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: **February 11, 2019**
Date of earliest event reported: **February 7, 2019**

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 February 7, 2019, the Company issued a press release announcing its financial results for the quarter endedDecember 31, 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 February 7, 2019, 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 Exhibit 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 February 7, 2019
99.2	Conference call transcript for Earnings Call - February 7, 2019
99.3	Conference call slide presentation for Earnings Call - February 7, 2019

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: February 11, 2019	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: February 7, 2019

MAXIMUS Reports Fiscal Year 2019 First Quarter Results
- Company Reiterates Full Year Revenue and Earnings Guidance -

(RESTON, Va. - February 7, 2019) - MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for the three months ended December 31, 2018.

Highlights for the first quarter of fiscal year 2019 include:

- Revenue grew 7% to $664.6 million compared to $623.1 million reported for the same period last year, driven by the citizen engagement center acquisition in the U.S. Federal Services Segment
- Diluted earnings per share of $0.86 were better-than-expected due to strong operational delivery in the U.S. Health and Human Services Segment
- Cash flows from operations of $59.3 million and free cash flow of $53.9 million
- Year-to-date signed contract awards of approximately $224 million and contracts pending (awarded but unsigned) of approximately $743 million at December 31, 2018
- Sales pipeline of $19.9 billion at December 31, 2018, of which 78% is new work
- Purchased 650,000 shares of MAXIMUS common stock for a total cost of $41.3 million for an average price of $63.52

Bruce Caswell, President and Chief Executive Officer of MAXIMUS, commented, "MAXIMUS delivered solid first quarter results with good performance, most notably in our U.S. Health and Human Services Segment. We continue to make meaningful progress as we transform the customer experience with digital tools, expand our clinical-related services and extend our reach into new markets and customer areas."

For the first quarter of fiscal 2019, revenue totaled $664.6 million as compared to $623.1 million reported for the same period last year. Revenue growth from the acquisition was partially offset by unfavorable foreign currency translation of $7.2 million.

For the first quarter of fiscal 2019, operating income totaled $74.1 million, yielding an operating margin of 11.2% as compared to 12.8% for the same period last year. As expected, operating margin was lower due to the newly acquired citizen engagement center contracts that have cost-plus terms, and therefore generate operating margins in the mid-single digits.

For the first quarter of fiscal 2019, net income attributable to MAXIMUS totaled $55.9 million (or $0.86 of diluted earnings per share) and benefited from solid operational performance in the U.S. Health and Human Services Segment. This compares to first quarter of fiscal 2018 diluted earnings per share of $0.89.

U.S. Health & Human Services Segment
U.S. Health and Human Services Segment revenue for the first quarter of fiscal 2019 decreased 3.3% to $294.2 million compared to $304.2 million reported for the same period last year. The decrease was principally due to the refresh or rebid of certain larger contracts in the portfolio.

Operating margin for the first quarter of fiscal 2019 was 19.0% compared to 16.2% reported for the prior-year period. Operating margins increased despite a pullback in revenue primarily due to solid operational performance across a number of health services contracts and a seasonally strong quarter in the domestic consulting business. Segment operating margin also benefited from cost synergies as a result of the acquisition in our U.S. Federal Services Segment.

U.S. Federal Services Segment
As expected, U.S. Federal Services Segment revenue for the first quarter of fiscal 2019 increased 63% to $217.0 million compared to $133.0 million reported for the same period last year. Acquired revenue from the citizen engagement center acquisition was $101.3 million. Excluding the acquisition, the Segment's organic revenue decreased primarily due to contracts ending, including temporary work supporting disaster relief efforts that bolstered revenue in the first quarter last year, as well as contracts acquired with the Acentia transaction that ended because they were re-procured under small business set-aside rules which precluded MAXIMUS from bidding.

Operating margin for the first quarter of fiscal 2019 was 9.8% compared to 12.6% reported for the prior-year period. With the newly acquired cost-plus contracts, we now expect operating margins in the Segment to be in the range of 8% to 10%.

Outside the U.S. Segment
Outside the U.S. Segment revenue for the first quarter of fiscal 2019 decreased 17% (14% on a constant currency basis) to $153.4 million compared to $185.9 million reported for the same period last year due to welfare-to-work contracts in Australia and the United Kingdom.

Operating margin for the first quarter of fiscal 2019 was 2.9% compared to 8.7% reported for the prior-year period.

The effects of a robust full employment economy continue to impact the Segment, tempering revenue and margin due to lower volumes in the segment's welfare-to-work business.

Sales and Pipeline
Year-to-date signed contract awards at December 31, 2018, totaled $224 million and contracts pending (awarded but unsigned) totaled $743 million.

The sales pipeline at December 31, 2018, was $19.9 billion (comprised of approximately $2.6 billion in proposals pending, $0.3 billion in proposals in preparation and $17.0 billion in opportunities tracking). The Company modified its pipeline reporting methodology beginning October 1, 2018. The three changes are: 1) reporting Total Contract Value (TCV) rather than Base Contract Value (BCV), 2) extending the time horizon for opportunities reported in the pipeline from six months to two years and 3) removing the value cap of $150 million on new work opportunities so that the estimated TCV will now be reported under this new methodology.

Balance Sheet and Cash Flows
Cash and cash equivalents at December 31, 2018, totaled $54.7 million. For the three months ended December 31, 2018, cash flows from operations totaled $59.3 million, with free cash flow of $53.9 million.

At December 31, 2018, days sales outstanding (DSO) were 73 days after normalizing the calculation to include a full three months of revenue from the acquisition.

During the first quarter, MAXIMUS purchased 650,000 shares of MAXIMUS common stock for a total cost of $41.3 million for an average price of $63.52. Subsequent to December 31, 2018, MAXIMUS has purchased another 62,000 shares of common stock for a total cost of $4.1 million for an average price of $66.15.

On January 4, 2019, our Board of Directors declared a quarterly cash dividend of $0.25 for each share of our common stock outstanding. The dividend is payable on February 28, 2019, to shareholders of record on February 15, 2019.

Outlook
MAXIMUS is reiterating its fiscal 2019 revenue and earnings guidance. The Company expects revenue to range between $2.925 billion and $3.0 billion and GAAP diluted earnings per share to range from $3.55 to $3.75 for fiscal 2019.

Conference Call and Webcast Information
MAXIMUS will host a conference call this morning, February 7, 2019, at 9:00 a.m. (ET). The call is open to the public and is available by webcast at http://investor.maximus.com or by phone at:

877.407.8289 (Domestic)/+1.201.689.8341 (International)

For those unable to listen to the live call, a replay will be available through February 21, 2019. Callers can access the replay by calling:

877.660.6853 (Domestic)/+1.201.612.7415 (International)
Replay conference ID number: 13686904

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 Measures
We utilize non-GAAP measures where we believe it will assist the user of our financial statements in understanding our business. The presentation of these measures is meant to complement, and not replace, other financial measures in this document. The presentation of non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to revenue growth, cash flows from operations or net income as measures of performance. These non-GAAP measures, as determined and presented by us, may not be comparable to related or similarly titled measures presented by other companies.

In this news release, we use the following non-GAAP measures: organic revenue growth, constant currency and free cash flow. A description of these measures, including a description of our use of these measures and our methodology for calculating them, is included in our most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 20, 2017. We have included a reconciliation of free cash flow to cash flows from operations in this news release.

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, acquisitions, technology-driven innovations, digital transformation, market demand or acceptance of the Company's current or future products or services, are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission, found on maximus.com.

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

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
Revenue	$ 664,619	$ 623,148
Cost of revenue	505,354	471,188
Gross profit	159,265	151,960
Selling, general and administrative expenses	79,671	69,559
Amortization of intangible assets	5,458	2,718
Operating income	74,136	79,683
Interest expense	625	168
Other income, net	2,045	287
Income before income taxes	75,556	79,802
Provision for income taxes	19,833	19,850
Net income	55,723	59,952
(Loss)/income attributable to noncontrolling interests	(190)	861
Net income attributable to MAXIMUS	$ 55,913	$ 59,091
Basic earnings per share attributable to MAXIMUS	$ 0.86	$ 0.90
Diluted earnings per share attributable to MAXIMUS	$ 0.86	$ 0.89
Dividends paid per share	$ 0.25	$ 0.045
Weighted average shares outstanding:		
Basic	64,827	65,866
Diluted	64,977	66,177

