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: **May 13, 2019**
Date of earliest event reported: **May 9, 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. ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MMS	New York Stock Exchange

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2019, the Company issued a press release announcing its financial results for the quarter endedMarch 31, 2019. 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 May 9, 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 May 9, 2019
99.2	Conference call transcript for Earnings Call - May 9, 2019
99.3	Conference call slide presentation for Earnings Call - May 9, 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: May 13, 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: May 9, 2019

MAXIMUS Reports Fiscal Year 2019 Second Quarter Results
- Company Narrows Earnings Guidance to $3.65 to $3.75 -

(RESTON, Va. - May 9, 2019) - MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for the three and six months ended March 31, 2019.

Highlights for the second quarter of fiscal year 2019 include:

- Revenue grew 20.2% to $736.5 million compared to $612.8 million reported for the same period last year, driven by the citizen engagement centers acquisition in the U.S. Federal Services Segment

- Diluted earnings per share were $0.96, in line with Company expectations, and driven by strong results in the U.S. Health and Human Services and U.S. Federal Services Segments

- Cash flows from operations of $67.9 million and free cash flow of $59.3 million

- Year-to-date signed contract awards totaled approximately $1.0 billion and contracts pending (awarded but unsigned) of $725 million at March 31, 2019

- Sales pipeline of $21.9 billion at March 31, 2019, of which 74% is new work

Bruce Caswell, President and Chief Executive Officer of MAXIMUS, commented, “Over the past year we have maintained our unparalleled commitment to operational excellence, solid execution and generating robust cash flow. We remain keenly focused on our top priorities of digital transformation, clinical services evolution and strategic market expansion. The strategy aims to build on the many strengths of MAXIMUS and deliver added value to our global clients.”

For the second quarter of fiscal 2019, revenue totaled $736.5 million as compared to $612.8 million reported for the same period last year. Revenue growth from the acquisition was partially offset by unfavorable foreign currency translation of $11.9 million and timing of revenue within fiscal year 2019.

For the second quarter of fiscal 2019, operating income totaled $81.8 million, yielding an operating margin of 11.1% as compared to 11.6% for the same period last year. As expected, operating margin was lower principally due to the acquisition and its cost-plus contracts that generate an operating margin in the mid-single digits.

For the second quarter of fiscal 2019, net income attributable to MAXIMUS totaled $61.9 million, or $0.96 of diluted earnings per share, and benefited from solid operational performance in the U.S. Health and Human Services and U.S. Federal Services Segments. This compares to the second quarter of fiscal 2018 diluted earnings per share of $0.84. Results for the second quarter of fiscal 2019 include amortization expense related to intangible assets of $9.5 million or $0.11 cents diluted earnings per share, of which $7.1 million resulted from the acquisition.

U.S. Health & Human Services Segment
U.S. Health and Human Services Segment revenue for the second quarter of fiscal 2019 decreased to $290.7 million compared to $306.2 million reported for the same period last year, principally due to the rebid or extension of certain larger contracts in the portfolio.

Operating margin for the second quarter of fiscal 2019 was 19.6% compared to 16.3% reported for the prior-year period. Revenue and operating margin benefited from the expected execution of a $4.0 million change order in which the associated expenses occurred in prior periods. Compared to the prior year, the segment also benefited from cost synergies from the acquisition. Operating margin for the segment is expected to be between 17% and 19% for fiscal year 2019.

U.S. Federal Services Segment
As expected, U.S. Federal Services Segment revenue for the second quarter of fiscal 2019 increased to $289.7 million compared to $116.3 million reported for the same period last year. Revenue from the acquisition totaled $176.0 million for the second quarter of 2019. Excluding the acquisition, organic revenue declined 2% compared to the same period last year.

Operating margin for the second quarter of fiscal 2019 was 10.2% and benefited from favorable results on performance-based contracts. This compares to 8.5% reported for the prior-year period, which was tempered by a non-recurring expense to renegotiate a subcontract on a large program where MAXIMUS increased its scope of work. For fiscal year 2019, the segment is expected to have an operating margin of approximately 10%.

Outside the U.S. Segment
Outside the U.S. Segment revenue for the second quarter of fiscal 2019 decreased 18% (12% on a constant currency basis) to $156.0 million compared to $190.2 million reported for the same period last year due to expected decreases on welfare-to-work contracts in Australia and the United Kingdom.

Operating margin for the second quarter of fiscal 2019 was 2.9% compared to 8.6% reported for the prior-year period. The segment has been unfavorably impacted by contracts in the United Kingdom that launched in fiscal 2018. Under these contracts, MAXIMUS provides health and employment services to vulnerable populations with disabilities and complex health conditions. As previously disclosed, the second quarter of fiscal year 2018 included a one time profit pick-up related to the termination of major elements of the Fit for Work contract. The Company expects operating margin for the segment to be between 3% and 4% for fiscal year 2019.

Sales and Pipeline
Year-to-date signed contract awards at March 31, 2019, totaled $1.0 billion and contracts pending (awarded but unsigned) of $725 million. These awards reflect total contract value.

The sales pipeline at March 31, 2019, was $21.9 billion (comprised of approximately $1.3 billion in proposals pending, $2.5 billion in proposals in preparation and $18.1 billion in opportunities tracking). As a reminder, 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, 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.

Balance Sheet and Cash Flows

Cash and cash equivalents at March 31, 2019, totaled $46.8 million. Outstanding debt was $79.0 million at the end of the second quarter. For the three months ended March 31, 2019, cash flows from operations totaled $67.9 million, with free cash flow of $59.3 million.

At March 31, 2019, days sales outstanding (DSO) were 77 days, which was higher than the previous quarter due to timing on the payment of several large invoices. We continue to expect to close the fiscal year with DSO towards the bottom end of our range of 65 to 80 days.

On April 5, 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 May 31, 2019, to shareholders of record on May 15, 2019.

Board of Directors Succession

As a part of the Company's board succession plan, effective March 25, 2019, MAXIMUS appointed Michael J. Warren to the Board of Directors. Mr. Warren currently serves as the Managing Director of Albright Stonebridge Group, a global business strategy and commercial diplomacy firm, where he is responsible for advising clients on international growth strategies, stakeholder management, and economic and geopolitical issues affecting global markets.

Outlook

MAXIMUS is narrowing its fiscal 2019 revenue guidance to $2.925 billion to $2.950 billion from the previous guidance of $2.925 billion to $3.0 billion. MAXIMUS is also narrowing its GAAP diluted earnings per share guidance to $3.65 to $3.75 from its previous guidance of $3.55 to $3.75.

To provide context on revenue guidance, from initial projections of fiscal 2019 revenue, it is estimated that approximately $25 million of revenue has been delayed to fiscal 2020. Extended procurement cycles, including new awards coming under protest, continue to cause delays. Second, and to a lesser extent, a new contract had a slower start due to the client proceeding with a more cautious approach to rolling out Medicaid managed care.

Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, May 9, 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 May 23, 2019. Callers can access the replay by calling:

877.660.6853 (Domestic)/+1.201.612.7415 (International)
Replay conference ID number: 13689884

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, 2018. 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 March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
Revenue	$ 736,520	$ 612,787	$ 1,401,139	$ 1,235,935
Cost of revenue	567,098	463,984	1,072,452	935,172
Gross profit	169,422	148,803	328,687	300,763
Selling, general and administrative expenses	78,102	74,879	157,773	144,438
Amortization of intangible assets	9,519	2,603	14,977	5,321
Operating income	81,801	71,321	155,937	151,004
Interest expense	1,569	157	2,194	325
Other income, net	447	1,392	2,492	1,679
Income before income taxes	80,679	72,556	156,235	152,358
Provision for income taxes	18,913	17,450	38,746	37,300
Net income	61,766	55,106	117,489	115,058
(Loss)/income attributable to noncontrolling interests	(158)	(386)	(348)	475
Net income attributable to MAXIMUS	$ 61,924	$ 55,492	$ 117,837	$ 114,583
Basic earnings per share attributable to MAXIMUS	$ 0.96	$ 0.84	$ 1.82	$ 1.74
Diluted earnings per share attributable to MAXIMUS	$ 0.96	$ 0.84	$ 1.82	$ 1.73
Dividends paid per share	$ 0.25	$ 0.045	$ 0.50	$ 0.09
Weighted average shares outstanding:				
Basic	64,369	65,856	64,600	65,857
Diluted	64,643	66,268	64,817	66,223

