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

FORM 8-K

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

Date of report: **February 10, 2020**

Date of earliest event reported: February 6, 2020

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))

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On February 6, 2020, the Company issued a press release announcing its financial results for the quarter ended December 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 February 6, 2020, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 and 99.3 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.

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

Exhibit No.	Description
99.1	Press release dated February 6, 2020
99.2	Conference call transcript for Earnings Call - February 6, 2020
99.3	Conference call slide presentation for Earnings Call - February 6, 2020

SIGNATURES

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

MAXIMUS, Inc.

Date: February 10, 2020

By: /s/ David R. Francis

David R. Francis

General Counsel and Secretary

MAXIMUS News Release

FOR IMMEDIATE RELEASE

CONTACT: Lisa Miles 703.251.8637
lisamiles@maximus.com

Date: February 6, 2020

MAXIMUS Reports Fiscal Year 2020 First Quarter Results
- Company Reiterates Full Year Revenue and Earnings Guidance -

(RESTON, Va. - February 6, 2020) - MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for the three months ended December 31, 2019.

Highlights for the first quarter of fiscal year 2020 include:

- Revenue grew to $818.2 million compared to $664.6 million reported for the same period last year driven by the U.S. Federal Services and the U.S. Health & Human Services Segments
- Diluted earnings per share were $0.91 and slightly better than Company expectations
- Cash flows from operations of $87.3 million and free cash flow of $76.8 million
- Year-to-date signed contract awards totaled approximately $177 million and contracts pending (awarded but unsigned) of $440 million at December 31, 2019
- Sales pipeline of $30.6 billion at December 31, 2019, of which 69% is new work

For the first quarter of fiscal 2020, revenue increased to $818.2 million as compared to $664.6 million reported for the same period last year. Top-line growth was driven by the expected increases in the U.S. Federal Services Segment due to a full quarter contribution from the acquired citizen engagement centers business, the expected ramp-up on the Census contract, and organic growth in our U.S. Health & Human Services and U.S. Federal Services Segments. Offsets included reductions in the Outside the U.S. Segment and unfavorable foreign currency translation of $1.8 million in the quarter.

For the first quarter of fiscal 2020, operating income totaled $79.1 million, yielding an operating margin of 9.7%. This compares to 11.2% for the same period last year. As expected, results for the first quarter of fiscal 2020 included a greater mix of cost-plus contracts from the federal acquisition that generate lower operating margins and continued weakness in the employment services business in the Outside the U.S. Segment, which continues to be challenged by market conditions.

For the first quarter of fiscal 2020, net income attributable to MAXIMUS totaled $58.7 million, or $0.91 of diluted earnings per share. This compares to the first quarter of fiscal 2019 diluted earnings per share of $0.86. The current period was better than expectations and benefited from solid operational performance in the U.S. Health & Human Services Segment and timing of revenue and income within the U.S. Federal Services Segment.

Bruce Caswell, President and Chief Executive Officer of MAXIMUS, commented, "MAXIMUS delivered solid first quarter results driven by top-line growth in our U.S. operations. We continue to progress our strategic plan to lead a digital transformation, grow our clinically related services, and expand in priority markets and adjacencies. M&A remains at the heart of our capital deployment initiatives with the aim to supplement our current capabilities, build scale and create new growth platforms in markets with strong long-term fundamentals that enable us to build enduring, sustainable organic growth."

U.S. Health & Human Services Segment

Revenue in the U.S. Health & Human Services Segment for the first quarter of fiscal2020 increased 6% to $312.3 million compared to $294.2 million reported for the same period last year. All growth in this segment was organic and attributable to new contracts and the expansion of existing work.

Operating margin for the first quarter of fiscal 2020 was 18.6% and stronger than expected, compared to 19.0% reported for the prior-year period. This segment realized solid operational performance across a number of contracts, and cost synergies resulting from the federal citizen engagement centers business acquisition continue to help margins in this segment.

U.S. Federal Services Segment

U.S. Federal Services Segment revenue for the first quarter of fiscal 2020 increased to $366.6 million compared to $217.0 million reported for the same period last year driven both organically and through acquisition. Revenue for this segment exceeded our expectations for the quarter, of which approximately $10 million dollars was accelerated from future periods. The Census contract continued its ramp-up toward peak activity levels and the segment realized a full quarter benefit related to the acquisition of the federal citizen engagement centers business. The Census contract delivered approximately $70 million of revenue in the first quarter.

Operating margin for the first quarter of fiscal 2020 was 8.6% compared to 9.8% reported for the prior-year period. Contract mix throughout fiscal 2020 will be weighted more heavily towards cost-plus contracts which offers less risk at a lower margin.

Outside the U.S. Segment

Outside the U.S. Segment revenue for the first quarter of fiscal 2020 decreased 9% (8% on a constant currency basis) to $139.4 million compared to $153.4 million reported for the same period last year. This segment experienced organic declines primarily in the employment services business. Volumes and caseloads continue to be challenged by the effects of robust full employment economies across our geographies.

Operating loss margin for the first quarter of fiscal 2020 was 0.7% compared to an operating profit margin of 2.9% reported for the prior-year period.

The bush fires in Australia had a slight impact in the first quarter. In January, the government instituted temporary modifications to program requirements which will disrupt employment services case flows, placements, and outcomes in the coming months. In addition, coronavirus is expected to unfavorably impact operations due to the reduced need for job seekers in certain sectors, such as tourism. The effect of these combined events will depend on the duration of impact and length of recovery in the region.

Sales and Pipeline

Year-to-date signed contract awards at December 31, 2019, totaled $176.6 millionand contracts pending (awarded but unsigned) of $439.5 million. These awards reflect total contract value.

The sales pipeline at December 31, 2019, was $30.6 billion (comprised of approximately $3.7 billion in proposals pending, $0.7 billion in proposals in preparation and $26.3 billion in opportunities tracking).

Balance Sheet and Cash Flows

Cash and cash equivalents at December 31, 2019, totaled $149.5 million. For the three months ended December 31, 2019, cash flows from operations totaled $87.3 million, with free cash flow of $76.8 million. At December 31, 2019, days sales outstanding (DSO) were 71 days. Restricted cash at December 31, 2019, which is included in the Consolidated Statement of Cash Flows, was $11.4 million.
On January 3, 2020, our Board of Directors declared a quarterly cash dividend of $0.28 for each share of our common stock outstanding. The dividend is payable on February 28, 2020, to shareholders of record on February 14, 2020.

Outlook

MAXIMUS is reiterating its fiscal 2020 revenue and earnings guidance. The Company expects revenue to range between $3.15 billion and $3.30 billion and diluted earnings per share to range between $3.95 and $4.15.

Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, February 6, 2020, at 9:00 a.m. (ET). The call is open to the public and is available by webcast at investor.maximus.com or by phone at:

877.407.8289 (Domestic)/+1.201.689.8341 (International)

For those unable to listen to the live call, a replay will be available through February 20, 2020. Callers can access the replay by calling:

877.660.6853 (Domestic)/+1.201.612.7415 (International)
Replay conference ID number: 13698335

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

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

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

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

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These risks could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. A summary of risk factors can be found in Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission, found on maximus.com.

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

	Three Months Ended December 31,	
	2019	2018
Revenue	$ 818,229	$ 664,619
Cost of revenue	642,779	505,354
Gross profit	175,450	159,265
Selling, general and administrative expenses	87,227	79,671
Amortization of intangible assets	9,088	5,458
Operating income	79,135	74,136
Interest expense	484	625
Other income, net	719	2,045
Income before income taxes	79,370	75,556
Provision for income taxes	20,636	19,833
Net income	58,734	55,723
Loss attributable to noncontrolling interests	—	(190)
Net income attributable to MAXIMUS	$ 58,734	$ 55,913
Basic earnings per share	$ 0.91	$ 0.86
Diluted earnings per share	$ 0.91	$ 0.86
Dividends paid per share	$ 0.28	$ 0.25
Weighted average shares outstanding:		
Basic	64,597	64,827
Diluted	64,758	64,977

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

	December 31, 2019 (unaudited)	September 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 149,515	$ 105,565
Accounts receivable — billed and billable	511,670	476,690
Accounts receivable — unbilled	123,420	123,884
Income taxes receivable	6,049	20,805
Prepaid expenses and other current assets	53,254	62,481
Total current assets	843,908	789,425
Property and equipment, net	92,377	99,589
Capitalized software, net	32,936	32,369
Operating lease right-of-use assets	200,690	—
Goodwill	586,659	584,469
Intangible assets, net	171,077	179,250
Deferred contract costs, net	18,224	18,921
Deferred compensation plan assets	35,151	32,908
Deferred income taxes	191	186
Other assets	8,578	8,615
Total assets	$ 1,989,791	$ 1,745,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 174,707	$ 177,786
Accrued compensation and benefits	104,263	106,789
Deferred revenue	42,756	43,344
Income taxes payable	5,563	13,952
Current portion of long-term debt and other borrowings	7,009	9,658
Operating lease liabilities	85,625	—
Other liabilities	12,785	12,709
Total current liabilities	432,708	364,238
Deferred revenue, less current portion	32,105	32,341
Deferred income taxes	47,344	46,560
Deferred compensation plan liabilities, less current portion	37,298	34,079
Operating lease liabilities, net of current portion	121,620	—
Other liabilities	19,711	20,313
Total liabilities	690,786	497,531
Shareholders' equity:		
Common stock, no par value	504,184	498,433
Accumulated other comprehensive loss	(38,487)	(45,380)
Retained earnings	833,308	794,739
Total MAXIMUS shareholders' equity	1,299,005	1,247,792
Noncontrolling interests	—	409
Total equity	1,299,005	1,248,201
Total liabilities and equity	$ 1,989,791	$ 1,745,732