MAXIMUS, Inc.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	December 31, 2018	September 30, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,736	$ 349,245
Short-term investments	—	20,264
Accounts receivable — billed and billable	486,922	357,613
Accounts receivable — unbilled	124,385	31,536
Income taxes receivable	7,066	5,979
Prepaid expenses and other current assets	49,915	43,995
Total current assets	723,024	808,632
Property and equipment, net	81,352	77,544
Capitalized software, net	22,773	22,429
Goodwill	585,735	399,882
Intangible assets, net	204,553	88,035
Deferred contract costs, net	16,049	14,380
Deferred compensation plan assets	28,970	34,305
Deferred income taxes	209	6,834
Other assets	6,637	9,959
Total assets	$ 1,669,302	$ 1,462,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 152,532	$ 114,378
Accrued compensation and benefits	97,563	95,555
Deferred revenue	37,231	51,182
Income taxes payable	2,302	4,438
Long-term debt, current portion	5,124	136
Other liabilities	17,474	11,760
Total current liabilities	312,226	277,449
Deferred revenue, less current portion	22,275	20,394
Deferred income taxes	49,617	26,377
Long-term debt	120,321	374
Deferred compensation plan liabilities, less current portion	31,769	33,497
Other liabilities	15,715	17,490
Total liabilities	551,923	375,581
Shareholders' equity:		
Common stock, no par value	492,938	487,539
Accumulated other comprehensive loss	(42,673)	(36,953)
Retained earnings	664,332	633,281
Total MAXIMUS shareholders' equity	1,114,597	1,083,867
Noncontrolling interests	2,782	2,552
Total equity	1,117,379	1,086,419
Total liabilities and equity	$ 1,669,302	$ 1,462,000

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

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
Cash flows from operations:		
Net income	$ 55,723	$ 59,952
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property, equipment and capitalized software	11,231	13,719
Amortization of intangible assets	5,458	2,718
Deferred income taxes	16,511	5,707
Stock compensation expense	4,971	5,402
Change in assets and liabilities:		
Accounts receivable — billed and billable	(69,890)	(44,381)
Accounts receivable — unbilled	20,198	5,535
Prepaid expenses and other current assets	(5,691)	6,019
Deferred contract costs	(1,757)	1,413
Accounts payable and accrued liabilities	26,564	11,387
Accrued compensation and benefits	377	(29,588)
Deferred revenue	(372)	(12,405)
Income taxes	(3,848)	9,642
Other assets and liabilities	(135)	2,877
Cash flows from operations	59,340	37,997
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software costs	(9,973)	(6,514)
Acquisition of part of noncontrolling interest	(421,809)	—
Redemption of short-term investments	19,996	—
Other	47	59
Cash used in investing activities	(411,739)	(6,455)
Cash flows from financing activities:		
Cash dividends paid to MAXIMUS shareholders	(16,033)	(2,930)
Purchases of MAXIMUS common stock	(40,984)	(1,038)
Tax withholding related to RSU vesting	(8,915)	(8,529)
Borrowings under credit facility	195,100	59,683
Repayment of credit facility and other long-term debt	(70,033)	(48,156)
Other	(133)	—
Cash used in financing activities	59,002	(970)
Effect of exchange rate changes on cash and cash equivalents	(1,068)	203
Net increase in cash, cash equivalents and restricted cash	(294,465)	30,775
Cash, cash equivalents and restricted cash, beginning of period (1)	356,559	179,727
Cash, cash equivalents and restricted cash, end of period (1)	$ 62,094	$ 210,502

(1) As we noted in a Current Report on Form 8-K filed on December 14, 2018, we have made changes in our cash flow statements to comply with new accounting requirements. Most notably, we now include our restricted cash balances in the totals identified above. Our restricted cash is included in our balance sheet under the heading "prepaid expenses and other current assets" and totaled $7.4 million and $7.3 million at December 31, 2018, and September 30, 2018, respectively.

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

	Three Months Ended December 31,			
	2018	% (1)	2017	% (1)
Revenue:				
U.S. Health & Human Services	$ 294,213		$ 304,241	
U.S. Federal Services	216,987		132,983	
Outside the U.S.	153,419		185,924	
Total	$ 664,619		$ 623,148	
Gross Profit:				
U.S. Health & Human Services	$ 88,031	29.9%	$ 84,231	27.7%
U.S. Federal Services	47,985	22.1%	33,358	25.1%
Outside the U.S.	23,249	15.2%	34,371	18.5%
Total	$ 159,265	24.0%	$ 151,960	24.4%
Selling, general, and administrative expense:				
U.S. Health & Human Services	$ 32,139	10.9%	$ 34,805	11.4%
U.S. Federal Services	26,632	12.3%	16,648	12.5%
Outside the U.S.	18,808	12.3%	18,106	9.7%
Other (2)	2,092	NM	—	NM
Total (3)	$ 79,671	12.0%	$ 69,559	11.2%
Operating income:				
U.S. Health & Human Services	$ 55,892	19.0%	$ 49,426	16.2%
U.S. Federal Services	21,353	9.8%	16,710	12.6%
Outside the U.S.	4,441	2.9%	16,265	8.7%
Amortization of intangible assets	(5,458)	NM	(2,718)	NM
Other (2)	(2,092)	NM	—	NM
Total	$ 74,136	11.2%	$ 79,683	12.8%

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

(2) Other selling, general & administrative expenses includes credits and costs not directly allocated to a particular segment. In the three month period ended December 31, 2018, these include $2.7 million of costs directly related to the acquisition of the citizen engagement centers business.

MAXIMUS, Inc.
FREE CASH FLOW
(Non-GAAP measure)
(Amounts in thousands)
(Unaudited)

	Three Months Ended December 31,	
	2018	**2017**
Cash flows from operations	$ 59,340	$ 37,997
Purchases of property and equipment and capitalized software costs	(9,973)	(6,514)
Capital expenditure as a result of acquisition (1)	4,542	—
Free cash flow	$ 53,909	$ 31,483

(1) Purchases of property and equipment and capitalized software costs included $4.5 million in one-time payments to cover software licenses required for employees joining us through the citizen engagement centers acquisition.

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Operator: Greetings, and welcome to the MAXIMUS Fiscal 2019, First 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 keypad. 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 and thank you for joining us. With me today is Bruce Caswell, President and CEO and Rick Nadeau, Chief Financial Officer.

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 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.

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 most recent quarterly earnings press release.

And with that, I'll hand the call over to Rick.

Rick Nadeau: Thanks, Lisa. This morning, MAXIMUS reported revenue for the first quarter of fiscal 2019, of $664.6 million, an increase of 7% over the same period last year. Top line growth was driven by the expected increases in the U.S. Federal Services segment, due to revenue from the acquisition of the citizen engagement centers. This was partially offset by the adverse impact from foreign currency translation of $7.2 million.

Total company operating margin was 11.2% for the first quarter, which was above our expectations, due to solid operational delivery in our U.S. Health and Human Services segment. As expected, our operating margin decreased due to the newly acquired citizen engagement center contracts that have cost plus terms and, therefore, generate operating margins in the mid-single digits. As a reminder, these cost plus contracts also have inherently lower financial risk.

For the first quarter, GAAP diluted earnings per share were $0.86, which was also better than forecast and benefited from strong financial performance in our U.S. Health and Human Services segment. As we disclosed on the previous call, we reorganized our reporting segments on October 1, 2018, to be geographically based because this is the way we're managing performance, allocating resources and evaluating results.

This shift is a response to changes in the markets we operate, with the increasing integration of Health and Human Services programs worldwide, as governments deliver services in a more holistic manner to their citizens. We filed a Form 8-K on December 14, to show our recasted financial results from fiscal years 2017 and 2018.

I will now speak to our segment results in the first quarter. As expected, first quarter revenue for the U.S. Health and Human Services segment decreased 3% to $294.2 million, compared to the same period last year, principally due to the refresh or rebid of certain larger contracts. Operating margin for the segment in the first quarter came in better than expected at 19%, compared to 16.2% in the prior year. Operating margins increased despite a pull-back in revenue, primarily due to solid operational performance across a number of health services contracts and a seasonally strong quarter in our domestic consulting business.

The segment's operating margin also benefited from cost synergies, as a result of the acquisition in our U.S. Federal segment. The U.S. Health and Human Services segment has a strong portfolio of contracts and when the circumstances are favorable, we can see margins in the high teens.

For the remainder of the fiscal year, we expect operating margins to be in the range of 16% and 19% for this segment, which includes an estimated benefit of 100 to 150 basis points, as a result of the cost synergies from the acquisition.

Revenue for the first quarter of fiscal year 2019, in the U.S. Federal Services segment was $217 million compared to $133 million in the first quarter of fiscal year 2018. The acquisition of the citizen engagement centers closed in mid-November and contributed approximately $101.3 million of revenue in the quarter.

As expected, and excluding the acquisition, the segment's organic revenue decreased compared to the prior year. As a reminder, this was due to temporary work supporting disaster relief efforts that bolstered revenue last year. Additionally, contracts that were acquired with the Acentia transaction reached their natural end and were re- procured under small business set aside rules, which precluded MAXIMUS from bidding. On the bottom line, the U.S. Federal Services segment performed as expected, finishing the quarter with an operating margin of 9.8%.

With the newly acquired cost plus contracts, we now expect that operating margins for the U.S. Federal segment to be in the range of 8% to 10%. Over the past year, our team has diligently worked to secure seats on several contract vehicles, including Alliant 2 and the GSA IT Schedule 70, Contact Center SIN, as well as close the recent acquisition. These accomplishments, along with our revamped business development team allowed us to bolster our pipeline in the U.S. federal market, setting the stage for a strong market position and an expected return to growth in the coming years. I will allow Bruce to go into detail about some areas in the U.S. federal market that are of particular interest to us.