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

	March 31, 2019 (unaudited)	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,799	$ 349,245
Short-term investments	—	20,264
Accounts receivable — billed and billable	491,560	357,613
Accounts receivable — unbilled	131,250	31,536
Income taxes receivable	20,733	5,979
Prepaid expenses and other current assets	49,668	43,995
Total current assets	740,010	808,632
Property and equipment, net	76,693	77,544
Capitalized software, net	25,232	22,429
Goodwill	587,751	399,882
Intangible assets, net	195,354	88,035
Deferred contract costs, net	19,771	14,380
Deferred compensation plan assets	32,387	34,305
Deferred income taxes	209	6,834
Other assets	10,309	9,959
Total assets	$ 1,687,716	$ 1,462,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 169,099	$ 114,378
Accrued compensation and benefits	87,698	95,555
Deferred revenue	39,215	51,182
Income taxes payable	3,159	4,438
Long-term debt, current portion	3,681	136
Other liabilities	17,909	11,760
Total current liabilities	320,761	277,449
Deferred revenue, less current portion	24,910	20,394
Deferred income taxes	51,060	26,377
Long-term debt	75,295	374
Deferred compensation plan liabilities, less current portion	32,622	33,497
Other liabilities	15,487	17,490
Total liabilities	520,135	375,581
Shareholders' equity:		
Common stock, no par value	498,269	487,539
Accumulated other comprehensive loss	(39,136)	(36,953)
Retained earnings	705,824	633,281
Total MAXIMUS shareholders' equity	1,164,957	1,083,867
Noncontrolling interests	2,624	2,552
Total equity	1,167,581	1,086,419
Total liabilities and equity	$ 1,687,716	$ 1,462,000

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	**2018**	**2019**	**2018**
Cash flows from operations:				
Net income	$ 61,766	$ 55,106	$ 117,489	$ 115,058
Adjustments to reconcile net income to cash flows from operations:				
Depreciation and amortization of property, equipment and capitalized software	11,176	13,355	22,407	27,074
Amortization of intangible assets	9,519	2,603	14,977	5,321
Deferred income taxes	1,253	(14,886)	17,764	(9,179)
Stock compensation expense	4,933	5,922	9,904	11,324
Change in assets and liabilities excluding acquired assets and liabilities:				
Accounts receivable — billed and billable	(2,830)	25,859	(72,720)	(18,522)
Accounts receivable — unbilled	(11,009)	(10,265)	9,189	(4,730)
Prepaid expenses and other current assets	573	2,507	(5,118)	8,526
Deferred contract costs	(3,658)	381	(5,415)	1,794
Accounts payable and accrued liabilities	15,516	(14,558)	42,080	(3,171)
Accrued compensation and benefits	(7,820)	14,197	(7,443)	(15,391)
Deferred revenue	4,807	(11,384)	4,435	(23,789)
Income taxes	(12,648)	8,992	(16,496)	18,634
Other assets and liabilities	(3,707)	934	(3,842)	3,811
Cash flows from operations	67,871	78,763	127,211	116,760
Cash flows from investing activities:				
Purchases of property and equipment and capitalized software costs	(8,568)	(6,661)	(18,541)	(13,175)
Acquisitions	—	(157)	(421,809)	(157)
Redemption of short-term investments	—	—	19,996	—
Other	237	482	284	541
Cash used in investing activities	(8,331)	(6,336)	(420,070)	(12,791)
Cash flows from financing activities:				
Cash dividends paid to MAXIMUS shareholders	(15,950)	(2,935)	(31,983)	(5,865)
Purchases of MAXIMUS common stock	(5,084)	—	(46,068)	(1,038)
Tax withholding related to RSU vesting	—	—	(8,915)	(8,529)
Borrowings under credit facility	124,948	65,000	320,048	124,683
Repayment of credit facility and other long-term debt	(171,506)	(76,596)	(241,539)	(124,752)
Other	—	(2,130)	(133)	(2,130)
Cash used in financing activities	(67,592)	(16,661)	(8,590)	(17,631)
Effect of exchange rate changes on cash and cash equivalents	436	867	(632)	1,070
Net increase in cash, cash equivalents and restricted cash	(7,616)	56,633	(302,081)	87,408
Cash, cash equivalents and restricted cash, beginning of period (1)	62,094	210,502	356,559	179,727
Cash, cash equivalents and restricted cash, end of period (1)	$ 54,478	$ 267,135	$ 54,478	$ 267,135

(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 $7.7 million and $7.3 million at March 31, 2019, and September 30, 2018, respectively.

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

	Three Months Ended March 31,				Six Months Ended March 31,			
	2019	% (1)	2018	% (1)	2019	% (1)	2018	% (1)
Revenue:								
U.S. Health & Human Services	$ 290,737		$ 306,249		$ 584,950		$ 610,490	
U.S. Federal Services	289,736		116,327		506,723		249,310	
Outside the U.S.	156,047		190,211		309,466		376,135	
Total	$ 736,520		$ 612,787		$ 1,401,139		$ 1,235,935	
Gross Profit:								
U.S. Health & Human Services	$ 86,260	29.7 %	$ 86,586	28.3 %	$ 174,291	29.8 %	$ 170,817	28.0 %
U.S. Federal Services	60,696	20.9 %	27,374	23.5 %	108,681	21.4 %	60,732	24.4 %
Outside the U.S.	22,466	14.4 %	34,843	18.3 %	45,715	14.8 %	69,214	18.4 %
Total	$ 169,422	23.0 %	$ 148,803	24.3 %	$ 328,687	23.5 %	$ 300,763	24.3 %
Selling, general, and administrative expense:								
U.S. Health & Human Services	$ 29,400	10.1 %	$ 36,616	12.0 %	$ 61,539	10.5 %	$ 71,421	11.7 %
U.S. Federal Services	31,104	10.7 %	17,540	15.1 %	57,736	11.4 %	34,188	13.7 %
Outside the U.S.	17,992	11.5 %	18,403	9.7 %	36,800	11.9 %	36,509	9.7 %
Restructuring costs	—	NM	2,320	NM	—	NM	2,320	NM
Other	(394)	NM	—	NM	1,698	NM	—	NM
Total	$ 78,102	10.6 %	$ 74,879	12.2 %	$ 157,773	11.3 %	$ 144,438	11.7 %
Operating income:								
U.S. Health & Human Services	$ 56,860	19.6 %	$ 49,970	16.3 %	$ 112,752	19.3 %	$ 99,396	16.3 %
U.S. Federal Services	29,592	10.2 %	9,834	8.5 %	50,945	10.1 %	26,544	10.6 %
Outside the U.S.	4,474	2.9 %	16,440	8.6 %	8,915	2.9 %	32,705	8.7 %
Amortization of intangible assets	(9,519)	NM	(2,603)	NM	(14,977)	NM	(5,321)	NM
Restructuring costs (2)	—	NM	(2,320)	NM	—	NM	(2,320)	NM
Other (3)	394	NM	—	NM	(1,698)	NM	—	NM
Total	$ 81,801	11.1 %	$ 71,321	11.6 %	$ 155,937	11.1 %	$ 151,004	12.2 %

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

(2) During fiscal year 2018, we incurred costs in restructuring our United Kingdom business.

(3) Other selling, general & administrative expenses includes credits and costs not directly allocated to a particular segment. In thesix month period ended March 31, 2019, 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 March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
Cash flows from operations	$ 67,871	$ 78,763	$ 127,211	$ 116,760
Purchases of property and equipment and capitalized software costs	(8,568)	(6,661)	(18,541)	(13,175)
Capital expenditure as a result of acquisition (1)	$ —	$ —	4,542	—
Free cash flow	$ 59,303	$ 72,102	$ 113,212	$ 103,585

(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: Ladies and gentlemen, greetings, and welcome to MAXIMUS Fiscal 2019 Second Quarter Conference Call. At this time, all participants are on a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the program, please push star zero on your telephone keypad. As a reminder, this program 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 filing. 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, gaging the quality of our financial performance, identifying trends in our results, and providing meaningful period to period comparisons. For a reconciliation for 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 second quarter of fiscal year of 2019 of $736.5 million, an increase of 20% over the comparable period last year. Top line growth was driven by expected increases in the U.S. federal services segment from the acquisition of the Citizen Engagement Centers in November 2018. Revenue growth from the acquisition was partially offset by unfavorable foreign currency translation of $11.9 million. Organic revenue decreased compared to the same period last year, principally due to the rebid or extension of certain larger contracts, as well as expected decreases in our employment services businesses in the United Kingdom and Australia.

Total company operating margin was 11.1% for the second quarter. GAAP-diluted earnings per share were 96 cents, in line with company expectations, and driven by solid operational performance in both U.S. health and human services and U.S. federal services segments. Our second quarter results included amortization expense related in intangible assets of $9.5 million, or 11 cents diluted earnings per share, of which $7.1 million resulted from the acquisition.

I will now speak to our segment results in the second quarter. As expected, second quarter revenue for the U.S. health and human services segment decreased to $290.7 million compared to the same

period last year, resulting from the rebid or extension of certain larger contracts. As a reminder, it is not unusual during a rebid or sole source extension that we work with our client to reach a pragmatic agreement that may include a revenue and profit reduction in order to retain the business. Oftentimes, this may be short term in nature, and over the life of the contract, we can improve revenue and profit through scope increases and operating efficiencies.

Operating margin for the segment in the second quarter was strong, at 19.6%, compared to 16.3% in the same period of the prior year. Revenue and operating margin benefited from the expected execution of a $4 million change order in which the associated expenses occurred in prior periods. The segment also benefited from cost synergies from the acquisition. We expect operating margin to range between 17 and 19% for the year. Revenue for the second quarter of fiscal year 2019 in the U.S. federal services segment increased to $289.7 million, and was driven by the acquisition which contributed approximately $176 million in the quarter.