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

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Cash flows from operations:		
Net income	$ 58,734	$ 55,723
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property, equipment and capitalized software	15,318	11,231
Amortization of intangible assets	9,088	5,458
Deferred income taxes	422	16,511
Stock compensation expense	5,397	4,971
Change in assets and liabilities net of effects of business combinations:		
Accounts receivable — billed and billable	(31,016)	(69,890)
Accounts receivable — unbilled	2,013	20,198
Prepaid expenses and other current assets	4,063	(5,691)
Deferred contract costs	848	(1,757)
Accounts payable and accrued liabilities	2,403	26,564
Accrued compensation and benefits	6,842	377
Deferred revenue	(1,345)	(372)
Income taxes	13,984	(3,848)
Operating lease right-of-use assets and liabilities	(1,622)	—
Other assets and liabilities	2,138	(135)
Cash flows from operations	87,267	59,340
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software costs	(10,487)	(9,973)
Acquisitions of businesses, net of cash acquired	—	(421,809)
Maturities of short-term investments	—	19,996
Other	25	47
Cash used in investing activities	(10,462)	(411,739)
Cash flows from financing activities:		
Cash dividends paid to MAXIMUS shareholders	(17,913)	(16,033)
Purchases of MAXIMUS common stock	(1,898)	(40,984)
Tax withholding related to RSU vesting	(10,614)	(8,915)
Borrowings under credit facility and other loan agreements	83,419	195,100
Repayment of credit facility and other long-term debt	(86,301)	(70,033)
Other	(493)	(133)
Cash (used in)/provided by financing activities	(33,800)	59,002
Effect of exchange rate changes on cash and cash equivalents	1,452	(1,068)
Net increase/ (decrease) in cash, cash equivalents and restricted cash	44,457	(294,465)
Cash, cash equivalents and restricted cash, beginning of period	116.492	356,559
Cash, cash equivalents and restricted cash, end of period	$ 160,949	$ 62,094

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

	Three Months Ended December 31,			
	2019	% (1)	2018	% (1)
Revenue:				
U.S. Health & Human Services	$ 312,281		$ 294,213	
U.S. Federal Services	366,571		216,987	
Outside the U.S.	139,377		153,419	
Total	$ 818,229		$ 664,619	
Gross Profit:				
U.S. Health & Human Services	$ 89,590	28.7 %	$ 88,031	29.9 %
U.S. Federal Services	70,821	19.3 %	47,985	22.1 %
Outside the U.S.	15,039	10.8 %	23,249	15.2 %
Total	$ 175,450	21.4 %	$ 159,265	24.0 %
Selling, general, and administrative expense:				
U.S. Health & Human Services	$ 31,398	10.1 %	$ 32,139	10.9 %
U.S. Federal Services	39,239	10.7 %	26,632	12.3 %
Outside the U.S.	16,053	11.5 %	18,808	12.3 %
Other	537	NM	2,092	NM
Total	$ 87,227	10.7 %	$ 79,671	12.0 %
Operating income:				
U.S. Health & Human Services	$ 58,192	18.6 %	$ 55,892	19.0 %
U.S. Federal Services	31,582	8.6 %	21,353	9.8 %
Outside the U.S.	(1,014)	(0.7)%	4,441	2.9 %
Amortization of intangible assets	(9,088)	NM	(5,458)	NM
Other	(537)	NM	(2,092)	NM
Total	$ 79,135	9.7 %	$ 74,136	11.2 %

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

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

	Three Months Ended December 31,	
	2019	2018
Cash flows from operations	$ 87,267	$ 59,340
Purchases of property and equipment and capitalized software costs	(10,487)	(9,973)
Capital expenditure as a result of acquisition (1)	—	4,542
Free cash flow	$ 76,780	$ 53,909

(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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MAXIMUS Fiscal 2020 First Quarter Conference Call
February 6, 2020

Operator
Greetings, and welcome to the MAXIMUS Fiscal 2020 First Quarter Conference Call. At this time, all participants are in a listen only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Lisa Miles, Senior Vice President of Investor Relations for MAXIMUS. Thank you, Ms. Miles. You may begin.

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

Today's presentation may contain non-GAAP financial information. Management uses this information in its internal analyses of results and believes this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful, period-to-period comparisons. For a reconciliation of the non-GAAP measures presented in this document, please see the company's most recent quarterly earnings press release. And with that, I'll hand the call over to Rick.

Rick Nadeau
Thank you, Lisa. This morning, MAXIMUS reported revenue for the first quarter of fiscal 2020 of $818.2 million, compared to $664.6 million in the prior year period. Top line growth was driven by the expected increased in the U.S. federal services segment due to a full quarter contribution from the acquired business, the expected ramp up of the Census contract, and organic growth in both our U.S. health and human services and U.S. federal segments. This was partially offset by reductions in our outside the U.S. segment.

Total company operating margin was 9.7% for the first quarter and lower compared to the prior year period. This is due to a greater mix of cost-plus contracts that generate lower operating margins and continued weakness in our employment services businesses in our outside the U.S. segment, which continues to be challenged by market conditions. For the first quarter, diluted earnings per share were $0.91 and better than our expectations, benefiting from strong operational and financial performance in our U.S. health and human services segment and the timing of revenue and income within our U.S. federal segment.

I will now speak to our segment results in the first quarter. First quarter revenue for the U.S. health and human services segment increased 6% to $312.3 million compared to the same period last

year. All growth was organic and attributable to new contracts and expansion of existing work. The operating margin for the segment in the first quarter came in better than expected at 18.6%. The segment benefitted from strong operational and financial performance across a number of health services contracts.

Additionally, cost synergies resulting from the federal citizen engagement centers business acquisition in November 2018 continue to help this segment's margins. Revenue for the first quarter of fiscal 2020 in the U.S. federal services segment was $366.6 million, representing an increase of $149.6 million compared to the same period last year. First quarter revenue for this segment exceeded our expectations, mostly due to the timing from the acceleration of approximately $10 million of revenue into the first quarter from future periods.

In addition, the Census contract continued its ramp toward peak activity levels, and the segment realized a full quarter benefit related to the acquisition of the Federal Citizen Engagement Centers business. The Census contract delivered approximately $70 million of revenue in the first quarter and is expected to grow in the next two fiscal quarters. On the bottom line, the U.S. federal services segment finished the quarter with an operating margin of 8.6%. As a reminder, fiscal year 2020's contract mix will be weighted more heavily towards cost-plus contracts, which increases revenue and operating income but dilutes margin.

Outside the U.S. segment, first quarter revenue was $139.4 million and lower compared to the prior year period. We experienced organic declines, primarily in our employment services businesses, in which volumes and case loads continue to be challenged by the effects of robust full employment economies across our geographies. The segment ended the quarter nearing break even.

As we have previously discussed, with nearly half of the work in the segment tied to employment services contracts in Australia and the U.K., we have already taken measures to manage our costs. We are working with our clients and other industry partners about the appropriate terms and performance-based measures needed to sustain a viable supply chain in light of the macroeconomic environment.

The devastating bush fires in Australia also tempered results in the first fiscal quarter. The government has taken measures to protect its citizens and has temporarily modified certain requirements for program participants, which will disrupt our employment services case flows, placements, and outcomes in the coming months. Australia has also been affected by the outbreak of the coronavirus. While it is too early to quantify, we anticipate an unfavorable impact due to the reduced need for job seekers in certain sectors, such as tourism.

Both of these events will have temporary unfavorable impacts on the business in Australia. The degree of impact will largely be determined by the duration of impact and length of recovery in the region. We are monitoring the situation closely and supporting our government client, customers, and employees in this time of need.

We're also taking steps to diversify our portfolio in markets such as the United Kingdom by making strategic investments to broaden our efforts in emerging opportunities, new market development, and additional sales and marketing activities. To give you some color for fiscal 2020, we're investing approximately $5.5 million in the U.K. as our team has been developing key partnerships and working to extend our reach into new agencies. These investments come in a time when the U.K. is in need of financially stable partners to deliver key policy objectives for the government. And while many of these opportunities have long runways, our efforts could prove to be pivotal in expanding our portfolio in the coming years.