As it relates to the U.S. federal government shutdown, the financial impact to MAXIMUS was relatively small. This is because the vast majority of our work is considered essential. As a result, we estimate that we lost approximately $500,000 in revenue in the first quarter. And in the second quarter, we estimate that shutdown will reduce our revenue by another $500,000. We've managed our cost of revenue during the shutdown to mitigate the impact to the bottom line.

For the outside, the U.S. segment, first quarter revenue was $153.4 million and unfavorably impacted by foreign currency translation by $7.2 million. As expected, revenue was lower compared to the prior year, due to decreases in welfare-to-work contracts in Australia and the U.K., where the work program and work choice contracts ended. We continue to see the effects of a robust full employment economy across our geographies, putting pressure on our top line, due to lower case load volumes on our welfare-to-work contracts.

More specifically, beginning January 1st, the Australian jobactive program was modified for all providers. The change removes some no margin pass through revenue streams tied to assisting job seekers in gaining and sustaining employment. We estimate that this will decrease our outside U.S. segment revenue by $15 million to $20 million over the remainder of the fiscal year.

As expected, our operating margin for the first quarter was 2.9%. Nearly half of the work in this segment is tied to welfare-to-work contracts in Australia and the U.K. that are tempering margins.

To the extent that we continue to see a robust global economy, we expect to continue to see depressed margins in the segment. We have taken measures to reduce our costs and we have been managing our cost of revenue to the extent our contracts allow us. We anticipate operating margins to be in the range of 3% to 5% for fiscal year 2019, which includes an estimated 50 basis point benefit, as a result of the cost synergies from the acquisition.

Let me speak briefly on the balance sheet and cash flow items. In the first quarter, MAXIMUS delivered cash flow from operations of $59.3 million and free cash flow of $53.9 million. Days sales outstanding were 73 at December 31st, after normalizing the calculation to estimate for a full three months of revenue from the acquisition.

While the new revenue recognition standard does not impact cash flows, it does impact days sales outstanding, as we now, on a handful of contracts, are recognizing revenue earlier and prior to the actual billing. This will increase our unbilled receivable balance and we estimate it will add, approximately, five days to our days sales outstanding. However, this increase will be offset by favorable collections from our newly acquired citizen engagement center contracts. As a result, we estimate that our days sales outstanding will continue to be towards the lower end of the range of 65 days to 80 days, going forward.

At December 31, 2018, we held cash and cash equivalents of $54.7 million, as well as outstanding debt of $125.4 million. The proceeds of the debt were used to complete the acquisition in the quarter.

During the quarter, we purchased 650,000 shares of MAXIMUS stock, for a total cost of $41.3 million, for an average price of $63.52. Subsequent to December 31, we purchased another 62,000 shares for $4.1 million, or an average price of $66.15. We estimate that share purchases will benefit diluted earnings per share by $0.05 for fiscal year, 2019.

In terms of capital allocation, we have ample capital flexibility to both continue to return capital to shareholders and complete strategic acquisitions where and when we see the right fit and value. Our primary goal is to find acquisitions, which contribute to our long-term organic growth or create new growth platforms for MAXIMUS.

As a reminder, we look for transactions that are no more than two adjacencies from our core and have a reputation for quality, sustainable revenue growth and sustainable operating margins of at least, high single digits. We will continue to opportunistically purchase our own shares, as well as continue our quarterly cash dividend at $0.25 per share.

Finally, we are maintaining our revenue guidance at $2.925 billion to $3 billion and our diluted earnings per share guidance of $3.55 to $3.75, for fiscal year 2019. As a reminder, the second quarter will reflect a full quarter of contribution from the citizen engagement centers acquisition. Our guidance for cash flow from operations and free cash flow remains unchanged. We expect that we will finish the year with an income tax rate between 25% and 26%. We expect a tax benefit in the second quarter that will lower the rate to between 23% and 24% for the quarter.

On October 1, we adopted the new revenue recognition standard. The adoption of this standard resulted in an increase to our retained earnings balance of $32.9 million. There was no significant difference between the revenue, which would have been recorded in the three months ended December 31, 2018, under the old and new methodologies.

And with that, I will hand the call over to Bruce.

Bruce Caswell: Thanks Rick and thank you for joining us this morning. MAXIMUS delivered solid first quarter results with good performance in our U.S. Health and Human Services segment and as Rick noted, we remain on track to achieve our fiscal year 2019 guidance. We continue to make meaningful progress as we transform the customer experience with digital tools, expand our clinical related services and extend our reach into new markets and customer areas.

Let's start off today with the U.S. federal market, which continues to be a priority long-term growth area for us. First, as Rick noted, less than 1% of our federal business was affected by the partial shutdown. This illustrates the critical nature of our business and service offerings in support of essential citizen services and safety net programs. Part and parcel to this are the U.S. federal contracts we acquired in November. These contracts include the primary support vehicle for several of our nation's most critical programs, including the Federal Exchange and Medicare.

We successfully transitioned these operations to MAXIMUS during the health plan open enrollment period, which is when the contract is running at peak capacity. I'm very proud to say that there were no disruptions to service and, in fact, customer satisfaction for this open enrollment period improved on these two programs over an already impressive score. Through the transition, I visited some of our newly acquired sites with Tom Romeo, General Manager of MAXIMUS Federal. I can attest to the incredible people we have welcomed to the MAXIMUS family and that, culturally, it is an excellent fit. They are passionate about serving our clients and beneficiaries to our citizen engagement centers and equally dedicated to supporting the communities in which they live and work.

I've seen the resilience of our people in Lynn Haven, Florida, following Hurricane Michael. I was excited to hear about our successes in Phoenix, Arizona and we look forward to continuing our site business to welcome our newest employees to MAXIMUS. All in all, the integration is progressing smoothly.

Our efforts to expand our clinically related work are also gaining traction in our Federal segment. Recently, we began servicing a new federal agency with subcontracted clinical assessments. While still in the early stages, this required building a network of clinicians and certifying them to perform appraisals.

Separately, we took on some new program work as a subcontractor, performing medical record indexing and provider outreach and engagement services. We continue to build capabilities and develop opportunities to leverage our independence and clinical skills in the federal marketplace. Our federal team is also pioneering many of our efforts with respect to our digital transformation strategy. The team is developing new solution sets where we can achieve additional operational and cost efficiencies through techniques such as cloud migration services, artificial intelligence or AI, robotic process automation, RPA, and machine learning.

With our increased capabilities, we're implementing new digital innovations within both business process management and as direct service offerings. This will continue to enhance our portfolio of citizen services and federal capabilities. For instance, MAXIMUS offers advanced natural language recognition and are federally certified intelligent virtual assistants, providing interactive conversational speech to beneficiaries. Our technology, now deployed for initial customers, meet stringent federal security requirements and standards. Successful department certification of that new solution opens the door to further agency deployments.

Additionally, we continue implementing RPA in our projects to enhance efficiency and scalability. Our automated portal for certain clinical related services, streamlines the independent medical review experience for citizens and doctors. It allows for document upload, AI search capabilities, transparent feedback and results. The portal is an ever-learning machine. As a result, it continues to improve its capabilities, making the experience more seamless. It has driven efficiency, enhanced quality and improved the overall citizen and physician reviewer experience.

We're, also, actively working with many of our state clients on how digital initiatives can improve the user experience for programs like Medicaid. We recently launched the Virginia Medallion mobile Medicaid enrollment app, which has made an impressive and immediate impact on our digital adoption. Since launch in December, this app has pushed digital to new heights in Virginia, where more than 40% of enrollments are being completed via web and mobile. I'm pleased that our digital transformation is well under way. Mobile has already surpassed our early estimates and is currently making up 26% of our overall digital volume in Virginia.

Overall, digital adoption continues to grow across our clients, proving that Medicaid beneficiaries will gravitate towards great web and mobile experiences, where they are available. Our digital efforts are maturing across our geographies. Our MAXIMUS Canada enterprise, omnichannel contact center, now allows us to offer a full range of engagement options to our Canadian customers. This includes video chat capabilities, agent facilitated co-browsing to help citizens navigate online digital services, text and web chat, as well as the more traditional voice, email and physical mail channels. The channels help deliver optimal customer satisfaction and efficiency.

The omnichannel solution is available to be adopted by all of our Canadian clients. The first to start using these features is our Service BC contract. Service BC is a centralized government unit that provides citizens services on behalf of various agencies through consolidated contact centers. This contract has financial incentives for meeting or exceeding citizen satisfaction targets. Our new digital offerings to this client will begin next month.

These types of visual enhancements are instrumental in transforming how citizens engage with programs and will continue to drive our success. More importantly, our government clients value our ability to leverage these digital capabilities to improve quality and service delivery.