As of the acquisition organic revenue declined by 2% compared to the same period last year. On the bottom line, the U.S. federal services segment operating margin for the second quarter was strong at 10.2%, driven by favorable results on several performance-based contracts. For the year, we expect the segment will have an operating margin of approximately 10%. We also thought it might be helpful to give more details related to the revenue ramp on the acquired Census Questionnaire Assistance contract, which has a robust revenue ramp and a natural conclusion.

Based on the facts and circumstances we know today; we expect to finish fiscal year 2019 with revenue of approximately $200 million from this contract. And for fiscal 2020, we are currently forecasting revenue of approximately $350 million. As a reminder, the contract term currently runs through June of 2021, but for our fiscal year 2021, we estimate less than $50 million in revenue from the Census contract. These projections are still estimates, and are subject to programmatic changes.

For the outside the U.S. segment, second quarter revenue was $156 million. Revenue was lower compared to the prior year due to the unfavorable impact of foreign currency translation, as well as expected decreases on welfare-to-work contracts in both the United Kingdom and Australia. Our operating margin for the second quarter was 2.9%. The segment was unfavorably impacted by contracts in the United Kingdom. As a reminder, in fiscal year 2018, we began operations in Wales, East London, and Scotland, to provide health and employment services to vulnerable populations with disabilities and complex health conditions.

While we had early challenges across these contracts, we have taken significant steps to address these with additional resources and investment to shore up our efforts. As a result, we expect to see meaningful improvements, for all future efforts in these contracts, the primary focus was centered on conversion into sustainable employment. Our teams and management are fully committed to the success of these programs, and in the aggregate, these contracts are on track to achieve profitability

in the fourth quarter of fiscal year 2019. We now estimate operating margin for the year will be between 3% and 4%.

Let me speak briefly on the balance sheet and cash flow items. In the second quarter, MAXIMUS delivered cash flow from operations of $67.9 million, and free cash flow of $59.3 million. To date, sales outstanding were 77 at March 31st, which was higher than the previous quarter due to timing on the payment of several large invoices. We continue to expect to close the fiscal year with days' sales outstanding toward the bottom end of our range of 65 to 80 days. At March 31, 2019, we held cash and cash equivalent of $46.8 million. Outstanding debt was $79 million at the end of the quarter. We continue to target strategic acquisitions to create new growth platforms for MAXIMUS.

As a reminder, we have access to a $400 million credit facility, which can be used when we find transactions with the right fit and value. We also had ample capital flexibility to both continue to return capital to shareholders through opportunistically purchasing our own shares, as well as continuing our quarterly cash dividend at 25 cents per share. It is important to also remember that over the last several months, our teams have worked diligently to ensure the seamless integration of the Federal Citizen Engagement Center assets in both our operations and our culture. We firmly believe that our focused efforts on integration are key to the long term success of the assets, and mission-critical programs we support.

Finally, we are narrowing our revenue guidance to a range of $2.925-2.95 billion. We are also narrowing our diluted earnings per share guidance to $3.55 cents to $3.75 cents for fiscal year 2019. Allow me to provide a little more context on our revenue guidance. We estimate approximately $25 million of revenue will be delayed from our initial fiscal year 2019 revenue projections until fiscal year 2020. There are a couple of reasons for this. First, we continue to see prolonged procurement cycles, including more opportunities coming under protect.

Second, and to a lesser extent, we had a slower start on a new contract where the client is proceeding with a more cautious approach to rolling our Medicaid-managed care. Additionally, we expect to finish the fiscal year at the top end of our guidance for both cash flow from operations and free cash flow. And, with an income tax rate between 25% and 25.5%. As disclosed last quarter, we received an income tax benefit in the second quarter, lowering the rate for the quarter to 23.4%. And with that, I will hand the call over to Bruce.

Bruce Caswell: Thank you, Rick, and good morning everyone. This time last year, I was welcoming you to my first earnings call as the Chief Executive Officer of MAXIMUS. Over the past year, we have maintained our unparalleled commitment to operational excellence, solid execution, and generating robust cash flow. We remain keenly focused on delivering added value to our clients by driving digital solutions and innovation to improve the customer journey and overall program efficiency in our BPO solutions.

We are executing on our three prong strategy to accelerate our progress and drive the next phase of our growth through digital transformation, clinical evolution, and market expansion. While this strategy aims to build upon the many strengths of maximus, it necessarily includes some element of change as well. Over the last year, we welcomed more than 14,000 employees to MAXIMUS through our acquisition last fall. We also implemented new technology and digital solutions that streamline program operations and improve the user experience.

And most recently, as part of our planned board succession, we welcomed Michael Warren to our Board of Directors. We believe Michael's decades of global business, operational, and strategic experience will be complementary to the expertise of our current Directors. Michael serves as Managing Director of Albright Stonebridge Group, a global business, strategy, and commercial diplomacy firm. His expertise in advising clients on international growth strategies, stakeholder management, and economic and geopolitical issues affecting global markets is a tremendous addition to our board.

Turning to the business segments. In our federal services segment, we are making meaningful progress on our digital priorities, and we received our third certification for the Federal Risk and Authorization Management Program, or FedRAMP, for our intelligent virtual assistant. Under the FedRAMP certification, MAXIMUS provides secure, customer care technology to federal agencies that transforms the customer experience when interacting with Citizen Engagement Centers. The FedRAMP certifications meet the most stringent security requirements of federal agencies, as Maximus aims to deliver innovative and cost effective solutions that ultimately support mission objectives and provide the highest quality citizen services.

The MAXIMUS intelligent virtual assistant enables agencies to enhance their self-service offerings by allowing citizens to complete a wide variety of more complex transactions that historically would've required agent intervention. The platform merges artificial intelligence and human understanding to deliver rich, conversational, human-like interactions, enabling citizens to more easily accomplish tasks without the need of a human agent. These efforts enhance our competitive position and improve our overall service deliver across our operations. Beyond protecting our base through practical innovation, our digital investments allow us to pursue opportunities and develop offerings that will help drive long term growth.

We also recently launched operations on a new contract on behalf of the Universal Service Administrative Company, which administers federal universal service programs, supporting telecommunications in broadband access for rural communities, healthcare facilities, schools and libraries, and low-income households. Under this new contract, MAXIMUS will support the schools and library program known as E-rate, where we administer funding commitments to help eligible schools and libraries obtain affordable telecommunications and internet access. Our scope of work as the E-rate administrator includes eligibility determination, call center services, web-based enrollments, invoicing, and document intake and processing.

We aim to streamline the application process and ensure it's fast and efficient for applications. This five-year contract has an estimated total value of $91.7 million, and supports thousands of schools and libraries around the country. This time last year I shared our foresight on the convergence of health and human services programs that ducktail with our growth strategy for adjacent markets.

As we continue to expand our clinically-related services, we are delivering a social determinant pilot in West Virginia that builds upon the work we already in 12 Medicaid programs where we carry out health risk assessments. These risk assessments provide a more accurate picture of the health of program participants, and assists health plans in determining a consumer's healthcare needs, and providing transition of care and care management. Under the pilot program, we are collaborating with the West Virginia Department of Health and Human Resources, to leverage our role in Medicaid enrollment to identify and capture meaningful insights around the social determinants of health impacting Medicaid members.

Working with our partner, TAVHealth, we developed a holistic set of social risk questions to be seamlessly administered as part of the Medicaid enrollment process. These questions survey beneficiaries' socio-economic needs which are fundamental underpinnings of the social determinants of health. Questions assess the areas of need, such as, income support and employment, health supportive services, food deficiencies, education, housing, and child care. We saw a 65% response rate from Medicaid members surveyed, as well as significant uptick across all channels, web, phone, and mail. The survey also identified more than 14,000 needs, with an average of three unmet needs per survey respondent.

So we have this data, but what is it telling us? By geocoding and mapping our results, these insights help identify gaps in support for individuals and families, telling us and the Department of Health and Human Resources where the greatest needs exist, and types of support most needed. These predictive analytics can provide opportunities for social services agencies to engage with Medicaid beneficiaries alongside their managed care provider, and build trust long before a healthcare claim is generated.

Our vision is that by having these needs identified and reported prior to enrollment in the Medicaid managed care plan, MAXIMUS can support individuals by offering pathways to address their needs, generate measurable outcomes, and create a data set that provides visibility into social health trends. Most importantly, it also enables us to improve health outcomes and quality of care for these distinct populations by building curated and accountable networks of community and health partners to proactively coordinate social services and reduce demand on health systems.

The West Virginia pilot determined that the highest need category was income support and employment. This provides us a clear target for our proposed phase two. If approved, our phase two scope will include extending a technical platform to the curated CBO community in order to foster custody of referrals and warm handoffs. In addition, we plan to build out intervention pathways which

will leverage the technical platform and utilize virtual coaches, providing consumers helpful interventions.