I will speak briefly on balance sheet and cash flow items. In the first quarter, MAXIMUS delivered cash flows from operations of $87.3 million and free cash flow of $76.8 million. Days sales outstanding were 71 at December 31, which is within our expected 65 to 80 day range. At December 31, 2019, we held cash and cash equivalents of $149.5 million and no outstanding draws on our credit facility. During the quarter, we purchased 26,000 shares of MAXIMUS stock for a total of $1.9 million.

On the topic of capital allocation, our number one priority continues to be acquisitions that drive long term, sustainable, organic growth. Any targets will be based on the need to build scale, to enhance our clinical and digital capabilities, extend into new adjacencies, or any combination of these attributes. As is our standard practice, we will opportunistically purchase our own shares, as well as pay a quarterly dividend of $0.28 per share.

Finally, we are maintaining our revenue guidance of $3.15 to $3.3 billion and our diluted earnings per share guidance of $3.95 to $4.15 for fiscal year 2020. We continue to expect a general profile of slightly higher revenue in the first half of the year compared to the second half. As we indicated last quarter, there may be fluctuations in our results due to the timing of revenue. We have two dynamics at play. First, as I mentioned earlier, approximately $10 million of revenue accelerated into the first quarter from future periods. And second, we're also expecting the timing of a large change order to occur in the third quarter, whereas we had previously forecast to recognize this change order in the second quarter.

As a result, we now expect that earnings for the second quarter will be consistent with the first quarter and will peak in the third quarter, driven by the Census contract. Our guidance for cash flow from operations and free cash flow remains unchanged. We still expect to finish the year with an income tax rate between 24.5% and 25.5%. And with that, I will hand the call over to Bruce.

Bruce Caswell

Thank you, Rick, and good morning, everyone. MAXIMUS delivered solid first quarter results, driven by top line growth in the U.S. federal services segment and solid operational delivery and strong financial performance in our U.S. health and human services segment. As Rick noted, we remain on track to achieve our fiscal year 2020 guidance. Our CCO program over delivered in the quarter, with open enrollment for Medicare and the marketplace ending in December. Under both programs, we achieved favorable statistics during the 2019 open enrollment season.

Under the Medicare program, we received more than 4.5 million IVR calls, with more than 3 million answered by CSRs, answered nearly 300,000 webchat contacts, 129% higher than last year, and achieved a 93% customer satisfaction score and a 97% quality monitoring score. Under the state-based exchanges, we received nearly 5 million IVR calls, with nearly 3 million answered by CSRs, completed an estimated 840,000 enrollments through CSRs, and achieved a 91% customer satisfaction score and a 96% quality monitoring score.

With the Affordable Care Act and Medicaid as underpinnings, the state health insurance landscape is still evolving. States are addressing their unique demographic needs, with new Medicaid expansion initiatives and efforts to establish state-based marketplaces. In light of this, we were recently awarded the Get Covered New Jersey contract by the New Jersey Department of Banking and Insurance to help transition the state's marketplace from the federally facilitated marketplace to a state-based exchange.

The New Jersey marketplace is targeted towards consumers who are seeking a medical and/or dental qualified health plan that do not receive employer sponsored health insurance and do not qualify for Medicaid or Medicare. In addition to the consumer engagement center, the scope of our operations includes assisting consumers with eligibility, consumer health plan choice counselling, supporting inquires from brokers, navigators, assistors, and carriers, and referring consumers to other agencies or stakeholders as needed.

This is a key step in the effort to improve health coverage access for New Jersey residence and allow the state greater control over its health insurance market and related policies in the long run. We are excited to utilize our innovative approach to focus on seamlessly supporting consumers through a multichannel engagement and helping the state achieve its programmatic goals. With the New Jersey contract, MAXIMUS now operates five state-based exchanges across the U.S.

Additionally, we continue to expand the work we're doing to assist states in delivering Medicaid enterprise services with a recent win to deliver provider management services in Ohio. Whereby, we will implement and operate our provider credentialing and management solution for the state's Medicaid providers. Our work in provider management started more than a decade ago. And our portfolio has since grown to include work in nine states, along with a healthy pipeline of additional opportunities. This new Ohio contract is anticipated to be $44 million over 10 years. While each of these individual contracts is small, together, they comprise a nice portfolio of strategic contracts built upon our core business.

Lastly, and most recently, February 1st marked the launch of Phase II for the 2020 decennial Census, which runs through July 31, 2020. Our operational scope includes 10 contact centers across 8 states and 8,500 customer service representatives during peak operations who will help support the Census' goal of surveying 146 million households. In preparation for this peak performance period, thousands of candidates were interviewed, and we made more than 3,300 job

offers. I look forward to providing additional color on Census 2020 as we progress during the fiscal year.

Over the past two years, we've been working to understand our government clients changing priorities and forward-looking policy initiatives. We are now seeing shifts in policy that may provide new opportunities for companies like MAXIMUS. In November 2019, the Office of Personnel Management, OPM, issued a memo to state leaders that clarified that states have the discretion and flexibility to determine appropriate staffing methods through employees or contractors in the administration of federally funded state administered programs.

This overturns the long-held assumption and prior guidance that certain functions must be performed exclusively by government employees. This clarification enables states to engage in public private partnerships that are better prepared to address program gaps in funding, talent, technology, and the level of customer service that people expect. For example, in many states, a historically siloed program and administration model had limited their ability to provide seamless and comprehensive customer service to multiprogram beneficiaries.

This clarification grants flexibility by allowing states the option to work with private sector partners to implement integrated citizen services models. With the role of private partners no longer as limited, more cost effective, customer centered, digitally enabled services are now possible across any number of state administered programs. It's early days in a change to an interpretation of a 50-year-old law, but our efforts creating awareness and action across states and federal agencies have shown positive results on a bipartisan basis.

There's no requirement that the states change anything, but states now have additional options and a great deal more freedom to transform and modernize their operations. Governors and agency leadership alike have called this a game changer, and many have already embraced the flexibility this clarification provides to allow them to rethink how best to deliver essential public benefits and quickly transform their policy interests into efficient and more cost-effective services.

This is a significant cultural shift in the way states think, and we're working directly with state clients on white papers and ideas on how to make this shift without disruption. These are long term opportunities that could take years to develop, with a decade's long tailwind. But it's also a new opportunity that could help governments address a rising retirement wave, potentially save hundreds of millions of dollars over time, and help close potential gaps they may be encountering.

Moving on to new awards, for the first quarter of fiscal year 2020, signed awards were $176.6 million of total contract value at December 31, 2019. Further, at December 31st, there were another $439.5 million worth of contracts that have been awarded but not yet signed. Let's turn our attention to our pipeline of addressable sales opportunities. Our total contract value pipeline at December 31st was $30.6 billion compared to $30.2 billion reported in the fourth quarter of FY '19. Of our total pipeline of sales opportunities, 69% represents new work.

M&A remains our number one priority for capital deployment as we look to supplement our current capabilities and as we seek to create new growth platforms in markets with strong, long term fundamentals. We view M&A as a series of concentric circles. The inner most circle is represented by tuck in acquisitions. These are straightforward, directly incorporate into the business, and are often done for technical advantage, such as a near adjacent market play or to position for an important procurement.

The second circle represents a capability play, such as our previous Ascend and Acentia acquisitions. These provide additional capabilities that further compliment our business. The third circle offers scale in priority markets, such as our recent November 2018 citizen engagement center acquisition. The last and most outer circle represents transformational acquisitions. MAXIMUS is not undertaken in acquisition of this nature, but it's certainly something we would not shy away from for the right property at the right price.

Our M&A objective is to find targets that enable us to build enduring, sustainable, organic growth by continuing to build scale, enhance our clinical and digital capabilities, extend into new adjacencies, and seek brand new growth platforms. As a management team, we believe that continued growth relies upon strong governance, and good governance starts at the top with how we govern ourselves. As such, over the past year, MAXIMUS has met with many of our shareholders to understand your priorities related to environmental, social, and governance, ESG matters, as well as our material ESG interests such as human capital, data security and privacy, and governance.

As a result of your feedback, we've modified our board of director makeup, implemented an anti pledging policy with respect to our stock, and, as you may have seen, redesigned our proxy to be a more engaging and intuitive document. As part of our ongoing efforts to reduce our carbon footprint, we're piloting the conversion of our facilities to LED lighting in our federal citizen engagement centers. We look forward to disclosing additional efforts and impacts.

Finally, at our upcoming annual meeting, shareholders will have to opportunity to vote to remove the staggered board model, declassifying our board of directors such that all directors will be elected annually. We thank you, our shareholders, for your frank feedback and support. In summary, I'm pleased with our continued progress on management's strategic plan to lead a digital transformation, grow our clinically related services, and expand in key priority markets and adjacencies, driving our strategic trajectory into the 2020 fiscal year. We look forward to continued engagement with shareholders, clients, and employees. And with that, we'll open up the line for Q&A. Operator?