Moving on to awards and pipeline metrics. For Q1 of fiscal 2019, year-to-date signed awards total $224 million at December 31, 2018. We also had an additional $743 million in awarded, but unsigned contracts at December 31, 2018. As we reported in our last earnings call, we have adapted our pipeline reporting to better reflect the market realities of our current long-term BPO book of business. We implemented three modifications, starting this quarter. Included in the appendix of our presentation is a crosswalk of the changes from the old methodology to the new methodology.

But as a reminder, the three main updates include—first, reporting total contract value. We believe this change is more reflective of the long-term nature of our contracts and client relationships. Second, we're updating the time horizon for opportunities we report in our pipeline. We will now capture opportunities that are expected to be released within the next two years, reflecting the realities of our procurement cycles. And third, we are no longer capping new work opportunities. While this will create more fluctuation in the pipeline, as a result of maturing RFPs during the procurement process, this methodology will be more accurate in reporting anticipated values, overall.

Under the new methodology, our pipeline at December 31, 2018, was $19.9 billion of which 78% is new work. In order to provide you with a relative comparison, if we reported pipeline under the old methodology, it would have been just over $5.0 billion at December 31st, of which 76% would be attributable to new work. Of the $19.9 billion pipeline, approximately 60% are U.S. federal opportunities.

We are seeing some positive traction on the measures we took last year to amplify our sales and business development efforts in the U.S. Federal segment. The team is keenly focused on opportunities driven by emerging customer priorities, including new departments and agencies. We are now implementing similar initiatives in our Health and Human Services segment here in the United States.

And before I finish up today, I would like to thank John Haley, who stepped down from the MAXIMUS Board last month. As CEO of Willis Towers Watson, John provided key market insights and thought leadership to our board. In addition, directors Russ Beliveau and Paul Lederer will retire in the spring of 2020, and we sincerely appreciate their dedication and service to MAXIMUS.

MAXIMUS has a proven track record of solid operational delivery, a dedicated team of seasoned professionals and a portfolio of business that generates meaningful cash flow. We remain committed to using acquisitions as a platform to further drive organic growth. This includes strategic targets in new and adjacent markets, as well as clinically related and digitally enabled services in existing geographies.

Our digital initiatives are enabling us to broaden our BPO business with a more enhanced set of core capabilities. We have earned a reputation as a trusted long-term partner, delivering outcomes that matter and we continue to build on this foundation.

Governments will continue to focus on creating an even better citizen experience with core programs through the prudent additional of digital technologies. We are well positioned to achieve outcomes that matter by remaining keenly focused on providing services that are flexible, scalable and efficient for our government partners, without losing sight of the citizens we serve.

With that, we'll open up the line for Q&A. Operator.

Operator: Thank you. We will be now conducting a question and answer session. Please limit yourself to one question and one follow-up question. If you wish to ask additional question, you may re-enter the queue. If you'd like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two, if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from a line of David Styblo with Jefferies. Please proceed with your question.

David Styblo: Hi there, good morning, thanks for the question. First one, I just wanted to hit a little bit more in the pipeline. I can appreciate you guys moving to the new method. I guess, for us on the outside, it's a little bit easier to look at the old methodology to make some comparisons. So, with that in mind, if I take this quarter's pipeline of 5 billion and we know how much of that is new work. It looks like about 3.8 billion of that is new work, that is quite a jump from the 2 billion from a quarter ago in the fiscal fourth quarter. I'm just trying to understand how much of that is from the GDIT acquisition assets, that's now in your numbers and on your pipeline versus how much of that increase was the core business. And if you could just describe you know the nature of what might be expanding in there.

Bruce Caswell: Sure. Hey, Dave, good morning, it's Bruce. I'll start and then hand it up to Rick. To quickly answer your question about the GDIT pipeline, we did get some pipeline that came over with the acquisition of those contracts, I would say it's a de minimis amount of that total that you referenced. It is good pipeline and I'm pleased that we'll be bidding some of those opportunities. The key driver to the change to prior quarter would be in the federal area. I think we noted that, you know, of that kind of 78%, that's new work and of the total pipeline, 60% is in the federal business. And so, you know, as we look across that portfolio, you can tell that with the new sales team we put in place in the business development efforts, we're starting to see some positive results there.

I would characterize the, kind of the content of the pipeline there as including both current agencies that we serve, but importantly new agencies and new departments. And also standing both BPO deals. As you could imagine, there would be large scale BPO deals in there, as well as, now a pipeline of opportunities that we're developing more in the IT space that we'd be bidding out under the Alliant 2 GWAC, as an example, or IT 70 or CIO-SP3, traditional GWACs that we've had. And I'll turn it over to Rick for any further comments.

Rick Nadeau: No, I think that's it. You know, Dave on a going forward basis, we think that this reporting pipeline is really more meaningful. We've been using that old pipeline for a number of years, but I think, as the business became more federally government oriented, we really thought this was about that way to report. We really haven't changed the way we manage pipeline, internally.

We're just giving you a little different slice and a little different view of it and one that is more meaningful, I think, that would be something that will help you in the future.

David Styblo: Okay. That's helpful. So, just to make sure I understand. It sounds like, is it a characterization more along lines of you guys are finally starting to see an uptick in our key activity and things that you can bid on, whereas we've had a pause for such a long time because, if GDIT doesn't contribute that much it seems like there's, certainly, all of a sudden kind of an influx of new opportunities that are before you. Or is it more along the lines of, now that you have GDIT, you guys have increased capabilities and you can bid on more. So, just trying to understand if it is more of a market supply uptick or is it more just you have increased capabilities to bid on these contracts.

Rick Nadeau: Well, I'd like to say all of the above, but I think the market opportunities is really the bigger story and I think that Bruce made a great point on the last earnings call, and that is that we have new federal sales team and we have new BD folks here. And I think that we're seeing the fruits of their work and a lot bigger aggregation of opportunities, if you will, for us to pursue. Yes, I think the federal government is getting its act together a little bit, better with having more positions filled and yes, we get new capabilities. But I think the real story here is that the market opportunities are there and are being mined by our BD folks. Bruce?

Bruce Caswell: I would add only one thing. Rick's absolutely right. I think, Dave, one way to think about it is we talked about how we did pick up some technology capabilities now as part of the GDIT acquisition. We call it the customer experience platform or CXP and it is a very robust telephony platform that we can then market into new accounts, as well as the fact that we now have qualifications to go after much larger contact center deals, as well as the fact that we have the GSA IT 70 contact center SIN.

So, I think you have to put all that together and then you'll see the pipeline evolve over time from that combination of new capabilities. But Rick's absolutely correct. What you're seeing in the present is the effect of that new business development as a sales effort and a broad effort in the market as we're filling the pipeline with new opportunities we're seeing across a number of government agencies.

Rick Nadeau: Dave, its Rick. Do I understand that you have a question on federal margins for FY 2019, that you also wanted to ask as a follow-up?

David Styblo: Yes, I guess, just as a housekeeping, when you guys made the disclosure in December in the 8-K under the new segmentation. I think you guys have talked about federal margins being in the 10% to 11% range, and I thought maybe that had included the GDIT contribution. And then obviously, today, you guys are talking about an 8% to 10% range. So, just want to make sure that, is there sort of a reset of margins or was there just some sort of maybe clarification item on that, that we should be aware of?

Rick Nadeau: Well, let me, let me clarify and explain that. Yes, when we talked about it in that 8-K, we were including the acquisition in that. Since that time, we're getting a little more revenue out of the acquisition transaction then we had thought. There's always refinements in the allocation around we're disclosing operating income, which is below SG&A, which has certain allocations of home office SG&A.

I think if you look at Q1, the number was 9.8% operating income. I think 8% when we said that in December, it was probably, I mean, when we said it this time it's probably a pretty conservative number. I think 11% was probably a little bit overly optimistic. I mean, it's a hindsight, I wish maybe, I'd said around 10% for the full year and that would have been a better estimate. So, I do think it's going to be around 10% for the full year. And our expectation, I don't think, has changed and our guidance certainly has not changed.

David Styblo: Okay. Thank you.

Lisa Miles: Thanks, Dave. Next question please.

Operator: Thank you. Our next 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, Bruce, I have a segway from the last discussion, you know you talked about back in spring about assessing your markets and you're kind of reviewing those. Maybe you could give us an update, I know federal has been kind of big priority as you've have been kind of talking about just now. But maybe give us a little bit more of the kind of where you are in that review?

Bruce Caswell: Absolutely, thanks, Charlie. Yeah, as a reminder, the purpose of our review is really to take a fresh look at our current markets, emerging opportunities and overall strategy. It was an internal review that we did to really examine and turn out the best pats for the growth of the company in the long-term. We did it first by analyzing our current markets, where we think we should be playing a more meaningful role through greater scale, augmented service offerings and so forth. And I think we started to deliver on that in the federal segment with the engagement center acquisition.

The second thing that we did was we took a fresh look at adjacent markets, and new growth platforms. And those are particularly ones that are linked to and anchored by macro demographic economic and technology trends. And so, while I can't provide specific details on our key priority markets that we've now refined and are executing on for competitive reasons. I do want to note that we concentrated on markets that are two adjacencies away from our core that needs strict criteria for addressable size, expected profitability and growth rate.