While the addressable population for this targeted pilot is likely to be small, our aim is to generate meaningful outcomes for the market that substantiate our approach. A successful social determinants model will resemble a managed service that guides, encourages, and enables consumers to supportive interventions that improve their lives. Historical assess and refer models have had limited success, and more progressive models are imperative in our view to long term success rates. The convergence of health and human services opens new adjacent markets, impacted by macro trends, like this area of social determinants that we believe will drive future demand. By serving populations with increasingly complex health and socioeconomic conditions through tailored and technology-driven clinical BPO solutions, we can better serve beneficiaries, as well as government clients with constrained budgets.

Moving overseas to the United Kingdom. The Department for Work and Pensions, or DWP, has announced its intention to extend our contract to continue the Health Assessment Advisory Service through June 2021. The extension is part of a larger project that the United Kingdom government is undertaking to transform the delivery of all assessment services. DWP has established the Health Transformation Program to undertake the significant task of transitioning the currently separate assessment services into one, unified, integrated service in 2021.

As a reminder, these assessment services include, the work capability assessment for Employment and Support Allowance in Universal Credit, which MAXIMUS delivers, and the Personal and Dependents Payment Assessment Services, which is currently delivered by other vendors. DWP believes the integration of assessment services will better support people with health conditions, and individuals with disabilities throughout the country. This change offers MAXIMUS additional opportunities to support the newly integrated service. With our strong delivery and proven track record achieving program improvements on the HAAS contract over the last several years, we are well-positioned to bid this future work.

Moving on to new awards, for fiscal 2019, year-to-date signed awards were $1 billion of total contract value at March 31st. During the second quarter of fiscal 2019, we were also notified of award on another $725 million worth of contracts that have not yet been signed. Let's turn our attention to our pipeline of addressable sales opportunities. As a reminder, we modified our methodology at the beginning of the fiscal year, to reflect the nature of the BPO business procurement cycle.

The opportunities in our sales pipeline range from those RFPs that are in our immediate sightline, to those RFPs that we are tracking that may not be released for up to 24 months. It's also important to note that sales opportunities in the pipeline represent new work and recurring work, are not probability weighted, and are no longer individually capped at $150 million in value. Our total contract value pipeline, at March 31st, was $21.9 billion, compared to $19.9 billion reported in the

first quarter, 74% of this is new work. Of course, building a sales pipeline is the first of many steps necessary to achieve future organic revenue growth. We have continued to put significant resources and investment into our sales and business development strategies across the organization, with some efforts more mature than others.

The teams are keenly focused on developing and cultivating sales opportunities that we can carry over the finish line. I am pleased with the progress of our sales and capture management efforts, but the bottom line is that we must translate this into winning new work. That requires successful opportunity qualification, progression of opportunities to adjudication, and a healthy win rate.

Further, our corresponding efforts to minimize erosion to existing business complete the equation to return to organic growth in the coming years. These targeted efforts on driving organic growth, minimizing erosion, and expanding into new markets remain a priority focus for the entire management team. As I've said previously, we believe this will take time to materialize, but we are confident in our strategic direction.

We continue to see a favorable long term macro environment, and we remain focused on our top priorities of digital transformation, expansion of our clinical offerings, and strategic market expansion. Digital automation such as next generation interactive voice recognition and process automation allows us to continue to drive efficiencies, improve the quality of our operations, and differentiate the customer journey. These efforts are global in scope, enhance our competitive position, and improve service delivery across our operations. This transformation allows us to pursue and develop digital offerings in certain markets that will provide new revenue streams and help drive long term growth.

While operating customer contact centers, and providing case management services will long remain a foundational element of our business. We see macro trends such as life expectancy, healthcare costs, and population health challenges related to non-communicable disease conditions, which drive demand for BPO services with more of a clinical dimension.

As with the example I've noticed today, when we look closely at the social determinants of health outcomes, opportunities emerge where MAXIMUS can help our clients address these challenges with solutions that are strengthened by our growing clinical expertise. We continue to consider our clients' long term visions to reengineer their social programs and delivery mechanisms, making sure we are in the right markets, with the right solutions, at the right time.

Finally, last year at this time we began a comprehensive, strategic market assessment that yielded a set of priority new growth markets. As we've noted on prior calls, these markets are generally outside the organic adjacencies to our core business, and as such require acquisitions to gain capabilities and capacity for future long term organic growth. We continue to make progress in executing this plan with deeper analysis, target identification, and an active M&A function at the corporate level. As Rick notes, we have the capacity to act quickly in this area as opportunities ripen.

This again is in addition to our primary focus on organic growth in our core and near adjacent markets. With that, we will open up the line for Q&A. Operator?

Operator: Thank you. Ladies and gentlemen, we will now be conducting our Q&A session. If you would like to ask a question, please push star one on your telephone keypad now. A confirmation tone will indicate your line is in the question queue. You may push star two if you'd like to remove your question from the queue. We do ask that you limit your follow up question to only one, so that others may have an opportunity to ask a question.

You may reenter the queue by pushing star one. For any participant using speaker equipment, it may be necessary to pick up your handset before pushing the star key. One moment while we pull for questions. Our first question comes from the line of Dave Steblo from Jefferies. You are now live.

Dave Styblo: Hi. Good morning. Thanks for the question--

Bruce Caswell: --Good morning--.

Dave Styblo: --Yeah, good morning. I was hoping to get a little more color on the Census contract, I appreciate the additional color of the revenue cadence there as it ramps from 200 million this year up to 350 and then to less than 50 million. I'm wondering how we should think about margins on that business as we progress through each of those years. In other words, are margins going to hold steady during all three of those years, or does it fluctuate and increase as you ramp up business and get some leverage and the vice versa, is it on line? And as part of that, can you remind us, is the margin profile on that business in the mid-single digits over the entire life of the contract?

Bruce Caswell: Okay, Dave, hey, it's Bruce. I'm going to hand it off to Rick to answer that.

Rick Nadeau: Yeah, hi, Dave. That's a cost reimbursement contract, but it is also an award fee contract. So I think that your premise then will be mid-single digits on the OI is correct. It could wind up being a little bit choppier, will be a little bit choppier among the quarters depending on when we actually hear about the award fee. We'll make estimates on the award fee, but those estimates will be somewhat conservative and if we outperform that we can get a little bit of chop. But it will be in that area where you were talking about.

Dave Styblo: Okay. And as we think about the guidance for this year, we've got EPS rate coming up a little bit by about 1%, revenues coming down, can you help us reconcile why that is? I was thinking perhaps from the fiscal first quarter you guys outperformed, it didn't really raise the range so I was wondering if you were maybe biased to the high end of the range as you were entering the second quarter and now you've just got more visibility on the full year, or is there something else in the back half of this year that is contributing to the guidance, to the EPS guidance rate?

Rick Nadeau: Yeah, Dave. Good question, and yes, you're right. I think that once we sit here in May--I mean considering year-to-date diluted earnings per share of $1.82, and after we met our expectations in Q2, here in May we now have confidence that we can come in towards the upper end of our EPS guidance. So we narrowed that guidance by moving the bottom up by 10 cents. We are operating many of our contracts, know most of our contracts very well. We have a good mix of performance-based contracts that reward good performance, and I think we've also held the line on GNA.

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

Operator: Our next question comes from the line of Charlie Strauzer from CJS. You are now live.

Charlie Strauzer: Hi, good morning.

Bruce Caswell: Good morning.

Charlie Strauzer: Just have a question in the sense of, it seems like it's a materially higher amount of revenue coming to you, with initially full out on the Census contract. What sort of things that are kind of driving that?

Rick Nadeau: Charlie, it's Rick. I think that--I can't speak to prior estimates that were made. I think that when we bought the two contracts and the other contact centers from GDIT, we looked at the total program and looked at the contract values and I think we're pretty comfortable with what we're saying. Yeah, those numbers together, it's a little bit less than 600 million. So I think that that's where we feel it's going to come out. And at this point we're looking at what the scope of it is today. Now, those estimates are subject to change at the request of the customer. But any changes that we have in that up or down will be communicated to you as soon as that information becomes available.

Charlie Strauzer: That's helpful. Thank you. And then just looking at the competitive landscape, I noticed that the Conduent CEO is stepping down and there's a little bit of turmoil there at that company. Has that created any opportunity or any kind of volatility in the RFP space?

Bruce Caswell: Charlie, it's Bruce. You know we compete with Conduent on a limited basis in the U.S. health and federal markets but not really on a global basis. And obviously given the newness of the message here, I really can't comment on any near term volatility or whether that would change their strategy in any of the markets where we see them from time to time. But I'll say that we continue--we said or some time that strategic M&A is our top priority, we think it's the best way to create long term shareholder value.

We've got a great level of free cash flow, access to our credit facility as Rick talked about, and really ample capital flexibility to complete strategic acquisitions. So while we have a familiarity with Conduent, we know the business very well, we haven't seen any, obviously, structural changes I

guess on the competitive landscape privately. But I feel like we're well-positioned across the board take action when needed.

Charlie Strauzer: Thanks a lot. Thank you.

Lisa Miles: Thanks, Charlie. Next question please.