Operator

Thank you. We will now be conducting a question-and-answer session. Please limit yourself to one question and one follow up question. If you wish to ask additional questions, you may re-enter the queue. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Thank you. Our first question comes from the line of Charlie Strauzer with CJS Securities. Please proceed with your question.

Charlie Strauzer
Hi. Good morning.

Bruce Caswell
Good morning, Charlie.

Charlie Strauzer
I know it's a bit of a moving target, but can you share what impact you're assuming from the Australian bushfires and coronavirus kind of on a go-forward basis for the year?

Bruce Caswell
Absolutely.

Rick Nadeau
Sure, Charlie. Charlie, before I answer that, I think I got a little tongue-tied on my prepared comments. I do want to make one slight correction. The cash flow from operations number that is in the press release and that is in the presentation is the correct number at 87.3. Sorry for getting tongue-tied.

Let me help you with that question now. While both of these situations are temporary and it is impossible really to determine with certainty the true scope of the impact until we really understand the degree, the length of time, and how quickly the region will recover, we did feel it's helpful to investors and to the analysts that we model some of the potential impacts for the remainder of the year. So, based on what we know today--and I do want to stress and emphasize that there's a lot that we do not know. We would estimate the impacts of the problem in Australia to be in the range of $0.07 to $0.15. That's on a diluted share--diluted EPS standpoint for the rest of the year. Now, it is important to remember that it is a fluid situation in Australia. And, as I said in my prepared remarks, the government took immediate measures to ensure the safety of their citizens and to enable people to return to stability quickly.

And, as part of this, the participants in the program that we operate are temporarily exempt from job searches until March 6th. That's really what's causing the issue for us. Now, Australia also has closed its border to incoming travelers who were recently in China. This will have an impact on sectors in the travel industry, where visitors from China do become—are a large representative group in that population.

Tourism has been a thriving industry and a good place to help job seekers get back into the workforce. So, as I mentioned earlier, the reduced need for job seekers and tourism roles will have an impact on our business. But until we have a better understanding to what degree, to what length

of time, how quickly the region will recover, it really is not possible with certainty to determine what the ultimate impact will be.

And lastly, I really--Bruce and I would like to thank our team in Australia. They responded immediately to help the community there by contacting all of our customers to offer support and mobilize resources such as psychologists to help in the most affected areas. The company's employees funded not-for-profit, the MAXIMUS--I'm sorry, the company's MAXIMUS foundation in Australia also raised $50,000 for the benefit of the bushfire relief efforts. That answer your question, Charlie?

Charlie Strauzer
That's great. Thank you very much, Rick. And then just a follow-up for Bruce if I could. You talked a little bit about the M&A concentric circles. And, obviously, with the policy change that you mentioned, is that going to be an area of focus of trying to find companies to buy? And what does the pipeline look like currently? Thanks.

Bruce Caswell
Sure. We see a lot of opportunities that are brought to us. And I think I've said before that we're always looking at the characteristics of these deals in terms of what they really mean to the business in the long term. We want to make sure that, as we look at specific opportunities, there really no more than about two adjacencies from our core, they've got a reputation for quality, they can provide sustainable revenue and the appropriate growth rate, good sustainable net margins, at least in the high single digits. A strong cultural fit the company, as well.

So, we've been very selective as we've looked at opportunities, and further, we've tried to be a bit more proactive, if you will, in our M&A strategy. So, as we're looking down the road and we are identifying areas where we can strengthen the company in terms of our technology assets and digital assets, where we can become more clinical in the work that we do, but also where we can get into new markets, we've begun dialogue with companies that may not currently be active in the market with the hopes that, as things evolve over the coming years, they think about MAXIMUS as a home for a portion of their business.

As it relates to the specific policy, I'd be happy to address a little bit more on the OPM guidance that I mentioned in my remarks or any other potential policy shifts there. Of course, there have been the Medicaid block grant guidance that the administration has provided recently, as well, which we can speculate about. So, is there any more specific area of policy that you're interested in as it might relate to that strategy, Charlie?

Charlie Strauzer
No. I was just thinking just more in terms of the M&A company--types of companies you would try to buy that would support those new policies.

Bruce Caswell
Well, without speaking about specific companies, I would say, number one, we certainly feel that we--and we've long said that technology is a critical component of what we do. We really say that we deliver technology-enabled BPO services to our clients. And so, companies that can fill specific gaps in our technology portfolio and can help us deliver more seamless end-to-end solutions to our clients and that really are forward-looking and forward-leaning in terms of the technology that they bring to the table would be of interest to us. The digital arena just really continues to explode, and we feel like we've got a nice competitive differentiable position right now in our core programs, but Rich always used to say--and I agree with his completely. You can't keep your technology saw sharp enough. So, that would be one area.

We've also talked about how citizen transaction services and citizen engagement will remain a critical component of what government does over time. And we found that the citizens we serve expect more and more these days to be served as they would by traditional commercial companies, whether it's in the financial services industry or other sectors. So, again, that kind of points back to technology-enabled citizen services as an area of interest. Then lastly, we've said for some time that the federal marketplace is a great market. The U.S. federal government is a very strong customer, and we continue to look at opportunities there to fill out our portfolio as they come along.

Charlie Strauzer
Great. Thank you very much.

Lisa Miles
Thanks, Charlie. Next question, please.

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

Richard Close
Great. Thanks. With respect to the OPM memo, Bruce, it sounds like that seems to be a little bit more of a longer-term opportunity. So, if you can just sort of gauge that for us, or just your thoughts there on maybe the size of the opportunity and timing as you have these discussions with states?

Bruce Caswell
Absolutely. I wanted to put this, Richard, in a little context, as well. The memorandum that I spoke of was released on November 27th of 2019, but it was really a follow-up, and it provided a lot more clarity to initial guidance that was provided and notification that was provided by OPM that was published in the federal register back in April of 2019.

So, this is something that's kind of been developing over time. The memorandum went to head of executive departments and agencies, and it really clarified that these executives have to certify that the system of personnel administration for federally funded state administered programs that they operate that are called grant made programs is satisfied by government employees that meet these merit system principles, but also it doesn't preclude the same program from utilizing contractors that are consistent when that is consistent with prevailing state law, as well. And you might--it makes a lot of--what are these merit system principles, and not to go on a dissertation on this, but to give you a sense of what they are, because they do apply to both government and contractor employees, it's things like—things that govern the recruitment selection and advancement of employees based on their merit, provision of equitable and adequate compensation, training to ensure their high-quality performance, separation of personnel--inadequate performance can't be corrected, nondiscrimination principles, of course, and the elimination of political influence.

So, we're excited about the flexibility that this gives states. And it's important to note that, to frame it, that this is a change to an interpretation of a 50-year-old law, the Intergovernmental Personnel Act, or IPA, of 1970. And there's no requirements that states change anything, but it gives states a great deal of freedom. So, pivoting to the opportunity, we've been out having a number of conversations, if you will, with our customers. And one thing we've noted is that, there's really bipartisan interest and support for this, because governors and their agency administrators like the idea of having flexibility in this area. It opens up new areas of thinking in terms of how services that have historically been siloed, as I mentioned in my prepared remarks, can be brought together into an integrated service delivery model. It is early days, and so the initial opportunities that we've seen, I would say, are more kind of incremental to core business activities that we have.

So, if you wanted to frame it, if you had a contract in a specific state, the opportunity might be like a 5% to 10% of the value of that type of opportunity. I think where the opportunities we would hope would develop is, as states become more comfortable with this model, and they get a bit more creative in terms of the scope and breadth that it can comprise, that could lead to opportunities growing. But in--as we've said before, we would characterize this as we have things like Medicaid block grants and work requirements and so forth, as more kind of singles and doubles in the early stages. But it's certainly something that has the ability to provide a nice longer-term tailwind for us.

Richard Close
OK. Lisa, I have two questions. One is housekeeping, so if I could ask that. But, Bruce, or--yeah. So, if you look at the investments in the U.K., are you foreshadowing something there? Is there like a bolus of contract opportunities there? And then my housekeeping question is, did you guys say \$0.07 to \$0.15 headwind from the fires and the virus as a headwind for the current year? So, essentially, you would have raised your diluted EPS guidance without the fires and virus?

Bruce Caswell
Richard, I'll handle both of those, and let me do them in reverse order. I did say \$0.07 to \$0.15. So, you are correct on that. Of course, this would put pressure on the guidance, and it puts more pressure, obviously, on the profit numbers than it does on the revenue numbers. But really, we are only one quarter into the year, and we do have a healthy pipeline of opportunities. The range on our EPS guidance is \$0.20. So, there's always the potential for us setting upside to defray some of the

downstream impacts from this event.