And we believe that we can access some of these markets organically and others will need an acquisition. Importantly, the priority markets that we've identified cover all three of our segments of their domestic and international in nature. I think we've made meaningful progress on the evaluation. As I've said we've turned execution, with the completion of the acquisition and federal, we're now focused on, and I want to emphasize this, driving organic growth in the markets adjacent to our core, that's the key. As we continue concurrently to focus the M&A lens on identified priority growth markets that require acquisition of new capabilities, that can themselves then lead to long-term growth platforms for the company.

It's important to remember that our execution will evolve over time, as we work on this plan. And we want to remain flexible to meet with changing market demand and the availability of M&A targets that we identified. And overall, I'd wrap by saying I'm pleased that we're making solid headway on the plan. And as we've said previously, we're taking measured improved steps toward executing the plan over the next 18 to 24 months.

Bruce Caswell: Is all this helpful?

Charlie Strauzer: Yes, it's helpful. And just kind of more of a housekeeping question. Last month you put out an 8-K with a, you know, quantifying the amortization from the acquisition of about $24 million for the next two years. If you could talk about you know how that's baked into your guidance for not only for this year, but how we think about that on a quarterly basis as well? Thanks.

Rick Nadeau: The amortization for the acquisition that was recorded in Q1 was about $3 million. The three million incremental to what was there from prior acquisitions. I think for the full year you'll see our amortization from intangibles to be around $33 million, $24 million of that is from the transaction. And $9 million of it that is from the legacy transactions prior to the GDIT and that is all built into the guidance.

Charlie Strauzer: Great. That's helpful. Thank you very much, Rick.

Rick Nadeau: Thank you, Charlie.

Lisa Miles: Next question please.

Operator: Thank you. Ladies and gentlemen, as a reminder, if you'd like to join the question que, please press star one at this time. Our next question comes from the line of Richard Close with Canaccord Genuity. Please proceed with your question.

Richard Close: Great. Thank you. I was wondering if you could go into a little bit more detail, in terms of the size and maybe, the size of the U.S. subcontracts, there was two of them that you mentioned. And any way you could give us what the agencies are. And just more specifics in and around that or those contracts?

Bruce Caswell: Yes, well, hi Richard, its Bruce. So, first of all, I just want to emphasize that we're in the early days and early stages of both of these contracts. I can give you a little bit more color. Without naming the agency specifically and actually without naming our prime contractors specifically, I do want to give you a little more flavor in the work. This is work that is assessment related work. I want to make sure I distinguish between this type of work and work we do on the CHDA or HAAS program in the United Kingdom. This is work that's done by clinicians in addition to their normal, you know roles as clinicians seeing patients and so forth.

They add this volume to their offices, and they get reimbursed through the program at a fixed rate basis. They have to become certified in order to do these assessments and so there's a gating process for that. And like many of these federal contracts, the process of getting people through that certification, you know, follows from their initial identification and signing up to participate. So, we've got a very strong pool or network of physicians and clinicians that we've built. We're in the process of getting them certified. We're about 15% of the way through that certification process. And then they will start performing these assessments as--and I would say that our volume on that contract will grow as we have more certified clinicians capable of performing those assessments.

The second project that we've begun work on is really to assist more with enabling outreach to physicians and to participants in the supplemental program that's providing health care benefits to a certain agency. And also helping with medical record indexing to ensure that individuals are identified and qualified to get care from those physicians that we're reaching out to.

So, it's a little bit more color. I would say that, you know, we anticipate these programs to contribute this year financially, obviously. And we're cautiously optimistic that, like I said, as we address the capacity constraints that we've been working through we'll be able to build revenue particularly on the first program of the two.

Richard Close: So, are those two contracts sort of included in signed contracts in terms of your pipeline and--?

Bruce Caswell: Not for the quarter just ended. This is activity that we've been building since the end of that quarter, so that will come into signed contracts, as part of our next report.

Richard Close: Okay, great. A question on U.S. Health, you called out the details or you called out some sizeable rebids on larger contracts that led to the revenue decline. Can you provide any more clarity with respect to those larger contracts?

Bruce Caswell: Yes, the--I'll start and then turn it over to Rick for further clarity as needed. But really, with the California Health Care Options contract, as we rebid it, as we rebid that, very, very important contract to us and one that as we won it, we locked up a 10-year contract. So, we've been very, very focused on putting kind of the big granite boulders in place in our core business and that's a great example, so, we can focus on executing our growth strategy in the other parts of the business.

The second contract is the HAAS contract. And as you're probably aware each year on the HAAS contract, we negotiate and then execute the options for that contract, as part of that process. Naturally, it's always a negotiation with the client. And that contract reset for this year and it will continue presently through the end of February of 2019, when we'll enter the next option year for that contract that will go until April 29, of 2020. So, it was really those two contracts that we were referencing. Anything further Rick that you would add?

Rick Nadeau: Just HAAS is doing well. If you recall from prior calls, HAAS was a contract that started off slower and ramped over time and you had some very good operating income margins toward the end of that contract. But we're doing very well with the HAAS contract.

Richard Close: Okay. Just to be clear on this, so there's really only one larger contract that's impacting U.S. Health and Human Services, correct?

Rick Nadeau: Yes. We had another one that was smaller, but we did not call that out, specifically.

Richard Close: Okay. Okay, thank you.

Bruce Caswell: Okay. Great, 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: Hi, good morning, thanks for taking my questions. I guess, maybe the first one, Bruce on the house flipping to the dems. If you could just give us your thoughts on how in the last few months, it feels like that might be impacting the environment. I know some of like, you know, with the pipeline commentary earlier that that things are maybe slowing a little bit, but any color there would be great.

Bruce Caswell: I don't know, if I would attribute the thought all to house flipping to the dems, Jamie. And I think the general consensus is it's just leading to a lot more oversight and a lot more scrutiny of the current situation. If anything, what I've seen recently is that some of the, for example, I want to frame this appropriately, the Medicaid work requirements that states put through for waivers have continued to kind of grind along. And we've seen states now move from their initial process of getting legislation in place, to seeking their waivers, to getting their waivers approved.

And I'm pleased to see that we've started to now get requests for pricing proposals, put our bids in to help them, within as amendments to current contracts, which is great. And we've always said that that area of Medicaid work requirements will be kind of singles and doubles for us, but it's nice now to finally see, you know, actionable proposals going and that will lead to incremental growth on current based contracts. And as I said, we're very, very focused on driving growth in that core, and those core expansion areas.

Separate from that, you know, you can speculate certainly, if you'd like, it's a good kind of parlor game on Medicare for all. And what role that might ultimately have, I think its way early days and there's a lot of water to go over the damn between now and when we'd ever see something like that. So, we're staying focused on execution in our current programs and priorities.

And I would say just in summary that, that flip hasn't really, I think, had a material impact on the pipeline. It's just that as more and more agencies have gotten their budgets and have gotten their leadership in place and we've gotten through the government shutdown, which is important because you had civilian agencies that had to stay focused on, you know, executing essential functions. And while we haven't tried to measure it, that probably slowed things down a little bit here and there with procurements and I'll come back to that in just a second.

The reality is that I think you've got more stability across the fed SIN portfolio and agencies are able to take a long-term look at transformational procurements and get those out on the street. And we've seen some of those and we're responding to those and I think that's really the effect that that you're seeing underlying that growth in the pipeline.

Lastly, coming back to the shutdown, as I mentioned it, the curious thing for us was that it was really more of an impact administratively for us than financially. It affected just less than 1% of our federal revenue because our programs are really, so essential. But administratively, it kind of brought to a halt the process of getting clearances through for new employees. And on a number of our contracts we have folks have to get cleared in order to be on the floor. And in one contract in particular, where we needed a couple of hundred folks through the process quickly, we got maybe between 50 and 100. And so, if anything that's caused a bit of a pause. But now we're walking through it and it's releasing. So, we're hopeful that as February 15th approaches, we don't go back into that mode.

Jamie Stockton: Okay.

Bruce Caswell: Is that helpful, Jamie?

Jamie Stockton: Yeah, maybe just one other quick question. The example of it, I believe you gave in Virginia with the mobile and web enrollments. Can you just talk about a holistically, as your business transitions using more digital tools to enable kind of self service? Should we think about that as potentially improving the margin profile of business, but maybe creating a revenue headwind in some instances? Or is this a tool that you see as allowing you to go after some business historically that maybe you didn't have or you weren't able to get, but now you're going to be more competitive and so it could actually be a contributor from a revenue standpoint?

Bruce Caswell: That's a great question and a multi-pronged question. Let me kind of parse it a little bit. Number one, our perspective has always been that over time, digital channels will become more and more important for our beneficiaries. And we want to run right at that, and we want to be part of it and participate in it, and we have, and that's great. It's making a big impact and I think our clients appreciate it. At the same time, our view is that the programs that we serve really are going to for a long, long time have a voice channel and voice support for the beneficiaries. And that can be because in our view would be that as digital channels allow more of the administrative type transactions to be taken over by mobile apps and web portals and so forth.