Operator: Our next question comes from the line of Jamie Stockton from Wells Fargo. You are now live.

Jamie Stockton: Thanks, good morning. I guess maybe first if we could talk about the health and human business. The headwind from the rebid and extension activity, is it as simple as us just saying, if we look at the absolute revenue number, the comps get a lot easier by the fourth quarter and thematically that headwind should really be gone by that point?

Rick Nadeau: Yeah, it's Rick. Yeah I think that's--I understand your question. I think what's happening in this, and if I'm understanding your question on the health and human services--actually, why don't you ask me that question again, cause I'm not sure I really followed the back half of the question.

Jamie Stockton: Well, I guess if you just look at the way revenue trended last year for that segment, your comps are more difficult until we get to the fourth quarter. And basically, if we think about what is driving the declines for that business year over year, you guys have attributed it to the notion that you got a lot of rebid and extension activity that is potentially depressing results right now, but theoretically, organic growth is going to resume for this business at some point. Is it reasonable for us to assume that those headwinds are probably gone by the time we get to the fourth quarter when you are going to comping against a much lower number in fiscal 2018's fourth quarter?

Rick Nadeau: Yeah, I think you have two points you're making and I agree with them. One, I think sitting here in May, we have better visibility into the remainder of the year. Also we did indicate earlier as you note that we had a couple of contracts that went through a rebid. At that point, sometimes we need to sharpen our pencil and take some short-term reduction in revenue and profit in order to protect the business.

You then exercise learning curve efficiencies, all kinds of other productivity things, and you continue to improve it over time. So yes, as we get further out and further away from those rebids that we talked about in the first quarter, we should see our operating performance improve in that segment. I hope that answers your question.

Bruce Caswell: And Jamie, it's Bruce. I'm going to just tag onto that a little bit. I've noted before and I want to emphasize that we've taken action within the U.S. health and human services segment to kind of run the play that we did previously in federal in terms of bringing in new sales leadership.

We're excited that we've got a very seasoned sales leader joining the business before the end of this month, and we're replacing the sales team, and really pushing hard into some of those organic adjacent markets. I spoke in my prepared remarks about the social determinants of health market, but there are others as well that the team is executing on. So it's fully our intention to get that business back to an organic growth position, build the pipeline, and adjudicate that pipeline.

Jamie Stockton: Okay, that's great. And then maybe just one other question as far as the environment is concerned. I think you guys said last quarter when we saw under the old pipeline metric, you know, the pretty notable sequential step up that you felt like federal market was opening up a little bit, that the Medicaid market was opening up a little bit, just any color on the environment and whether or not it feels like things are continuing to improve would be great.

Bruce Caswell: You know it may not be a material change since last quarter, I think my prior remarks hold in the sense that we're feeling good about the federal marketplace. I think we've noted that of that pipeline, 74% remains new work and of the pipeline in its entirety, 60% is federal and mature. And so I think very solid federal market, we're seeing opportunity now in new departments and agencies that we previously haven't had the bandwidth or traction in because we've got kind of a revamped sales team that's making some progress in those areas. It's worth also noting that when pipeline builds like that, and you're moving into new agencies and you're kind of running the engine hot, you want to be mindful that your historical win rates which may have been in more comfortable, kind of familiar agencies with a lot of established relationships, may not be what you see on a go-forward basis in the near term, while you're establishing those new relationships.

And what I like though, is that we're getting the opportunity to take some swings in federal. As it relates to the U.S. health and human services market, absent major legislative initiatives, that really can catalyze that market for us, like the Affordable Care Act did. It remains the kind of market where there are initiatives at the state level through waivers like the Medicaid work requirements and other developments within the market like the social determinants space, and there are several others, that create what I call kind of micro-market opportunities for us. And so those are those kind of organic adjacencies that we are sizing and putting plans together and that we've got task forces working on and we're working to exploit.

And in that way, I can think of at least two areas, for example, that have legislative deadlines associated with them that because of those legislative or really regulatory deadlines, have created a pipeline of opportunity. So certainly not as robust as the federal market, but definitely opportunities within the U.S. health and human services market.

Jamie Stockton: Thank you.

Bruce Caswell: Okay, thank you.

Lisa Miles: Next question please.

Operator: Our next question comes from the line of Richard Close from Canaccord Genuity. You are now live.

Richard Close: Great, thanks. Good morning. Rick, I was wondering if you could just go over the revenue guidance, you talked about 25 million pushing but you brought the top down, top end of the range by 50, can you just go over that a little bit, thinking there?

Rick Nadeau: Yes, I think when we started the year, we had expectations that we would be in the what, 2.925 to the 3.0. As I indicated, we lost 25 million, I think that together with the currency headwind that we've seen and some of the observations that we've had since we did the acquisition of those contact centers in November, we've had a lot more experience with them.

And I think at this point, we think that revenue is pushing to the right. We think it's ultimately, we have the right number but I think we see things pushing out of Q2, further out, and things pushing from this year into next year. So I think it was just getting a little bit more experience with that acquisition as well as that reduction of 25 million.

Richard Close: Okay. And then shift in focus maybe to outside the U.S. a little bit, I think the comment on the assessments and HAAS are interesting. Can you walk through that first, I guess, the option to extend into 2021, how do we think about that in terms of profitability, do you have a reset there in the option here, or do you continue to ramp and get performance fees?

So, curious on that front. And then the comment on integrating the assessments and you mentioned PIP there, how does that change I guess the size of the contract, this integration, or does it change the size of the contract? Does is change the profitability? Is there a timing on this? And just walk us through all that.

Bruce Caswell: So Rick will take the first half, and I'll take the second half. Okay?

Richard Close: Okay.

Rick Nadeau: So, Richard, this is an extension of about 17 months. That is so that they can match it up with the other program that Bruce referred to, we call it the PIP for short. With respect to that HAAS extension, we expect that we will have margins that are reasonably consistent with where we're operating that contract today so, I think that's the good news. We didn't take a big hit on profitability, it's in a reasonable range of where we're operating today. Bruce?

Bruce Caswell: Yeah, and it is very early days as it relates to this new integrative service, integrative assessment service that the Transformation Program Office is working on. So it's probably--it would be speculative for me to lay out how they'll carve up the country basically, and make those awards. What I would say is, as you well know, the HAAS program presently is a

nationwide contract. And my understanding is the PIP contract is done on more of a regional basis with other carriers, or other service providers. It could be that the integrated one also goes out on a regional basis, we just don't know at this point.

What I do like is that we hit our performance targets so well on HAAS and established a great deal of credibility with the department as it related to our ability to operate a highly complex service on a national scale, and hit a very high customer satisfaction marks and quality scores in that program.

So I think we're extremely well-positioned. I think another decision that the department faces as they work through that transformation program is, what do they do with the technology? Technology, presently, for our program, is provided by a third party vendor. So we don't have a great deal of flexibility as it relates to digitizing that customer experience and improving that customer experience. And you can only imagine, there are tons of opportunity as it relates to imaging and electronic workflow for medical records, or even moving to the use of video capabilities for some times of assessments potentially for beneficiaries who have trouble getting to assessment centers, things we've talked about for years.

I think the department, very much to their credit, is engaging with the Crown Digital Service to develop a roadmap and a path for a new digital platform, that likely will support that integrated service. So that could really, on the one hand, change the way the service is delivered, and I think also plays to the thrust that we've been focused on as a company in terms of our clinical services and really embracing digital and investing in it. Next question please.

Operator: Thank you. Ladies and gentlemen, as a reminder, if you'd like to ask any questions, please push star one on your telephone keypad now. Our following question comes from the line of Donald Hooker from KeyBank. You are now live.

Donald Hooker: Great. Maybe, a lot of questions have been asked here, but kind of thinking longer term in that overseas segment. Obviously you do a lot of work in Australia and the U.K. but some of the smaller markets, I was wondering if there was any hope that you might blossom there. And I'm thinking Singapore, some of those Pacific countries, Saudi Arabia. Are there potential new expansion markets there that we can hope for in the near term?

Bruce Caswell: So--hi, Donald. It's Bruce. I would say we share your enthusiasm in the sense that there are good markets that have nice potential for further development and as you can only imagine as a company we have a very strong history of a land, execute, and expand strategy. So I'm pleased with our performance thus far in Singapore.

I think I probably said before, one of the reasons we really sought to work in Singapore was not just the nature of the work that was being requested and that we felt we were very well positioned to help the government address a hard to serve population of professional managers, engineers, and technicians, and getting them back to work. But also because many of the countries in the region

regard Singapore as a leader when it comes to the administration of government programs. And so, I'm pleased that we've performed very well, we're held in well regard by the client, we have had some small expansion opportunity that we're executing on in Singapore, but to be using it as a reference model to expand in the region would be the next step.

Similarly, as it relates to our work in the Kingdom, we continue to service that customer to the very best of our abilities, and they obviously are undergoing a massive transformation with their vision 20/30 program, and we want to be in the best position to over MAXIMUS' full capabilities as opportunities arises there, and in other related nations in the Gulf.

