance for respondents about specific items on the 2020 census form
- We will offer telephone assistance to citizens via multilingual customer contact centers. We are contractually required to operate in a minimum of 12 languages
- Program will operate in three primary phases and we are currently entering phase two
- Overall scope includes a significant ramp-up in equipment, facilities, technology integration, testing and staffing levels

Other notable programs include:

- CDC Info – for the Centers for Disease Control and Prevention
- Consumer Resource Center Support Services for the Consumer Financial Protection Bureau
- Annuitant Health Benefit Open Season Printing, Distribution and Processing Services for the Office of Personnel Management

Integration & Advancing Our Position in Federal Market

- A number of key members of the management team have joined MAXIMUS. Focused on transitioning operations seamlessly, keeping an open dialogue with our clients, and ensuring that we maintain world-class service levels to citizens
- This acquisition significantly enhances the Company's size and position in the federal market, building on our solid foundation of program management and IT services
- Enables greater economies of scale and brings enhanced technology and added operational capabilities that will benefit the entire MAXIMUS portfolio
- More specifically, these assets help to further advance our digital strategy for federal civilian agencies by providing an integrated set of commercial products for call center operations, including call routing, managing scripts, call recording and overall management
- This scalable platform is already FedRAMP certified — an important qualification. It will accommodate evolving capabilities in machine learning and artificial intelligence that we are advancing
- Ultimately, we believe this combination creates an unrivaled government partner of best-in-class, multichannel contact center support for complex citizen services

GSA Contract Vehicle Contact Center SIN

- Named first awardee under the General Services Administration IT 70 Contact Center Solutions vehicle
- This vehicle enables federal agencies to procure citizen engagement center technology and operational requirements with a diverse set of pre-vetted citizen engagement center solutions through a single contract
- Contact Center SIN is focused on a wide range of technologies that support citizen engagement, including artificial intelligence, chat bots, robotic process automation and voice/speech recognition
- We expect this vehicle will present opportunities to more broadly apply the work we've done for governments on driving digital modernization strategies
- Contact Center SIN also aligns with the President's Management Agenda, which calls for federal agencies to adopt customer service approaches that have been successful in the commercial sector
- This is an area where MAXIMUS can maximize its core competencies of operationalizing complex policies, driving innovative business processes and supporting vulnerable populations as they engage with governments
- Fundamentally, we are transforming the citizen journey

New Awards & Sales Pipeline

New Awards	September 30, 2018
YTD Signed Contracts	$2.7B

Sales Opportunities	September 30, 2018
Total Pipeline	$2.7B

- Our pipeline at September 30, 2018, was $2.7B compared to $2.9B at June 30, 2018, due to approximately $450M of work converting into the awarded category
- Current pipeline contains opportunities across all three segments and in all of our major geographies with approximately 75% tied to new work versus existing work
- Dollar value of new work at September 30, 2018, was roughly the same as compared to June 30, 2018

Conversion of sales pipeline into future revenue growth depends on win rates, timing of awards, and how quickly the contracts ramp up

New Methodology for Reporting Pipeline Metrics

Examined our methodology for reporting pipeline metrics, which was established more than 15 years ago and built for a different type of business model. We will change our practices and adapt our pipeline to better reflect the market realities of our current long-term BPO book of business.

Old Pipeline Methodology	New Pipeline Methodology
Base Contract Value (BCV) • Only included base contract value initially • If the base contract had option periods, the option periods were reported separately and only included in the pipeline in the year in which they were exercised	Total Contract Value (TCV) • Pipeline will reflect the base contract, plus the option years that are priced • We believe this change is more reflective of the true long-term nature of our contracts and client relationships
Contract was reported in pipeline when the RFP was expected to be released in six months • Does not reflect the realities of the sales and procurement cycles we see in the BPO business	Contract will be reported in pipeline when the RFP is expected to be released in two years (under study) • More reflective of longer procurement cycles in BPO business
$150M cap on new work • Base value for new work opportunities was capped with a maximum value of $150M • This did not apply to rebids or existing work in the MAXIMUS portfolio – only new work • We felt the cap was a bit arbitrary and was developed when MAXIMUS was a smaller organization	No cap on new work • Intend to report the actual estimated TCV of the RFP at the time we enter it into the pipeline • This will create much more fluctuation in the pipeline as values can change as RFPs mature through the procurement process

Conclusion

- While FY18 was characterized by solid execution, we fell a little short in achieving some of our revenue goals. Taken steps to aggressively address this head-on, including:
  - Assessing and prioritizing new and adjacent markets
  - Stepping-up our M&A activities
  - Bringing in new sales and capture leadership
  - Realigning our business segments beginning in FY19 to maximize our go-to-market strategy — all of which are designed to address this period of slower growth

- Our vision is to be the premier provider of large-scale complex program management solutions, offering unparalleled support to citizens who access and utilize critical government programs
- Demonstrated progress in executing our strategic initiatives, and committed to delivering solid operational and financial execution, and strong cash generation
- We continue to see evidence that long-term macro trends remain in our favor and the core of the business is sound
- Thank you to:
  - our customers for the trust they place in us each day
  - our employees across the globe for their continued service and commitment
  - our new citizen engagement center employees as they transition to MAXIMUS