We can raise the value of what we're doing by handling the more complicated calls. And there are a number of you know macro trends out there and a quick Google of, on the term social determinants of health would, as you're probably well familiar, it's about big buzz in Medicaid these days and we've talked about the integration of Health and Human Services programs.

We feel there is a higher-level role and we've said people we want to do more meaningful work for our customers each year. There's a higher-level role we can play and help and connect beneficiaries with important social services in the community, follow-up on whether they're getting access to the plans, as have been promised, help plan oversights, and important thing is there's a lot of energy on that on Medicaid.

So, I think the digital ship enables and opens up new opportunities for us, as you've said. The second component to that is when we have new digital capabilities that we can offer in the phrase, I think I use in my prepared remarks was, as direct service offerings. So, not only are we baking our digital efforts into what we do in the BPO world. And, in fact, all the way back to the way we hire people as a very brief anecdote. We use predictive analytics as we hire people now and the predictive analysis or the predictive assessment that we use itself is underpinned by machine learning.

So, the assessment improves, the more and more we use it. And that's important for us because human capital and direct labor is our largest cost, as an organization. And the more that we can address attrition and decrease churn in our business through those types of tools, the more effective we can be. That's an internal use of the technology. Externally, we've been working to build capabilities in areas like cloud migration, Agile development, ops and so forth that we can take into our federal clients, in particular, as they pivot and move towards those new technologies as well. So, to wrap it up, I think, you're absolutely right in saying that this is something that can help improve margins and it's also something that can open up some of these adjacencies.

Jamie Stockton: Great, thank you.

Lisa Miles: Thanks, Jamie. Next question please.

Operator: Thank you. Once again, ladies and gentlemen, as a reminder, if you'd like to join the question que, please press star one. Our next question comes from the line of Frank Sparacino with First Analysis. Please proceed with your question.

Frank Sparacino: Bruce just following up on the last question from Jamie. A lot of the areas you talk about, you know, like social determinants. There's obviously, a lot of technology in the marketplace and I don't know, historically, most of the acquisitions you've done, have not been tech platforms. And I don't know if the mindset has changed going forward in terms of the appetite or biased to become a little bit more technology heavy, so to speak.

Bruce Caswell: Well, Frank, it's a great question. You know I will say when Rich Montoni was in my seat, he always used to say, we can't keep our technology saw sharp enough, and I completely agree with that. And so, we have been investing in technology and technology capabilities, primarily to enable--to infuse into our BPO operations. We've talked on prior calls about the innovation in research and development team that we have here that has developed some very, very poor leading capabilities to do basically indexing and had indexing of complex unstructured data in a way that they can then be navigated with great facility by clinical reviewers. We were finding that in a number of our projects, the clinical reviewers, who you're paying a lot of money to are spending like 70% of their time just trying to get around the electronic boulder and find the information they need to render their decision.

We've developed a capability that presents that information in a uniform fashion and then a viewing portal that uses machine learning technology to follow their navigation of that bolder, so that each time they review a case of a particular type, say, for an example, an opioid prescription, was it warranted or not? The machine learns from that and the information is presented in a more actionable manner subsequently. So, that's a great example of technology investments. That stuff that I just mentioned in fact, has been put forward for U.S. patent, which is something you wouldn't historically have seen from MAXIMUS.

Concurrently, we know that our partners, the ecosystem partners are going to be critical to our delivering better technology for our clients. So, I mentioned the new omnichannel customer contact center capability that we now have in Canada, that was all done through a vendor partner. And we've had to step up our technology game in order to implement that technology. We are investing in a clinical platform in the United Kingdom through a partner as well, and it's a low-code, configurable, kind of off the shelf solution.

So, I think that you're going to see a combination of technology led initiatives within MAXIMUS, as well as, an ecosystem of technology partners and probably the occasional tuck-in of technology capability as we did about a year ago with our Revitalised acquisition of a software platform to help in the wellbeing area. So, I think it's going to be a combination of all three, as we continue to evolve our offerings.

Frank Sparacino: Thank you, Bruce that's helpful. And Rick, maybe just one follow-up for you. On the assets acquired from GD. I'd be curious how that performed relative to expectations, particularly, the volumes in the federal change. But also, just to get a better sense of the seasonality in that business as we look at the remaining three quarters of the fiscal year.

Rick Nadeau: Okay. I'll handle the first part of that. The assets performed as expected, since the acquisition on November 16, and when we were going through and evaluating guidance and whatever, it was pretty spot on where we thought it was going to be based on the acquisition. I think Bruce you wanted to fill the other half of his question.

Bruce Caswell: We'll tag team this one. So, as it relates to the federal exchange and that contract, there were 8.4 million consumers that enrolled through healthcare.gov in 2019. This year's enrollment was relatively stable, and down by only about 4% relative to 2018. Anything further Frank?

Frank Sparacino: Just the seasonality, as we've looked at the revenue and I know the partial quarter, this quarter, but I don't know what the flow looks like.

Rick Nadeau: Yeah, this quarter, we are in the open and we just finished the open enrollment period. So, yes, we're going to be a little bit more front-loaded into the first part of the year. I think that we believe the revenue in the totality, I think we will be--I disclosed in my script that as $101 million of acquired revenue. I think we're expecting about $650 million of revenue for the full year, from them. It should fall relatively stable from this point forward.

Bruce Caswell: And of course, may I just add very quickly that as you get through the summer, you're ramping up for the next open enrollment period. So, we do a lot of hiring and training during that last quarter.

Lisa Miles: Thanks Frank, next question please.

Operator: Thank you. Our next question is a follow-up from the line of Richard Close with Canaccord Genuity. Please proceed with your question.

Richard Close: Yeah, a couple of questions here. First, Rick, with respect to calling out the $0.05 contribution from share repurchases. With that in mind, why didn't you change your annual EPS guidance for the year?

Rick Nadeau: The guidance that we give is a pretty wide range $3.55 to $3.75. Yes, that should help me have more confidence that I'll be toward, that I can make it within that range and that I should probably be towards the upper end of that range. But I don't think we felt like we had acquired enough shares that we would move it at this particular point. It's still only--we only finished one quarter. So, I think it was more prudent to stay at $3.55 to $3.75.

Richard Close: Okay. And then Bruce maybe on the Medicaid work requirements, being a single and a double here and there. I was wondering, if you could talk a little bit. Have you guys won any new business actually for Medicaid work requirements and if so, where? And then of the states that have talked about work requirements, where is their overlap with your existing business?

Bruce Caswell: Let's see. I don't want to specifically name the states for competitive reasons that we're submitting proposals as you could only imagine. But I will say, we have submitted pricing to one of our clients as an amendment to a current contract, in order to support their Medicaid work requirement. Their program won't be implemented formally until January of 2020. So, you'd see the impact of that revenue in our FY '20 numbers.

We've submitted another proposal to a state, where we do a little bit of work currently. And I think that one is more hung up with the legislature, not yet providing funding for that work requirement that that they want. But this is an early stage market because we don't yet have any type of enhanced federal funding available to states to affect system changes that are required or further BPO services that are required.

So, states are kind of trying to bootstrap their way through this. And if anything, that's been the constraints to the breadth of services that we're able to offer. We have tremendous capabilities, but based on affordability, they may only want us to handle the consumer engagement piece. And actually, more specifically the consumer attestation requirements.

So, as you're probably familiar, most states that seek these waivers have a requirement to consumers report within a certain amount of time each month. And evidence the fact that they've been either engaged in work or looking for work. That might be in some case the limit of what they're able to afford for us to do. In others, it could go so far as to doing case management and performance-based employment services contracting. So, the model is still shaking out.

And in some instances, states might turn to their workforce boards to handle the employment piece. They may, in fact, even turn to their managed care partners because it's not unheard of for them to say, well, I'm already paying you capitation to handle kind of all aspects of this consumer's experience, this is yet another I need you to handle.

However, we feel that the MCOs are particular ill equipped to handle employment services. Or they may turn to MAXIMUS to help them with that. But it really comes down to bit of a wild west right now. Lack of federal regulations, lack of clear federal funding and states trying to figure it out. So, a couple of proposals submitted, you know, feeling optimistic that we'll see an uptick in our FY '20 numbers in the U.S. health business as a consequence.

Richard Close: Okay. Thank you.

Bruce Caswell: Yep.

Operator: Thank you. Ladies and gentlemen, this concludes our question and answer session, and thus ends our call. Thank you for your participation. You may now disconnect your lines and have a wonderful day.