I did want to make sure that I stressed again that this is a temporary situation, but it really is too early to determine the full impact because of the uncertainty that's involved with it. I mean, these events are still unfolding, and we really don't know. But--we're only one quarter into it--into the year, and I think we feel like the guidance range is appropriate, and it is a $0.20 range.

On the other issue of the U.K., both Bruce and I have spent time in the U.K., and we've met with key stakeholders and are devoting a lot of time to discussions with the team. We both believe that there is a clear demand for partners like MAXIMUS who are financially stable and have a strong track record of delivery. We see a number of vital opportunities that will diversify our portfolio while leveraging the core skills that we have, as well as our digital and our technology assets.

So, I think we believe it's the right time to invest more heavily in the U.K., and that it is time for us to start looking at a variety of opportunities. Some of these have longer runways than others. But I think, basically, the bottom line is that our efforts could prove to be pivotal in expanding the portfolio in the United Kingdom, particularly since we are a very financially stable contractor.

Richard Close
Okay. Thank you very much. Appreciate that.

Bruce Caswell
Okay, sure.

Lisa Miles
Thanks, Richard. Next question, please.

Operator
Our next question comes from the line of Donald Hooker with KeyBanc Capital Markets. Please proceed with your question.

Donald Hooker
Great. Good morning. Well, I want to ask about the Medicaid block grant regulation. You mentioned earlier, there's a lot of puts and takes there. And would love to hear your opinion as how that might impact MAXIMUS if it went into effect over the next few years?

Rick Nadeau
Absolutely, Donald. I'll put on my hat as the resident policy wonk here a little bit and talk about that. Interestingly--first of all, it's important to note that this guidance on Medicaid block grants really applies to just a portion of the Medicaid population. So, it applies to adults without children. Back when we talked about the food stamp program, they have an acronym they use called ABAWD, Able Bodied Adults Without Dependence. So, these are adults without children that largely obtained coverage under the expansion of Medicaid.

Some folks have speculated that the block grant guidance is an effort by the Trump administration to kind of bring along those states that have not yet expanded Medicaid for those populations by giving them this additional flexibility. Now, as we talked about block grants in the past, they can be a double-edged sword, because on the one hand, they provide a lot more flexibility. On the other hand, they end up capping funding. And without going into the nuances of per capita funding cap versus CPI-based funding cap or various models, I think what we're seeing is states are cautious, right, about--and they're doing the ROI calculation to say, is it worth the benefit of having flexibility for these populations when I also understand the risk that I could end up having to fund more of this program myself, if it expands into down economy, and often, obviously, Medicaid expenses would outstrip other measures in a down economy.

So, that said, populations that are not included in the block grant, and this is important, are children, people that qualify based on disability, people needing long-term care, folks that are 65 and over. So, that's the first point. The second point would be, with this flexibility comes also reduced federal oversight of managed care organizations, the ability to kind of custom tailor some of the Medicaid benefits like nonemergency medical transportation, and the EPSDT program, which covers folks up to 19 and 20 years old. States would have more flexibility there.

Whereas we read the tea leaves, and it's very early in the process. There are a couple of states so far that have signaled that they have an interest in going in this direction, and I think that's Tennessee and Oklahoma. Others have been fairly cautious about it. And the commentary that I've read--and I think Matt Salo, who is the Executive Director of the National Association of Medicaid Directors put it well. He said that there are a lot of states that are concerned about losing funding, as I've mentioned, if federal dollars are constrained at all there.

So, it's going to move at a glacial pace. I guess, the way we would consider it is, even with the normal implementation of this type of guidance, no state would get a waiver before 2021. So, you then have to bring the presidential election into the lens. And if there's a change in federal administrations, that could change its guidance. We're also sensing that there's going to be a likely litigation in this area. A number of folks have come out and take an issue with it. In fact, I think the House has been pretty vocal on this point. So, I would say stay tuned.

You'll probably see a few small states begin the process. It's hard to say with the threat of litigation, whether it will come to its conclusion and have an impact anytime in the near term. All of that said, we have always been, I think, excellent at helping our state clients custom fit and tailor programs to their needs. And one of the programs we always kind of juxtaposed, if you will, with Medicaid is the children's health insurance program, which functions more as a block grant presently than Medicaid as an entitlement.

And in the CHIP program, we've been able to achieve admirable accuracy rates and low error rates in the administration of that program all the way through the eligibility process. But if you consider Medicaid block granting in conjunction with the OPM guidance that we talked about will give us that ability to kind of provide similar services at the Medicaid level, should the state want to go in that direction. So, I guess I'd say these are not opportunities that we're seeing in the pipeline presently, but there's a lot to watch and a lot of moving parts.

Donald Hooker
Super. Okay. And then maybe more on the nitty gritty of the numbers. The U.S. health and human services segment operating margins continued to impress there. And I wonder, is there going to be a step down at some point? These levels are for multiple quarters now have been sort of trending above your guidance for that segment. How long can we hope for those margins to remain high?

Rick Nadeau
Well, you're correct. Those margins have been higher than we had previously signaled to you all. I think it's--you need to remember that the acquisition we did last year, the Citizen Engagement Centers acquisition, did have the effect of having some of the home office costs--the SG&A costs gets spread over toward the federal group and away from U.S. health and human services. So, that helps--I think that will be--and I think ultimately, the margin will be a function of how much work we also win. I think that you have a pretty good portfolio there. I think we've done a good job of operating it. We are aggressive in bidding that and trying to expand that portfolio.

And, as I've said previously, we generally try to bid in the area of 10% to 15% over the longer-term for contracts. So, I think that if we are successful in expanding that business, I think you'll start to see those margins come down more toward that 15% that we've talked about previously. But you're right. It has been quite good for a number of quarters here, and I think that's a tribute to the quality of our operators.

Donald Hooker
15% in that segment?

Bruce Caswell
Yes.

Donald Hooker
Okay. Okay. Thank you.

Bruce Caswell
Yes.

Lisa Miles
Thanks, Don. Next question, please.

Operator
As a reminder, I you would like to ask a question, press star one on your telephone keypad. Our next question comes from the line of Frank Sparacino with First Analysis. Please proceed with your

question.

Frank Sparacino
Hi. Good morning, guys. Rick, maybe first for you, what is the organic growth in the federal--U.S. federal segment?

Rick Nadeau
The organic growth this year in this quarter?

Frank Sparacino
Yeah.

Rick Nadeau
Let me pull a piece of paper. So, when we filed the 10-Q, we do put a very good chart in that--in the MD&A section, and we do a chart that rolls forward the prior year income--I mean, revenue--cost of revenue and gross profit. We roll it from the prior year all the way through. And it is kind of a complicated situation this year, because we had that acquisition mid-quarter in the first quarter of fiscal year '19.

And actually—so, I'm reading from that. We started and reported 216,987 was the revenue last year in federal. In the period from October 1 through November 15th, I'll call that the pre-acquisition period last year. We estimate that the revenue that we received--that we would have received if we had done the transaction at the beginning of the year was 98,429,000. So, I really look at it as our pro forma as if the transaction had occurred at the beginning of the of the first quarter of fiscal 2019 would have been 315,416,000.

Now, we broke the growth into two pieces from there. One, because that Census contract is big, and it's in the ramp-up period, we had growth from the actual contracts that we bought in the first quarter of last year, that's 38 million. And then we had organic growth from other contracts. You might call that the core, the--what federal was before the acquisition, and that's 13 million. That 13 million is 4.1% if you work off of that pro forma number. Now, the growth from the--from the contracts that we had is another 12%, but I just wanted to make sure I broke that into two pieces. So, we did have nice organic--in the core of 4%. And then very nice growth in the--in that Census contract as we've been signaling consistently through the last seven quarters.

Frank Sparacino
Thank you, Rick. That's very helpful. Bruce, maybe--.

Rick Nadeau
And that will be in the MD&A, Frank. So, you can see the exact numbers, and you can see the cost--I mean, those are the exact numbers, but you can see the cost of revenue and also the impact on gross profit.

Frank Sparacino
Great. And maybe, Bruce, on the provider management side, can you just talk in a little bit more detail--I'm not sure what's new in that market, both from an external, as well as maybe internal perspective? If there's something new on the technology side that you guys have done? But maybe just a little bit more color there.

Bruce Caswell
Sure. From an external perspective, really, I think it was the Affordable Care Act that created new requirements right around provider credentialing and really has kind of stimulated that provider credentialing and enrollment and provider management marketplace. And, with those requirements, for example--and I don't have them all memorized. But I think that there are strict requirements as it relates to which types of providers require actual physical systems in their facilities to get through the certification process for Medicaid and so forth.

That created a nice pipeline of opportunities, because I think states, in order to qualify for federal funding, have to move within a certain time frame to meet those requirements. We are already a fairly well-established provider of those services in a number of state marketplaces. And you can imagine, as we looked at that as a potential for growth, this kind of fits into our organic growth strategy.