One of the concepts that we've spoken about a little bit before is how our workforce services business is transforming, and it's no longer just focused on helping individuals who are kind of on existing public assistance program into work. But labor migration is becoming much more of a global issue, and so we want to keep our eye on that mark across border migration programs, and I think that you could see programs like that in the Asia Pacific region and in the Middle East region and others that would play to our strengths. So, stay tuned.

Donald Hooker: Okay. And then maybe, and you gave guidance for the fiscal year in terms of operating margins in that segment, but is there any sort of updates in your thinking around where that could get to over a few years? I mean, I understand there's moving factors involved here with unemployment rates and, you know, very low. But, to the extent that, where do you think, what's the right operating margin for that segment over time?

Rick Nadeau: Yeah, that's a good question. This is Rick. And we did tell you we'll be 3-4% this year. But those U.K work programs--those U.K employment contracts are maturing. And we're also have some operations in there that we're working very hard to enhance the profitability of. So yes, I think that we can break 5%, we ought to be able to move up between five and 10%, next year and in the future years. I think getting to 10% in the short term in going to be challenging, and we'll need some improvement in the environment. But yes, we can improve from where we are today.

Donald Hooker: Super. Thank you very much.

Bruce Caswell: Next question, please.

Operator: Our next question comes from the line of Frank Sparacino with First Analysis. You are now live.

Frank Sparacino: Rick, just want to confirm on GDIP, the contribution this year that was expected, there's no change in that, I think it was 650 million, correct?

Rick Nadeau: Yes, correct. What we saw in the second quarter was the synergistic benefits we saw did come to fruition in that quarter. And so yes, we have confidence in the numbers we gave you previously.

Frank Sparacino: And just following up, Bruce, on the pipeline, and comments around delayed procurement cycles. I assume that's primarily in the federal, just given the bulk of the pipeline is there. But maybe just be more specific in terms of where you're seeing delays. And then it sounds like, you don't have enough data at this point, Bruce, to decipher how the win rates are trending relative to your expectations. And maybe any early thoughts there in terms of how the team in performing.

Bruce Caswell: Yeah, Frank. Thanks for the question. I think your intuition on the delays in the procurements is correct, obviously it's driven by the proportion of the pipeline that federal represents. But it's important to note that we're seeing delays as well in the U.S. health and human services market. There are several contracts I could point to where we've just been awaiting resolutions of protest. And that's not uncommon in a market where obviously there are fewer near term opportunities and a highly competitive field. So we're not surprised by it, but it just moves everything to the right for everybody.

And so that's kind of the current environment, and I think it is early days as it relates to your other question. But I think that the team is performing well. The key right now, as I said in my prepared remarks, is to get that pipeline that we've been building and qualifying through the adjudication stage, and that takes a lot of deal shaping, it takes very effective capture management.

And then ultimately trying to achieve win rates that historically, I will say the federal organization over the last five years have had a very attractive win rate, coming from a prior sales leadership role myself at one point in my career, I would've found it very desirable. And so the key is to try to maintain that effective win rate, and as I said a little bit earlier, in an environment where you're going into new agencies, developing new relationships, takings a lot of swings, I wouldn't be surprised if it comes down a bit in the near term. But I think the team is well-completed, it's a strong team, and they're performing well, and the early results have been positive from my standpoint.

Frank Sparacino: Thank you.

Lisa Miles: Next question please.

Operator: Our next question is a follow up from the line of Charlie Strauzer from CJS. You are now live.

Charlie Strauzer: Hey, just picking up on that last conversation about the pipeline. If you think about the 74% that's new work to MAXIMUS, how much is that in terms of the federal space, how much of

that is really new work, new programs, I should say, that would not be subject to the intense protest that you've seen?

Bruce Caswell: Yeah. We haven't broken that out, Charlie. So I'm thinking of how we can give you a little bit of color on that. You're right in making the distinction that there's new work out there that's new to MAXIMUS because we've not fit it previously, but it may be work that's held by an incumbent contractor. Which inherently is going to be a bit more of a competitive, obviously, environment.

And I'd say that we see certainly within a number of these established programs, I'd probably say more on the IT side of the business. Because as you're well aware, in federal, we've got both a BPO business and an IT business. I characterize the IT-related pipeline in the work that we see as being more established currently performed by incumbents. And also, therefore, while being new to MAXIMUS, not necessarily new to the market or green field. The BPO opportunities are different, because while they come less frequently, they're often associated with transformational programs in departments.

There's one department, for example, that had the next gen program that they're implementing that will really recomplete the way the services are delivered to citizens, and that becomes more of a green field in that new opportunity. So to summarize, I'd say number one, you'd be appropriate to look at that 74% and sense 60% of the overall pipeline is federal, ratio it accordingly. A lot of the federal work would obviously therefore be new work, but it's probably also equally important to make a distinction somewhat between the IT and the BPO elements of that pipeline, and expect that the BPO work is probably more green fields new work to MAXIMUS than established with existing competitors.

Charlie Strauzer: Thank you, that's helpful.

Bruce Caswell: Okay.

Lisa Miles: Thanks, Charlie. Next question please.

Operator: Our next question is a follow up from the line of Richard Close from Canaccord Genuity. You are now live.

Richard Close: Thanks. I wasn't sure if you gave this, but last quarter you said under the old methodology, the pipeline was five billion, did you say what it was in this quarter under the old methodology?

Rick Nadeau: No we didn't, Richard. I think we said last time and continue to, it's the truth, is that once we start measuring it in one particular way, we can't measure it in both ways. But last quarter because we made the transition in that quarter, we could tell you that in order to make the transition

we had to run it both ways. But we're not running it both ways, I think you now have to look at it quarter two versus quarter three, and then quarter two versus quarter three, on an ongoing basis.

Richard Close: Okay. And a follow up question, here in Tennessee, they're looking at doing in block grants for Medicaid, moving that direction potentially here if the governor signs it. Can you talk a little bit about block grants and if that becomes pervasive across the U.S. in various states, how you think about the potential impact? I know that has been a concern with some investors in the past when that has been floated out there. And I think you've responded to it, but I think it would be good to hear that again.

Bruce Caswell: Sure, Richard. So a couple thoughts on block grants. My recollection in that area is that actually there are a number of governors that are not supportive of block grants because it basically caps funding and puts them into a position where they may see--and again, not to get down into the policy weeds a little bit, it depends on what the funding mechanism is and whether it's tied to like GDP growth cause you could have situations, certainly in a downturn in the economy where the increase of Medicaid roles far outpaces the metric that you anchored your funding stream to. And I think a lot of governors have expressed concern that you've got--that would create a situation where there's a greater dependency on state budgets, then, historically has been the case.

So, I think that becomes kind of a headwind to a broad adoption of block grants across the country. However, there will be states that like the flexibility that they get from that. You know, an example, if my memory serves me correctly, is that Rhode Island at one point did a massive omnibus waiver with CMS to get broad authority to administer the Medicaid program without a lot of the traditional regulatory constraints, and in return for that capped their funding.

So I have two thoughts. One is, I like the idea of the flexibility that block grants give governors in really shaping and defining the Medicaid program in a way that meets the specific needs of their local population. And I think MAXIMUS historically has always worked really well at that level. Our strength is in working with governors and their teams and their Medicaid departments to take on the policy ideas and translate them into operational models that achieve those objectives. So I think that's actually favorable for the model that we deliver. And whether it ultimately has a volume impact, I'm not seeing the connection where volumes would change materially. I see it more as an opportunity to kind of custom fit our solutions for those environments.

Richard Close: So it could be a net positive rather than negative?

Bruce Caswell: I think that--I've always felt that devolution and giving states greater flexibility in the design and administration of their programs is a net positive for MAXIMUS. You know, the CHIP program for many years has effectively functioned as a block grant, right? And because of that, states have had full authority to have a private partner like MAXIMUS conduct broad areas of program operation including eligibility. And It's under a block grant model states were released from the constraint presently where a merit-based employee has to make Medicaid eligibility decisions,

that could open opportunities for MAXIMUS as it had in the CHIP program. So really, from our perspective, it's not a real concern.

Richard Close: Okay, thank you.

Lisa Miles: Next question please.

Operator: Our final question comes from the line of Dave Styblo from Jefferies. You are now live.

Dave Styblo: Hey, thanks for the quick follow up. I wanted to just come back to the outside the U.S., international business there. Can you give us a sense, do you have visibility as to when the revenue pressure is going to abate, I think it was down 12% constant currency year over year? Is that solely attributable to the welfare-to-work programs, or is there some other noise in there? And then Rick, I think you had talked about confidence in getting to a five percent margin or more next year. Is the driver there that those revenue pressures ease as well as some other operational initiatives that you're working on to improve the cost structure there?

Rick Nadeau: Let me do them in reverse order. I think our ability to improve the margins will be largely driven by the maturity of those human services contracts. Not necessarily to increase unemployment rates around the world. I think that what we're seeing is in all of our areas where we do human services, the low unemployment rates have impacted us. I'm not predicting that is turning around, what I'm saying is that these start up contracts will continue to mature and we will do better with them.