MAXIMUS
Fiscal 2019
First Quarter
Earnings Call
Rick Nadeau
Chief Financial Officer
February 7, 2019

Forward-looking Statements & Non-GAAP Information

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

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

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 – First Quarter of FY 2019

($ in millions, except per share data)	Q1 FY19	Q1 FY18	% Change
Revenue			
U.S. Health & Human Services	$ 294.2	$ 304.2	(3.3%)
U.S. Federal Services	217.0	133.0	63.2%
Outside the U.S.	153.4	185.9	(17.5%)
Total	$ 664.6	$ 623.1	6.7%
Operating Income			
U.S. Health & Human Services	$ 55.9	$ 49.4	13.1%
U.S. Federal Services	21.4	16.7	28.3%
Outside the U.S.	4.4	16.3	(72.7%)
Segment Income	$ 81.8	$ 82.4	(0.8%)
Acquistion expenses	(2.1)	-	
Intangibles amortization	(5.5)	(2.7)	
Total	$ 74.2	$ 79.7	(6.9%)
Operating Margin %	11.2%	12.8%	
Income tax expense	$ 19.8	$ 19.9	
Income tax rate	26.2%	24.9%	
Net Income attributable to MAXIMUS	$ 55.9	$ 59.1	(5.4%)
Diluted EPS - GAAP	$ 0.86	$ 0.89	(3.4%)

- Top-line growth was driven by the expected increases in the U.S. Federal Services Segment due to revenue from the acquisition of the citizen engagement centers and was partially offset by adverse impact from foreign currency translation of $7.2M
- Operating margin was above our expectations due to solid operational delivery in the U.S. Health and Human Services Segment
- As expected, margins decreased due to the newly acquired citizen engagement center contracts that have cost-plus terms and therefore generate operating margins in the mid-single digits (cost-plus contracts also have inherently lower financial risk)
- GAAP diluted earnings per share were also better-than-forecast and benefitted from the strong financial performance in the U.S. Health and Human Services Segment

We reorganized our reporting segments to be geographically based. This is the way we manage performance, allocate resources and evaluate results.

Form 8-K filed December 14, 2018, to show re-cast financial results from FY17 and FY18.

U.S. Health & Human Services Segment

($ in millions)	Q1 FY19	Q1 FY18	% Change
Revenue			
U.S. Health & Human Services	$ 294.2	$ 304.2	(3.3%)
Operating Income			
U.S. Health & Human Services	$ 55.9	$ 49.4	13.1%
Operating Margin %	19.0%	16.2%	

Q1 FY19 Revenue

- As expected, revenue decreased principally due to the refresh or rebid of certain larger contracts

Q1 FY19 Operating Margin

- Came in better-than-expected. Despite a pullback in revenue, margin increased over last year primarily due to solid operational performance across a number of health services contracts and a seasonally strong quarter in our domestic consulting business
- Benefitted from cost synergies as a result of the acquisition in our U.S. Federal Services Segment
- A strong portfolio of contracts and when circumstances are favorable, margins can reach the high teens
- For the remainder FY19, we expect operating margins to range between 16% to 19%, which includes an estimated benefit of 100 to 150 basis points as a result of the cost synergies from the acquisition

U.S. Federal Services Segment

($ in millions)	Q1 FY19	Q1 FY18	% Change
Revenue			
U.S. Federal Services	$ 217.0	$ 133.0	63.2%
Operating Income			
U.S. Federal Services	$ 21.4	$ 16.7	28.3%
Operating Margin %	9.8%	12.6%	

Q1 FY19 Revenue

- Citizen engagement centers acquisition closed in mid-November, and contributed approximately $101.3M of revenue
- As expected and excluding the acquisition, the Segment's organic revenue decreased compared to the prior year due to temporary work supporting disaster relief efforts that bolstered revenue last year. Additionally, contracts that were acquired with the Acentia transaction reached their natural end and were re-procured under small business set-aside rules which precluded MAXIMUS from bidding

Q1 FY19 Operating Margin

- With the newly acquired cost-plus contracts, now expect operating margins to be in the range of 8% to 10%

U.S Federal Services Summary

- Over the past year, team has diligently worked to secure positions on several contract vehicles including Alliant 2 and the GSA IT Schedule 70 Contact Center SIN, as well as close the recent acquisition
- These accomplishments, along with a revamped business development team, allowed us to bolster our pipeline in the U.S. Federal market, setting the stage for a strong market position and an expected return to organic growth in the coming years
- Financial impact of U.S. Federal Government shutdown was small; vast majority of our work is considered essential
- Estimate an impact of $500K in revenue in Q1FY19 and $500K in Q2FY19
- We managed our cost of revenue during the shutdown to mitigate the impact to the bottom line

Outside the U.S. Segment

($ in millions)	Q1 FY19	Q1 FY18	% Change
Revenue			
Outside the U.S.	$ 153.4	$ 185.9	(17.5%)
Operating Income			
Outside the U.S.	$ 4.4	$ 16.3	(72.7%)
Operating Margin %	2.9%	8.7%	

Q1 FY19 Revenue

- Unfavorably impacted by foreign currency translation of $7.2M (13.6% growth on constant currency basis)
- As expected, revenue was lower compared to the prior year due to decreases in welfare-to-work contracts in Australia and the U.K. (where the Work Programme and Work Choice contracts ended)
- We continue to see the effects of a robust full employment economy across our geographies, putting pressure on our top line due to lower caseload volumes on our welfare-to-work contracts
- More specifically, beginning January 1, the Australian jobactive program was modified for all providers to remove some no-margin pass-through revenue streams tied to assisting job seekers in gaining and sustaining employment
- We estimate that this will decrease segment revenue by $15M to $20M over the remainder of FY19

Q1 FY19 Operating Margin

- Nearly half of the work in the Segment is tied to welfare-to-work contracts in Australia and the U.K. that are tempering margins
- Have taken measures to reduce costs and manage cost of revenue to the extent the contracts allow
- Anticipate operating margins to be in the range of 3% and 5% for FY19, which includes an estimated 50 basis point benefit as a result of the cost synergies from the acquisition

Cash Flows, DSOs, and Cash

$ in millions	Q1 FY19
Cash flows from operations	$59.3
Purchases of property and equipment and capitalized software costs	(10.0)
Capital expenditure as a result of acquisition (1)	4.5
Free cash flow	$53.9

(1) Purchases of property and equipment and capitalized software costs included $4.5M in one time payments to cover software licenses required for employees joining us through the citizen engagement centers acquisition.

Days Sales Outstanding (DSO)

- DSOs were 73 days at December 31 after normalizing the calculation to estimate for a full three months of revenue from the acquisition
- New revenue recognition standard does not impact cash flows; it does impact DSOs, due to recognizing revenue faster on a handful of contracts
- Anticipate this will increase unbilled receivable balance and add approximately five days to DSOs; offset by favorable collections from the newly acquired contracts
- We estimate that DSOs will be towards the lower end of our range of 65 to 80 days going forward

Q1 FY19 Balance Sheet

- Cash and cash equivalents of $54.7M and outstanding debt of $125.4M
- The proceeds of the debt were used to complete the acquisition in Q1FY19

Capital Allocation

MAXIMUS maintains a strong track record of operational performance and a history of generating strong, consistent cash flows.

Capital Allocation

- Ample capital flexibility to continue to return capital to shareholders and complete strategic acquisitions with the right fit and value
- Primary goal to find acquisitions which contribute to our long-term organic growth or create new growth platforms
- Seek transactions that are no more than two adjacencies from core, and have a reputation for quality, sustainable revenue growth, and sustainable net margins of at least high single digits

Share Repurchases

- Purchased 650,000 shares for a total cost of $41.3M for an average price of $63.52
- Subsequent to December 31, we purchased another 62,000 shares for $4.1M for an average price of $66.15
- Estimate that share purchases will benefit diluted earnings per share by $0.05 for FY19

Near Term

- Opportunistically repurchase shares and continue quarterly cash dividend program at $0.25 per share