We did look at our technology and whether--how our technology, which originally was interestingly developed in response, believe it or not, to the HITECH Act years ago that created the requirement for meaningful use payments to go to providers that implemented EHR and EMR systems. That original platform, which we deployed in Tennessee, led to us having effectively a full database of the provider network, and we were able to pivot that and turn it into more of a credentialing asset. Over time, we've continued to invest in that platform and modernize it. We've also looked at other platforms that are out there.

In fact, configurable cost products and so forth. So, we're trying to go to market with a suite of solutions that enable us to meet the requirements of the customers and their budgets. The last thing I would say is that this is part of a broader marketplace of Medicaid modularity solutions. And, as CMS continues to push the modularization of what have historically been large monolithic MMIS platforms, provider credential enrollment is one of those natural modules that states can kind of break off from that larger monolith and procure separately.

And, in fact, there are certain states that are coming together to buy in a cooperative fashion through cooperative purchasing agreement, these types of provider credentialing services and other modules of Medicaid. So, we feel good about the market. We feel like we've got competitive technology. We've got, I'm going to say, around a half dozen states where we provide these services, and we've got a decent pipeline of opportunities ahead of us.

Frank Sparacino
Great. Thank you.

Lisa Miles
Thanks, Frank. Next question, please.

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

Richard Close
Great. Thanks for the follow up. I got two quick ones here. Rick, I was wondering if you could just go over again the reason for the pull forward of that 10 million? And maybe, on the change order push from second to third quarter, any type of magnitude there? And then I do have a follow up.

Rick Nadeau
Okay. Sure. Let me do those in--what was the second half of that question again?

Bruce Caswell
Change order.

Rick Nadeau
The change order. Okay, yeah. So, when we did the analysis at the beginning of the year, when we gave the guidance and reported to you in the third week in November, we had a change order that we were anticipating would get signed in the quarter ended March 31, the quarter that we're in today, the second quarter. As we look at it and we look in the crystal ball, we think it's more likely that that change order will actually go in the third quarter. So, based on that, we actually said that the third quarter will actually be a little stronger than we thought, and the second quarter will be more consistent with what the first [technical difficulties]. The acceleration of revenue was really in our federal group and had effect of about $0.01, and it really was an over-delivery of a variety of contracts, as I said, primarily in the U.S. federal, but a couple, also, in the U.S. health and human services business. But as we looked at them--and we do a full analysis every quarter and look at our guidance, we concluded it was really timing and things that we thought were going to hit the second quarter that hit in the first quarter.

Richard Close
Okay, great. And just my final question here, Bruce, maybe thoughts regarding the pipeline. We're in an election year. Obviously, very hard to handicap, but what usually happens in an election year in terms of potential contracts out there? Are there any types of--people pull back on the process? And any thoughts in and around that as we go throughout the rest of calendar 2020?

Bruce Caswell
It's a great question. And I'm going to actually answer that if I can at an international level, as well. To begin, we thought that actually Brexit might slow down the U.K. pipeline, but, interestingly, as the election there so definitively placed the conservatism power and really created a long runway for them, we've seen them, with some confidence, continue to progress pipeline opportunities that we thought otherwise might have been slowed down. So, that's a positive outcome there to see things continue to progress. Rick always talks about our adjudication rate, wanting to make sure that—it's one thing to happen in the pipeline though. Ultimately, it's another to have it through the adjudication process and either awarded or not.

So, secondly, back to the U.S., the majority of the work we do, as you know, is related to kind of mission-critical programs supporting vulnerable citizens. And, as we bridge away from the BPO opportunities and more into the technology opportunities, often that work similarly is supporting kind of the core mission of the departments and agencies, whether it's maintaining IT infrastructure or whether it's modernizing and assisting with the modernization of certain platforms. We talked, for example, on the last call about the work that we do at the IRS, particularly now managing a portfolio of cybersecurity initiatives. So, as I think about across the portfolio of contracts, it's difficult to see any specific opportunities that might be more of an initiative of a—of the administration that would be subject to further revision in the election year or maybe slowing down in the election year because of potential change in the administration. That's not to say there aren't some, and you never really know how policies might shift over time.

Certainly, programs have been put in place as kind of stop GAAP measures to provide supplemental resources. I think about, for example, in the VA and other areas, are subject to change as the policy interest of the administration change. But programs that are more kind of core and fundamental, like supporting the Medicare program and supporting the student loan population and so forth, we find to be stable across administrative transitions.

Lisa Miles
Next question, please.

Operator
Our next question comes from the line of Donald Hooker with KeyBanc Capital Markets. Please proceed with your question.

Donald Hooker
Yeah. Hey just one quick follow up I've meaning to ask. With these employment contracts in Australia and other countries that are being negatively impacted by low unemployment, and now you have the fires in Australia and the coronavirus and other issues--I mean, they're not clearly--you're struggling with profitability there. I would imagine others are, as well--other contractors are, as well. I mean, have you guys had any kind of conversations with your partners and counterparties in those governments about the structures of those contracts, because it seems kind of rough on you guys,

given the environment and sort of just curious how those--at some point, these things are going to renew. Or is there a need to sort of change how these contracts are structured so that they can at least be somewhat profitable for the contractors?

Bruce Caswell
Yeah. Let me begin, and then I'll turn it over to Rick for some further color. One of the questions we always ask is--I know that this tough sledding. And we push the teams to manage their costs as tightly as they can while still delivering the quality of service that the customers come to expect from us and so forth. And we always ask, "How are we doing compared to the competition?" The answer actually is that we're doing quite well. We're often the top performer or near the top performer in the markets in--with the contracts that we're providing. So, yes, everyone's suffering, and we work to ensure that we maintain a high-quality of service, and that we're delivering on our commitments. That's always been a core value, obviously, of ours, such that, if you can then get into a conversation about a rebid and how that should be structured, you're doing it from a more of a position of strength.

As a consequence, our--one of our customers came to us and said look, we'd like you to be the voice, if you will, and the focal point for collecting input from industry from all the other providers as to how these contracts need to be reformed and modified so that they can be more attractive and lead to a more sustainable supply chain in this area. So, we are exactly doing that. Separate from that effort to--in pulling together kind of the input from all the players, as you can imagine, we're engaging in direct conversations with our clients. And I'll kind of pivot to that with Rick, because we view that as a team effort that we're engaged in.

Rick Nadeau
Yeah. I just want to stress that we're not happy with where the margins are. And--but our operators are doing a good job of trying to contain costs where we can and still meet the requirements of the contract. But I did want to make sure that I pointed out that we talk about--we do our accounting on a fully absorbed basis. So, when you see operating income, you're seeing an operating income after allocation of all the indirect SG&A costs.

So, when we analyze the businesses, we look at the gross profit, we look at the operating income before SG&A and before home office allocations from SG&A, and net operating income. So, we look at all of them. And there are many of them. Although, they're not giving us the operating income margin that we would like and that we would like to drive the businesses toward. We do look at that gross profit line, too, and make [technical difficulties] they are making good, healthy contribution to indirect costs. And if they're not, then that spurs us to further and more dramatic action.

Bruce Caswell
And, John, I might add one more thing. Our customers want to ensure that there is a sustainable market to provide these types of services and a healthy stable of providers. And so, it's not as if our pleas fall on deaf ears. In fact, as we've sat down to have these conversations, they've been very engaged and very concerned and want to ensure that they have the ability to continue to provide

these essential services to their citizens and that they have healthy suppliers to do that.

There have been examples in some of the government customers that we serve, where there's been market failure and ultimately, collapse of the supply chain. And so, they're, I think, particularly attentive to that. And, as a consequence, our--we think that our message is landing as it should.

Donald Hooker
Okay. Thank you.

Lisa Miles
Operator, next question, please.

Operator
Thank you. We have reached the end of the question-and-answer session. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.


Fiscal 2020
First Quarter
Earnings Call
Rick Nadeau
Chief Financial Officer
February 6, 2020

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.

Included in this document are forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-*looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "opportunity," "could," "potential," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods.*

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the factors set forth in Exhibit 99.1 under the caption "Special Considerations and Risk Factors," in our Annual Report on Form 10-K for the year ended September 30, 2019, which was filed with the Securities and Exchange Commission on November 26, 2019 and the matters listed in o*ur "Special Note Regarding Forward-Looking Statements" in our recently filed Quarterly Report on Form 10*-Q.

Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Total Company Results – First Quarter of FY20

($ in millions, except per share data)	Q1 FY20	Q1 FY19	% Change
Revenue			
U.S. Health & Human Services	$ 312.3	$ 294.2	6%
U.S. Federal Services	366.6	217.0	69%
Outside the U.S.	139.4	153.4	(9%)
Total Revenue	$ 818.2	$ 664.6	23%
Operating Income			
U.S. Health & Human Services	$ 58.2	$ 55.9	4%
U.S. Federal Services	31.6	21.4	48%
Outside the U.S.	(1.0)	4.4	(123%)
Segment Income	$ 88.8	$ 81.7	9%
Intangibles amortization	(9.1)	(5.5)	
Other	(0.5)	(2.1)	
Total Operating Income	$ 79.1	$ 74.1	7%
Operating Margin %	9.7%	11.2%	
Effective Tax Rate	26.0%	26.2%	
Net Income attributable to MAXIMUS	$ 58.7	$ 55.9	5%
Diluted EPS	$ 0.91	$ 0.86	6%

- Top-line growth driven by:
  - Full quarter contribution from acquisition of the citizen engagement centers
  - Census contract ramp-up
  - Organic growth in U.S. Health & Human Services and U.S. Federal Services Segments, partially offset by headwinds in Outside the U.S. Segment
- Operating margin was 9.7% reflecting a higher mix of lower margin and lower risk cost-plus contracts combined with continued, downward pressure on pretax income Outside the U.S.
- Effective tax rate of 26.0%
- FY20 diluted earnings per share increased to $0.91 and better than Company expectations

U.S. Health & Human Services Segment

($ in millions)	Q1 FY20	Q1 FY19	% Change
Revenue			
U.S. Health & Human Services	$ 312.3	$ 294.2	6%
Operating Income			
U.S. Health & Human Services	$ 58.2	$ 55.9	4%
Operating Margin %	18.6%	19.0%	

Q1 FY20 Revenue

- All growth was organic and attributable to new contracts and the expansion of existing work

Q1 FY20 Operating Margin

- Operating margin was better than Company expectations and benefitted from:
  - Strong operational and financial performance across a number of health services contracts
  - Cost synergies resulting from the federal citizen engagement centers business acquisition in November 2018 (As a reminder, the acquisition cost-plus contracts absorb indirect costs across all segments resulting in an improvement to profit margins)

U.S. Federal Services Segment

($ in millions)	Q1 FY20	Q1 FY19	% Change
Revenue			
U.S. Federal Services	$ 366.6	$ 217.0	69%
Operating Income			
U.S. Federal Services	$ 31.6	$ 21.4	48%
Operating Margin %	8.6%	9.8%	

Q1 FY20 Revenue

- This segment exceeded Company expectations, mostly due to the acceleration of approximately $10M dollars of revenue into Q1 FY20 from future periods.
- Census contract continued its ramp toward peak activity levels. The contract delivered approximately $70M of revenue in Q1 FY20 and is expected to grow in the next two fiscal quarters.

Q1 FY20 Operating Margin

- The segment's contract mix will be weighted more heavily towards cost-plus contracts in FY20 mostly due to last year's acquisition. The increase in cost-plus contracts has a dilutive impact on margin. (As a reminder, cost-plus contracts generally have the lowest risk profile and therefore carry the lowest margins of any contract type.)

Outside the U.S. Segment

($ in millions)	Q1 FY20	Q1 FY19	% Change
Revenue			
Outside the U.S.	$ 139.4	$ 153.4	(9%)
Operating Income			
Outside the U.S.	$ (1.0)	$ 4.4	(123%)
Operating Margin %	(0.7%)	2.9%	

Q1 FY20 Revenue

- Organic declines primarily in employment services where volumes and caseloads continue to be challenged by the effects of robust full employment economies across our geographies

Q1 FY20 Operating Margin

- With nearly half the segment tied to employment services, we are managing costs and working with stakeholders on appropriate terms and performance-based measures needed to sustain a viable supply chain in this economy

Australia Bush Fires and Coronavirus in Subsequent Periods

- Bush fires in Australia tempered results in Q1 FY20. The government instituted a temporary exemption from job searches for program participants which will disrupt case flows, placements and outcomes in the coming months.
- Operations expected to be impacted by coronavirus due to reduced need for job seekers in certain sectors, like tourism where we routinely place job seekers.
- Both events will have temporary unfavorable impacts on the business in Australia; degree of impact will depend on duration of impact and length of recovery in the region.

Investment In the United Kingdom

- Taking steps to diversify the portfolio through ~$5.5M FY20 investment in additional sales and marketing activities to address opportunities that extend our reach into new agencies. Government is seeking financially stable partners to deliver on key policy objectives. Opportunities have long runways but efforts could be pivotal in expanding our portfolio in future years.

Cash Flows, Balance Sheet and Capital Allocation

$ in millions		Q1 FY20
Cash flows from operations	$	87.3
Purchases of property and equipment and capitalized software costs		(10.5)
Free cash flow	$	76.8

Days Sales Outstanding (DSO)

- 71 days at December 31, 2019

Balance Sheet & Share Purchases

- Cash and cash equivalents of $149.5M at December 31, 2019
- Purchased 26,000 shares for a total cost of $1.9M

Capital Allocation

- M&A remains number one priority, resulting in acquisitions that drive long term, sustainable, organic growth
- Targets should build scale, enhance clinical and digital capabilities, extend into new adjacencies, or any combination of these attributes
- We will continue to opportunistically purchase MMS shares and pay a quarterly cash dividend of $0.28/share

Reiterating Fiscal Year 2020 Guidance

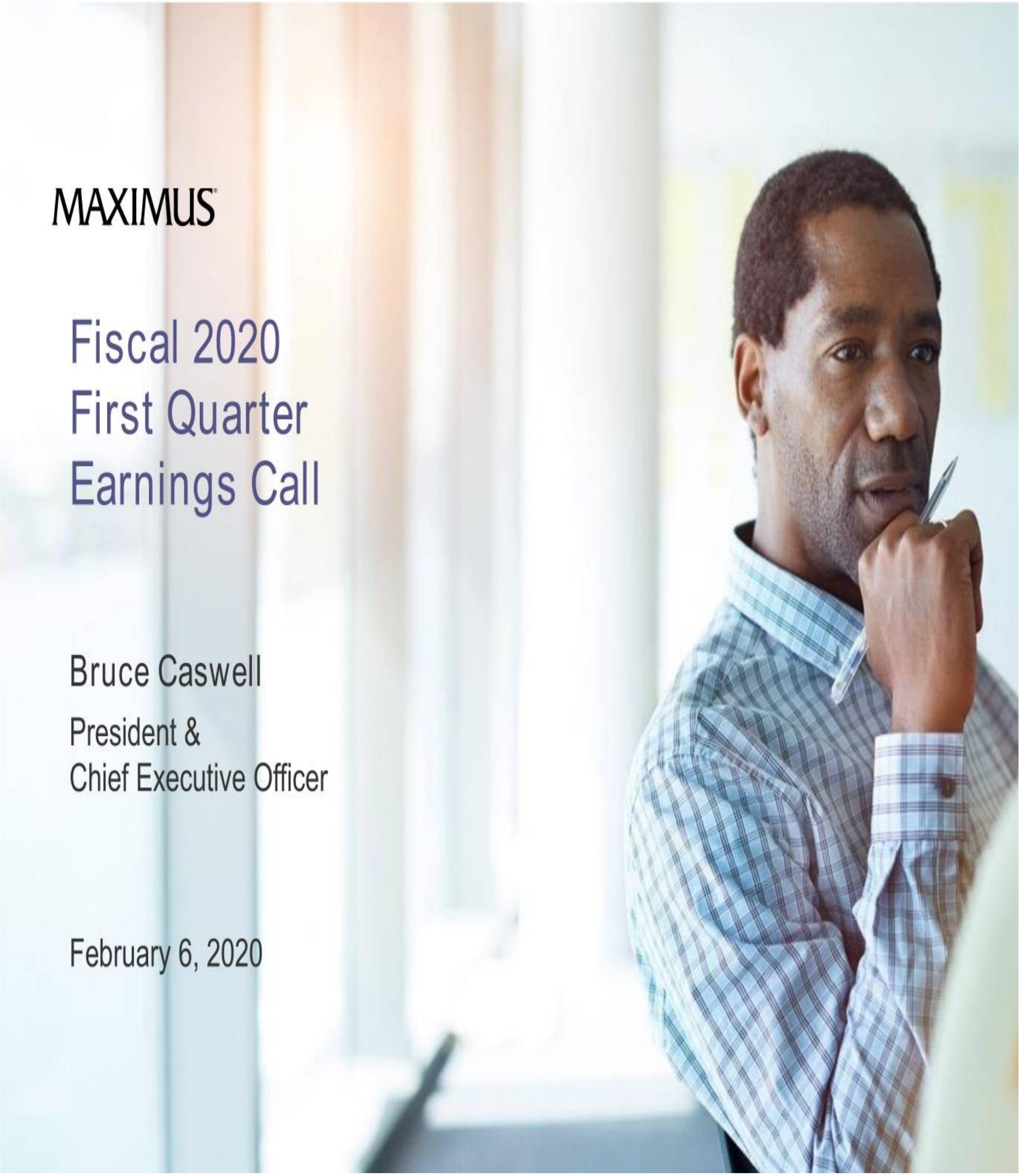
Fiscal 2020 Guidance	
Revenue	\$3.15B – \$3.30B
Diluted EPS	\$3.95 – \$4.15
Cash flow from operations	\$300M – \$350M
Free cash flow	\$275M – \$325M