I think also in that area outside the U.S., in our Australia contract there are some pass-through revenues that we get, things that are given to us like stipends to get people work shoes and other types of things like that. And we've just been getting a lot less of that type of pass through revenue from the government. And so, that's about $17 million year to year, so I think if you look at that, that's really an element that is beyond the unemployment rates and beyond the startups that has been impacting us there from a revenue standpoint. But not from an operating income standpoint.

Dave Styblo: Got it.

Rick Nadeau: Yeah and as I did say in my prepared comments, we do expect--we have three startup contracts in the United Kingdom. Like I said in my prepared remarks, I think we believe in the aggregate, we can get those contracts to breakeven before the end of the fiscal year, or during that fourth quarter.

Dave Styblo: Thanks much.

Rick Nadeau: Okay, thank you.

Lisa Miles: Thanks, Dave. Operator?

Operator: Ladies and gentlemen, we have now reached the end of our Q&A session. MAXIMUS thank you for your time and participation. You may now disconnect your line at this time. Thank you, and have a wonderful day.


Fiscal 2019
Second Quarter
Earnings Call
Rick Nadeau
Chief Financial Officer
May 9, 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 – Second Quarter of FY 2019

($ in millions, except per share data)	Q2 FY19	Q2 FY18	% Change
Revenue			
U.S. Health & Human Services	$ 290.7	$ 306.2	(5.1)%
U.S. Federal Services	289.7	116.3	149.1%
Outside the U.S.	156.0	190.2	(18.0)%
Total	$ 736.5	$ 612.8	20.2%
Operating Income			
U.S. Health & Human Services	$ 56.9	$ 50.0	13.8%
U.S. Federal Services	29.6	9.8	200.9%
Outside the U.S.	4.5	16.4	(72.8)%
Segment Income	$ 91.0	$ 76.2	19.4%
Other	0.4	(2.3)	
Intangibles amortization	(9.5)	(2.6)	
Total	$ 81.8	$ 71.3	14.7%
Operating Margin %	11.1%	11.6%	
Income tax expense	$ 18.9	$ 17.5	
Income tax rate	23.4%	24.1%	
Net Income attributable to MAXIMUS	$ 61.9	$ 55.5	11.6%
Diluted EPS - GAAP	$ 0.96	$ 0.84	14.0%

- Top-line growth was driven by the expected increases in the U.S. Federal Services Segment from the acquisition. Revenue growth was partially offset by unfavorable foreign currency translation and the timing of revenue within FY19
- Organic revenue decreased compared to last year, principally due to the rebid or extension of certain larger contracts, as well as expected decreases in our employment services businesses in the U.K. and Australia
- Operating margin and GAAP diluted earnings per share were in line with company expectations and driven by solid operational performance in both the U.S. Health and Human Services, and U.S. Federal Services Segments
- Results included amortization expense related to intangible assets of $9.5M or $0.11 diluted earnings per share, of which $7.1M resulted from the acquisition

U.S. Health and Human Services Segment

($ in millions)	Q2 FY19	Q2 FY18	% Change
Revenue			
U.S. Health & Human Services	$ 290.7	$ 306.2	(5.1)%
Operating Income			
U.S. Health & Human Services	$ 56.9	$ 50.0	13.8%
Operating Margin %	19.6%	16.3%	

Q2 FY19 Revenue

- Decreased resulting from the rebid or extension of certain larger contracts

Q2 FY19 Operating Margin

- Revenue and operating margin benefited from the expected execution of a $4M change order in which the associated expenses occurred in prior periods
- Operating income benefited from cost synergies from the U.S. Federal acquisition
- Operating margin is expected to range between 17% and 19% for FY19

It is not unusual during a rebid or sole-source extension that we work with our client to reach a pragmatic agreement that may include a revenue and profit reduction in order to retain the business. Oftentimes, this may be short term in nature, and over the life of the contract, we can improve revenue and profit through scope increases and operating efficiencies.

U.S. Federal Services Segment

($ in millions)	Q2 FY19	Q2 FY18	% Change
Revenue			
U.S. Federal Services	$ 289.7	$ 116.3	149.1%
Operating Income			
U.S. Federal Services	$ 29.6	$ 9.8	200.9%
Operating Margin %	10.2%	8.5%	

Q2 FY19 Revenue

- Increase was driven by the acquisition, which contributed approximately $176M of revenue in Q2 FY19
- Absent the acquisition, organic revenue declined by 2% compared to the same period last year

Q2 FY19 Operating Margin

- Operating margin was driven by favorable results on several performance-based contracts
- For FY19, we expect operating margin of approximately 10%

Census Assistance Questionnaire (CQA) Contract

- Contract term currently runs through June of 2021
- Projections are still estimates and are subject to programmatic changes

Fiscal Year	Estimated CQA Revenue
2019	$200M
2020	$350M
2021	Less than $50M

Outside the U.S. Segment

($ in millions)	Q2 FY19	Q2 FY18	% Change
Revenue			
Outside the U.S.	$ 156.0	$ 190.2	(18.0)%
Operating Income			
Outside the U.S.	$ 4.5	$ 16.4	(72.6)%
Operating Margin %	2.9%	8.6%	

Q2 FY19 Revenue

- Lower compared to the prior year due to the unfavorable impact of foreign currency translation and tempered by expected decreases on welfare-to-work contracts in both the U.K. and Australia
- Revenue decreased 12% on a constant currency basis, compared to the prior year

Q2 FY19 Operating Margin

- Unfavorably impacted by contracts in the U.K. where we began operations in Wales, East London and Scotland in FY18 to provide health and employment services to vulnerable populations with disabilities and complex health conditions
- Faced early challenges on these contracts. Took steps to address with additional resources and investment to shore up efforts. We expect to see meaningful improvements and the focus is on conversion into sustainable employment. Our teams and management are fully committed to the success of these programs. In aggregate, the contracts are on track to achieve profitability in Q4 FY19
- We estimate operating margin for FY19 will be between 3% and 4%

Cash Flows, DSOs, and Cash

($ in millions)	Q2 FY19
Cash flows from operations	$67.9
Purchases of property and equipment and capitalized software costs	(8.6)
Free cash flow	$59.3

Days Sales Outstanding (DSO)

- DSOs were 77 days at March 31, 2019, which was higher than Q1 FY19 due to timing on the payment of several large invoices
- We continue to expect to close the fiscal year with days sales outstanding towards the bottom end of our range of 65 to 80 days

Q2 FY19 Balance Sheet

- Cash and cash equivalents of $46.8M and outstanding debt of $79.0M

Capital Allocation

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

Capital Allocation

- Continue to target strategic acquisitions to create new growth platforms for MAXIMUS
- Access to a $400M credit facility, which can be used when we find transactions with the right fit and value
- Ample capital flexibility to return capital to shareholders through opportunistically purchasing our own shares and continuing our quarterly cash dividend at $0.25 per share

Near Term

- Over the last several months our teams have worked diligently to ensure the seamless integration of the federal citizen engagement center assets in both our operations and our culture
- We firmly believe that our focused efforts on integration are key to the long-term success of the assets and mission critical programs we support