Reiterating Fiscal 2019 Guidance

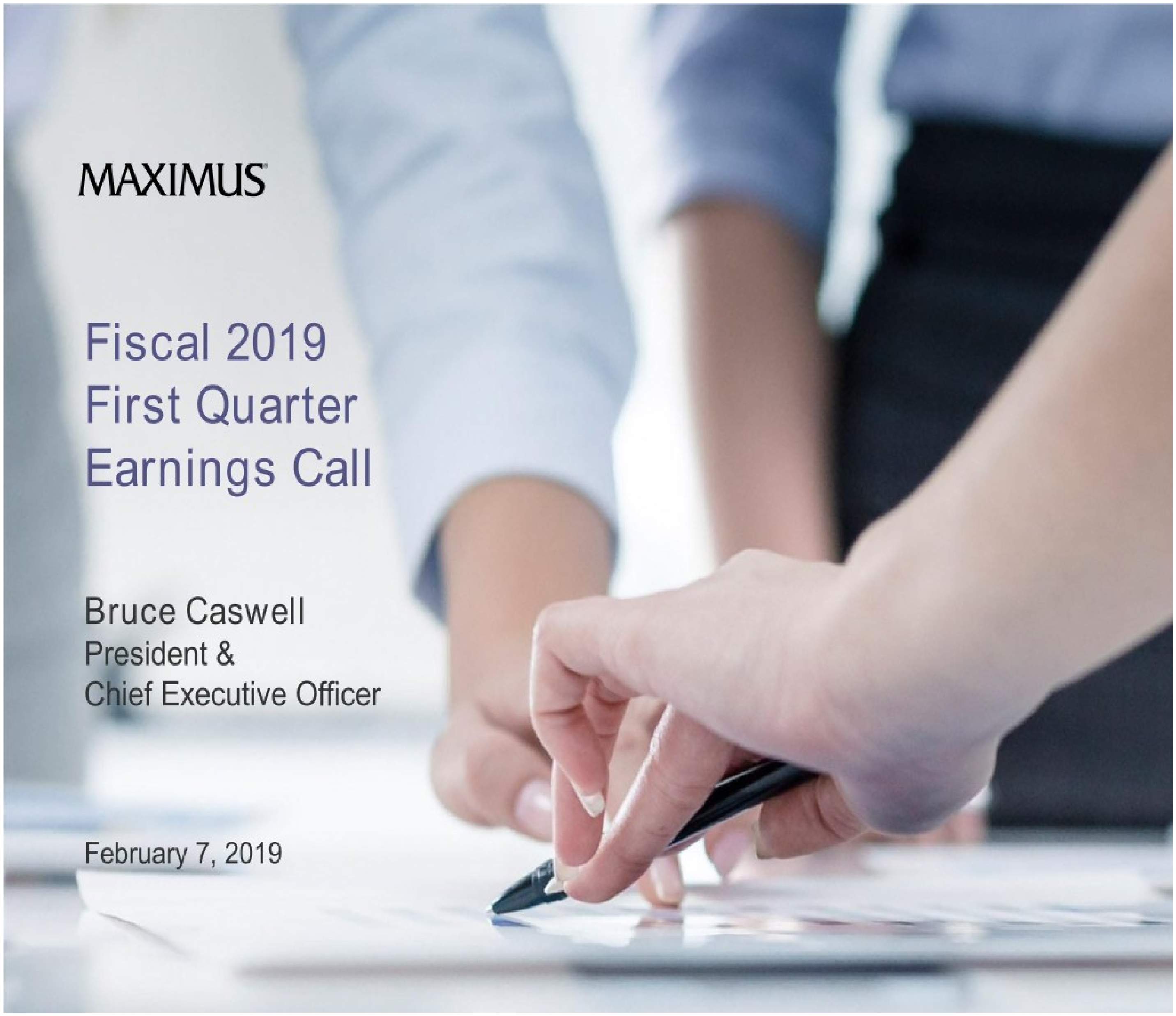
Fiscal 2019 Guidance	
Revenue	$2.925B – $3.0B
GAAP Diluted EPS	$3.55 – $3.75
Cash flow from operations	$275M – $325M
Free cash flow	$235M – $285M

Income Taxes

- Expect an income tax rate between 25% and 26%
- Expect a tax benefit in Q2FY19 that will lower the rate to between 23% and 24% for the quarter

New Revenue Recognition (ASC 606)

- On October 1, adopted the new standard
- The adoption of this new standard resulted in an increase to our retained earnings balance of $32.9M
- No significant difference between the revenue which would have been recorded in Q1FY19 under the old and new methodologies


MAXIMUS
Fiscal 2019
First Quarter
Earnings Call
Bruce Caswell
President &
Chief Executive Officer
February 7, 2019

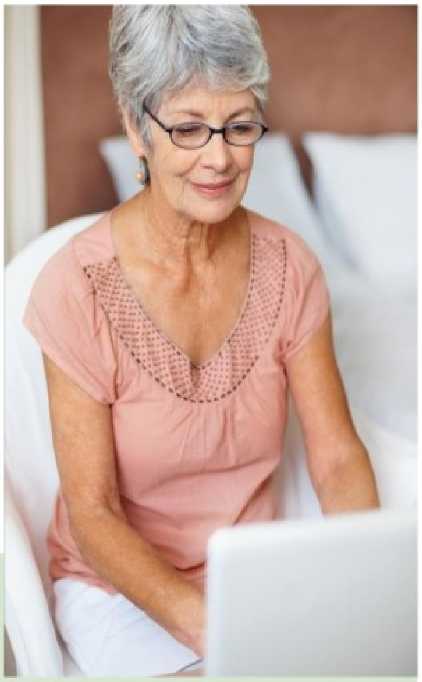
Solid First Quarter Fiscal 2019

- ✓ Solid first quarter results
- ✓ Good performance in our U.S. Health and Human Services Segment
- ✓ On track to achieve FY19 guidance
- ✓ Meaningful progress as we:
  1. Transform the customer experience with digital tools
  2. Expand our clinical-related services
  3. Extend our reach into new markets and customer areas

U.S. Federal Segment Update

- Less than 1% of the Segment revenue affected by the partial shutdown
  - Illustrates the critical nature of the business and service offerings in support of essential citizen services and safety-net programs
- The acquired U.S. Federal contracts are the primary support vehicle for several of the nation's most critical programs including the Federal Exchange and Medicare
- Successfully transitioned these acquired operations during health plan open enrollment. Customer satisfaction for 2019 open enrollment period improved on these two programs over an already impressive score
- New employees are passionate about serving our clients and beneficiaries and equally dedicated to supporting the communities in which they live and work
- Recently, began servicing a new federal agency with subcontracted clinical assessments which required building a network of clinicians and certifying them to perform appraisals
- New program work as a subcontractor performing medical record indexing and provider outreach and engagement services

Pioneering Digital Transformation Strategy



- Developing new solution sets to achieve additional operational and cost efficiencies through techniques such as cloud migration services, Artificial Intelligence – or AI, robotic process automation (RPA) and machine learning
- Implementing new digital innovations within both business process management and as direct service offerings to continue to enhance portfolio of citizen services and federal capabilities
- Offer advanced natural language recognition in our federally certified Intelligent Virtual Assistant, providing interactive conversational speech
- Automated portal for certain clinical-related services streamlines the Independent Medical Review experience for citizens and doctors
  - Allows AI search capabilities, transparent feedback and results
  - An ever-learning machine
  - Drives efficiency, enhances quality, and improves the overall citizen and physician reviewer experience
- Launched the Virginia Medallion mobile Medicaid enrollment app
  - Pushed digital to new heights in Virginia, where more than 40% of enrollments are being completed via web and mobile
  - Mobile has already surpassed our early estimates, and is currently making up 26% of our overall digital volume in Virginia

Digital Efforts Maturing Across Geographies

- MAXIMUS Canada Enterprise Omni-channel Engagement Center offers a full range of engagement options to Canadians, including:
  - video chat capabilities
  - agent facilitated co-browsing to help citizens navigate online digital services
  - text and web chat
  - And more traditional voice, email and physical mail channels
- Service BC contract supports a government unit that provides citizen services on behalf of various agencies via consolidated contact centers. This contract has financial incentives for meeting or exceeding citizen satisfaction targets
- Digital enhancements are instrumental in transforming how citizens engage with programs and will continue to drive success
- Government clients value the ability to leverage these digital capabilities to improve quality and service delivery

New Awards & Pipeline

New Awards (YTD)	Dec. 31, 2018
signed contracts	$224M
unsigned contracts	$743M

Sales Pipeline	Dec. 31, 2018	New Work %
new methodology	$19.9B	78%
old methodology	$5.0B	76%

New Pipeline Methodology

1. Reporting total contract value
   Reflects the long-term nature of contracts and client relationships
2. Updating the time horizon
   Capture opportunities that are expected to be released within the next two years, reflecting the realities of procurement cycles
3. No caps on new work opportunities
   May create more fluctuation as RFPs mature through the procurement process

- Of the $19.9B pipeline, approximately 60% are U.S. Federal opportunities
- Positive traction on measures taken last year to amplify our sales and business development efforts in the U.S. Federal Segment
- Keenly focused on opportunities driven by emerging customer priorities, including new departments and agencies

Conclusion

- Thank you to John Haley who stepped down from the MAXIMUS board last month; Directors Russ Beliveau and Paul Lederer will retire in the spring of 2020
- MAXIMUS has a proven track record of solid operational delivery, a dedicated team of seasoned professionals and a portfolio of business that generates meaningful cash flow
- Remain committed to using acquisitions as a platform to further drive organic growth; including strategic targets in new and adjacent markets as well as clinically related and digitally enabled services in existing geographies
- Digital initiatives are enabling us to broaden our BPO business with a more enhanced set of core capabilities
- Earned a reputation as a trusted long-term partner delivering outcomes that matter and continue to build on this foundation
- Governments continue to focus on creating an even better citizen experience with core programs through the prudent adoption of digital technologies
- Well positioned to achieve outcomes that matter by remaining keenly focused on providing services that are flexible, scalable and efficient, without losing sight of the citizens we serve

APPENDIX

New Methodology for Reporting Pipeline Metrics

We 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 • 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 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 may create more fluctuation in the pipeline as values can change as RFPs mature through the procurement process