Quarterly Commentary

- On the top-line, still expect slightly higher revenue in the first half of the year compared to the second half
- On the bottom line we have two dynamics due to the timing of revenue:
  1. Approximately \$10M of revenue accelerated into the first quarter from future periods
  2. Expecting a large change order to occur in Q3 whereas we had previously forecasted to recognize this change order in Q2
- As a result, we now expect that earnings for Q2 will be consistent with Q1 and will peak in Q3 driven by the Census contract

Income Tax Rate

- Estimated range of 24.5% to 25.5%



MAXIMUS

Fiscal 2020 First Quarter Earnings Call

Bruce Caswell

President &
Chief Executive Officer

February 6, 2020

2019 Open Enrollment

- Our CCO program over-delivered in the quarter with open enrollment for Medicare and the Marketplace ending in December
- Both programs achieved favorable statistics during OE 2019
- Under the Medicare program, we:
  - Received more than 4.5M IVR calls with more than 3M answered by Customer Service Representatives (CSRs)
  - Answered nearly 300,000 web chat contacts, 129% higher than last year
  - Achieved a 93% customer satisfaction score and a 97% quality monitoring score
- Under the state-based exchanges, we:
  - Received nearly 5M IVR calls with nearly 3M answered by CSRs
  - Completed an estimated 840,000 enrollments through CSRs
  - Achieved a 91% customer satisfaction score and a 96% quality monitoring score

State Health Insurance Landscape

- States addressing their unique demographic needs with new Medicaid expansion initiatives and efforts to establish state-based marketplaces
- MAXIMUS recently awarded the GetCovered NJ contract by the New Jersey Department of Banking and Insurance to help transition the state's marketplace from the Federally Facilitated Marketplace to a State-Based Exchange
- NJ marketplace targeted toward consumers who are seeking a medical and/or dental qualified health plan that do not receive employer sponsored health insurance and do not qualify for Medicaid or Medicare
- A key step in the effort to improve health coverage access for New Jersey residents and allow the state greater control over its health insurance market and related policies in the long run
- MAXIMUS now operates five state-based exchanges across the U.S.
- Expanding upon the work we are doing to assist states in delivering Medicaid Enterprise Services
- Recent win to deliver provider management services in Ohio to implement and operate our provider credentialing and management solution for the state's Medicaid providers
- New Ohio contract is anticipated to be $44M over 10 years
- While each of these individual contracts is small, together they comprise a nice portfolio of strategic contracts built upon our core business

Forward Growth

Census 2020

- February 1, marked the launch of Phase 2 for the 2020 Decennial Census which runs through July 31, 2020
- Our operational scope includes 10 contact centers across 8 states and 8,500 CSRs during peak operations who will help support the Census' goal of surveying 146M households
- In preparation for this peak performance period, thousands of candidates were interviewed, and we made more than 3,300 job offers

Ongoing Changing Policy Landscape

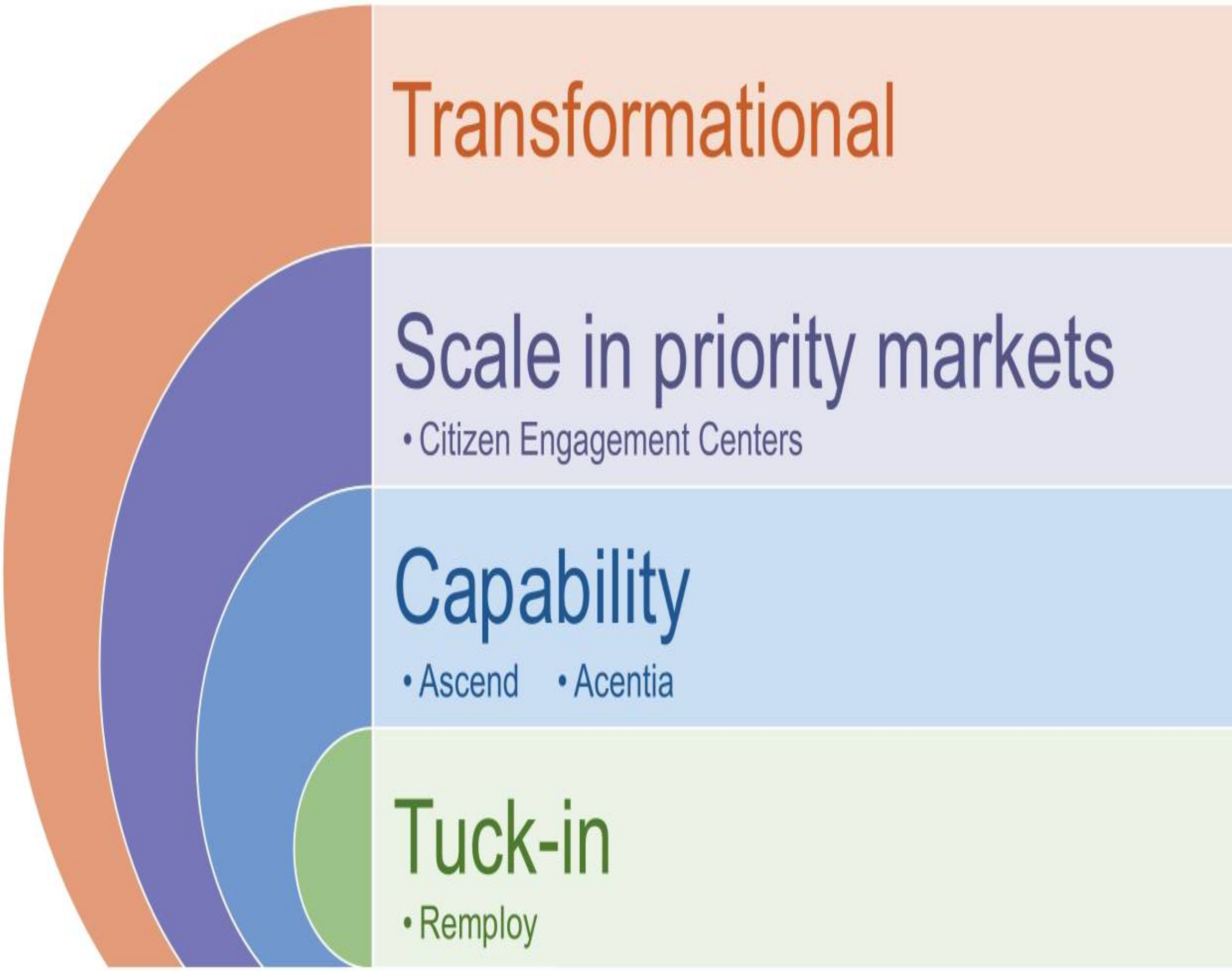
- Over the past two years, we have been working to understand our government clients' changing priorities and forward-looking policy initiatives
- In November 2019, the Office of Personnel Management (OPM) issued a memo to state leaders that clarified that states have the discretion and flexibility to determine appropriate staffing methods – through employees or contractors – in the administration of federally funded, state-administered programs
- This clarification enables states to engage in public/private partnerships that are better prepared to address program gaps in funding, talent, technology, and the level of customer service that people expect
- There is no requirement that the states change anything – but states now have additional options and a great deal more freedom to transform and modernize their operations
- This is a significant cultural shift in the way states think and we are working directly with state clients on white papers and ideas on how to make this shift without disruption
- Long-term opportunities that could take years to develop with a decades-long tailwind

New Awards & Pipeline

New Awards (YTD)	December 31, 2019
Signed Contracts	$176.6M
Unsigned Contracts	$439.5M

Sales Pipeline	December 31, 2019	New Work %
Total Pipeline	$30.6B	69%

M&A Strategy



Our M&A objective is to find targets that enable us to build enduring, sustainable organic growth by continuing to build scale, enhance our clinical and digital capabilities, extend into new adjacencies, and seek brand new growth platforms

Conclusion

- We believe that continued growth relies upon strong governance
- Over the past year, MAXIMUS has met with many of our shareholders to understand your priorities related to Environmental, Social and Governance (ESG) matters, as well as our material ESG interests such as human capital, data security and privacy, and governance
- As a result of your feedback, we:
  - Modified our board of director make up
  - Implemented an anti-pledging policy with respect to our stock
  - Re-designed our proxy to be a more engaging and intuitive document
  - Piloting the conversion of our facilities to LED lighting in our federal citizen engagement centers
- At our upcoming annual meeting, shareholders will have the opportunity to vote to remove the staggered board model, declassifying our Board of Directors such that all Directors will be elected annually
- I am pleased with our continued progress on management's strategic plan to lead a digital transformation, grow our clinically related services, and expand in key priority markets and adjacencies, driving our strategic trajectory into FY20
- We look forward to continued engagement with shareholders, clients and employees