Update to Fiscal 2019 Guidance

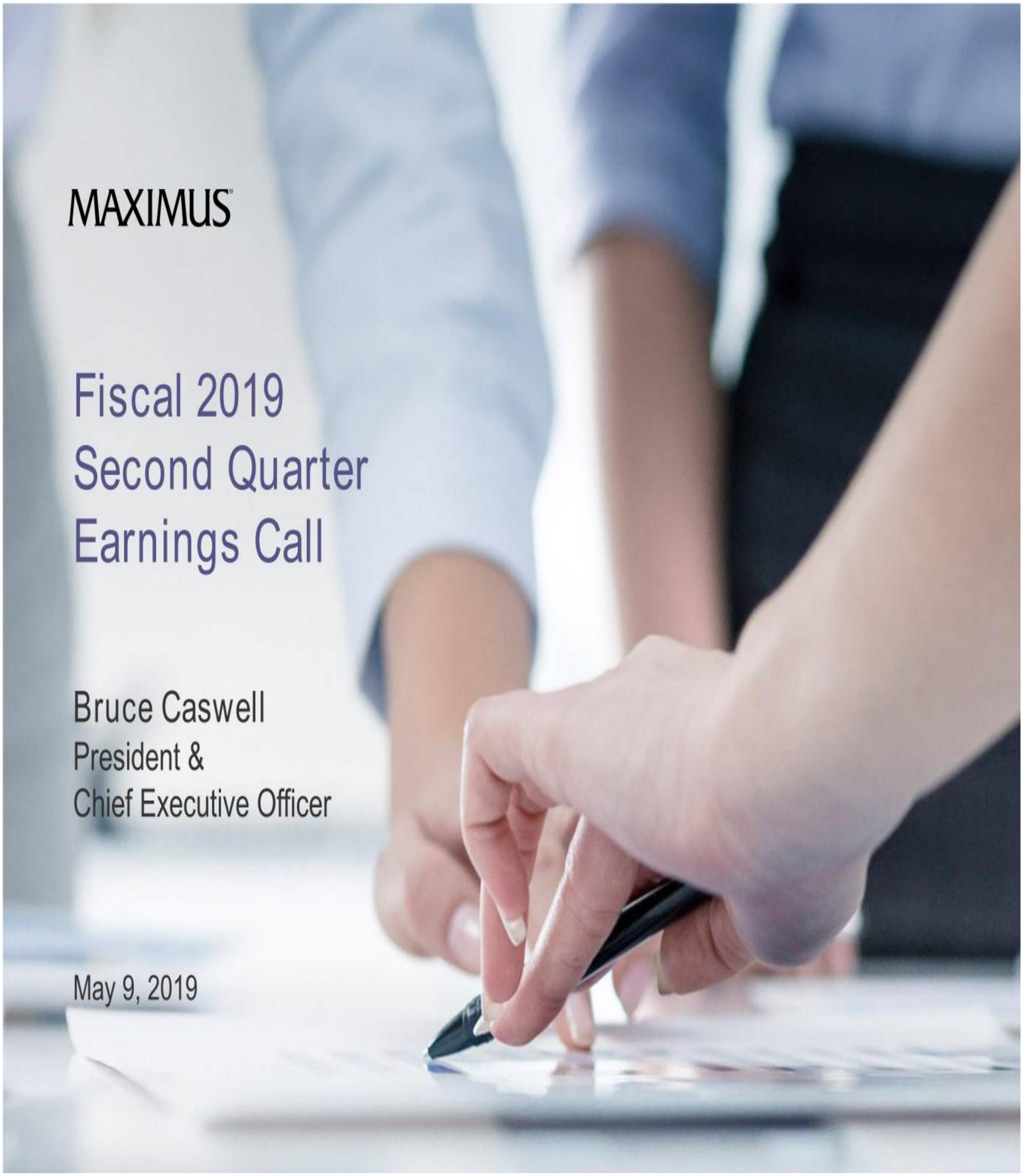
Fiscal 2019 Guidance	Previous	Current
Revenue	$2.925B – $3.0B	$2.925B – $2.950B
GAAP Diluted EPS	$3.55 – $3.75	$3.65 – $3.75
Cash flow from operations	$275M – $325M	$275M – $325M
Free cash flow	$235M – $285M	$235M – $285M

Revenue Guidance

- We estimate approximately $25M of revenue will be delayed from our initial FY19 revenue projections until FY20
  1. We continue to see prolonged procurement cycles – including more opportunities coming under protest
  2. To a lesser extent, we had a slower start on a new contract where the client is proceeding with a more cautious approach to rolling out Medicaid managed care

Income Taxes

- Expect an income tax rate between 25% and 25.5%
- As disclosed last quarter, we received an income tax benefit in the second quarter, lowering the rate for the quarter to 23.4%


MAXIMUS
Fiscal 2019
Second Quarter
Earnings Call
Bruce Caswell
President &
Chief Executive Officer
May 9, 2019

Successful First Year Review

- Unparalleled commitment to operational excellence, solid execution and generating robust cash flow
- Focused on delivering added value to our clients by driving digital solutions and innovation to improve the customer journey and overall program efficiency
- Executing three-pronged strategy to drive the next phase of our growth through:
  - Digital transformation
  - Clinical evolution
  - Market expansion
- Over the last year, we:
  - Welcomed more than 14,000 employees through our acquisition last fall
  - Implemented new technology and digital solutions that streamline program operations and improve the user experience
  - Welcomed new leadership to our Board of Directors aimed at adding experience, expertise and skills that complement our existing board as part of our planned succession

New Board Member

- Michael J. Warren was appointed to our Board of Directors, effective March 25, 2019
- Serves as Managing Director of Albright Stonebridge Group, a global business strategy and commercial diplomacy firm
- Expertise in advising clients on international growth strategies, stakeholder management and economic and geopolitical issues affecting global markets is a valuable addition to our board

U.S. Federal Services Segment Update

- Received third certification for the Federal Risk and Authorization Management Program (FedRAMP) for our Intelligent Virtual Assistant
  - FedRAMP certifications meet the most stringent security requirements for federal agencies
- MAXIMUS Intelligent Virtual Assistant merges artificial intelligence and human understanding to deliver rich, conversational, human-like interactions, enabling citizens to more easily accomplish tasks without the need of a human agent
  - Enhances our competitive position and improves our overall service delivery across our operation
- Launched operations on a new five-year, $91.7M contract on behalf of the Universal Service Administrative Company
  - MAXIMUS will support the Schools and Libraries Program, known as “E-rate,” where we administer funding commitments to help thousands of eligible schools and libraries obtain affordable telecommunications and internet access

U.S. Health and Human Services Segment Update

Convergence of health and human services programs dovetail with our growth strategy for adjacent markets

- Delivering a social determinant pilot in West Virginia that builds upon the work we already do in 12 Medicaid programs where we carry out health risk assessments. These provide an accurate picture of a participant's health to help health plans determine care needs and management
- Under the WV pilot, developed a holistic set of social risk questions to be seamlessly administered as part of the Medicaid enrollment process
  - Insights help identify gaps in support showing where needs exist and types of support needed
  - Survey had a 65% response rate, uptake across all channels and identified 14,000+ needs
- What is the data telling us?
  - Geocoding and mapping the results identifies gaps in support. These predictive analytics allow social services agencies to engage with beneficiaries and build trust before a healthcare claim is generated
  - Having these needs identified and reported prior to enrollment in a managed care plan, MAXIMUS can support individuals by offering pathways to address their needs, generate measureable outcomes and create a data set that provides visibility into social health trends
  - Most importantly, it also enables us to improve health outcomes and quality of care for these populations by building curated and accountable networks of community and health partners to coordinate social services and reduce demand on health systems
  - If approved, Phase 2 scope will include extending a technical platform to the curated CBO* community to foster custody of referrals and warm handoffs

*CBO = Community Based Organizations

Supporting Clients in Social Determinants Initiatives

- Addressable population for this targeted pilot is small – aim to generate meaningful outcomes
- A successful social determinants model will resemble a managed service that guides, encourages and enables consumers to supportive interventions that improve their lives
- Historical “assess and refer” models have had limited success and more progressive models are imperative, in our view, to long-term success rates
- The convergence of health and human services opens new adjacent markets impacted by macro trends – like this area of social determinants – that we believe will drive future demand
- By serving populations with increasingly complex health and socio-economic conditions through tailored and technology-driven clinical BPO solutions, we can better serve beneficiaries as well as government clients with constrained budgets

Outside the U.S. Segment Update

- In the U.K., the Department for Work and Pensions (DWP) has announced their intention to extend our contract to continue the Health Assessment Advisory Service through June 2021
- Part of a larger project that the government is undertaking to transform the delivery of all assessment services
- Transitioning the currently separate assessment services into one unified integrated service in 2021
- As a reminder, these assessment services include:
  - Work Capability Assessment (WCA) for Employment and Support Allowance and Universal Credit, which MAXIMUS delivers
  - Personal Independence Payment (PIP) assessment services which is currently delivered by other vendors
- This change offers MAXIMUS additional opportunity to support the newly integrated service. With our strong deliver and proven contract performance, we are well positioned to bid this work

New Awards & Pipeline

New Awards (YTD)	March 31, 2019
Signed Contracts	$1.0B
Unsigned Contracts	$725M

Sales Pipeline	March 31, 2019	New Work %
Total Pipeline	$21.9B	74%

- Modified our methodology at the beginning of FY19 to reflect the nature of our BPO business
- The opportunities in our sales pipeline range from those RFPs that are in our immediate sight line to those RFPs that we are tracking, but may not be released for up to 24 months
- It is also important to note that sales opportunities in the pipeline represent new work and recurring work, are not probability weighted, and are no longer individually capped at $150M in value
- Building a sales pipeline is the first of many steps necessary to achieve future organic revenue growth
- The teams are focused on developing and cultivating sales opportunities that we can carry over the finish line
- The bottom line is that we must translate this into winning new work to return to growth in the coming years
- These targeted efforts on driving organic growth, minimizing erosion and expanding into new markets remain a priority focus for the entire management team
- As I've said previously, we believe this will take time to materialize but we are confident in our strategic direction

Conclusion

- Favorable long term macro environment
- Remain focused on our top priorities of digital transformation, expansion of our clinical offerings and strategic market expansion
- Digital automation, such as next generation interactive voice recognition and process automation, allows us to continue to drive efficiencies, improve the quality of our operations, and differentiate the customer journey
- Efforts are global in scope, enhance our competitive position, and improve service delivery across our operations
- We see macro-trends such as life expectancy, healthcare costs, and population health challenges related to non-communicable disease conditions, which drive demand for BPO services with more of a clinical dimension
- Continue to consider our clients' long-term visions to reengineer their social programs and delivery mechanisms, making sure we are in the right markets with the right solutions at the right time
- Previously began a comprehensive strategic market assessment that yielded a set of priority new growth markets
- We continue to make progress in executing this plan, with deeper analysis, target identification and an active M&A function at the corporate level