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

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to__________.

Commission file number: 1-12997

Maximus, Inc.

(Exact name of registrant as specified in its charter)

Virginia	54-1000588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1600 Tysons Boulevard, McLean, Virginia	22102
(Address of principal executive offices)	(Zip Code)

(703) 251-8500

(Registrant's telephone number, including the area code)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	
Non-accelerated filer ☐	Smaller reporting company ☐	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

There were 60,177,003 shares of the registrant's Common Stock outstanding as of August 5, 2024.

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Unless otherwise specified, references in this Quarterly Report on Form 10-Q to "our," "we," "us," "Maximus," the "Company," and "our business" refer to Maximus, Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Included in this Quarterly Report on Form 10-Q 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," "continue," "forecast," "strategy," "future," "likely," "may," "should," "will," and similar references to future periods.

Any statements herein that are not historical facts, including statements about our confidence, strategies and initiatives, and our expectations about revenues, results of operations, profitability, liquidity, market demand, and our recent acquisitions and divestitures, are forward-looking statements that are subject to risks and uncertainties. These risks could cause our actual results to differ materially from those indicated by such 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 following:

- a failure to meet performance requirements could lead to penalties, liquidated damages, actual damages, adverse settlement agreements, and/or contract termination;
- our ability to successfully compete, bid for, and accurately price contracts to generate our desired profit;
- the effects of future legislative or government budgetary and spending changes;
- the impact of the U.S. government on federal procurement, federal funding to states' safety-net programs, and the overall decision-making process related to our industry, including our business and customers;
- our ability to manage our growth, including acquired businesses;
- difficulties in integrating or achieving projected revenues, earnings, and other benefits associated with acquired businesses;
- the outcome of reviews or audits, which might result in financial penalties and impair our ability to respond to invitations for new work;
- our ability to manage capital investments and startup costs incurred before receiving related contract payments;
- our ability to manage our debt;
- our ability to maintain our technology systems and otherwise protect confidential or protected information;
- our discovery of additional information related to the previously disclosed cybersecurity incident and any potential legal, business, reputational, or financial consequences resulting from the incident;
- our ability to attract and retain executive officers, senior managers, and other qualified personnel to execute our business;
- the effect of union activity and organizing efforts at our U.S. locations;
- the ability of government customers to not exercise options, or to recompete or terminate contracts on short notice, with or without cause;
- our ability to win recompetes and/or succeed in protests on our significant contracts;
- our ability to maintain relationships with key government entities from whom a substantial portion of our revenue is derived;
- a failure to comply with laws governing our business, which might result in the Company being subject to fines, penalties, suspension, debarment, and other sanctions;
- the costs and outcome of litigation;
- our ability to manage third parties upon whom we depend to provide services to our customers;
- the effects of changes in laws and regulations governing our business, including tax laws and applicable interpretations and guidance thereunder, or changes in accounting policies, rules, methodologies, and practices, and our ability to estimate the impact of such changes;
- our ability to manage emerging artificial intelligence and machine learning technologies;
- matters related to businesses we disposed of or divested; and
- other factors set forth in Item 1A, "Risk Factors" of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 16, 2023.

Any forward-looking statement made by us in this report 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.

PART I - Financial Information

Item 1. Financial Statements

Maximus, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(in thousands, except per share amounts)			
Revenue	$ 1,314,929	$ 1,188,677	$ 3,990,327	$ 3,644,775
Cost of revenue	982,615	924,313	3,040,370	2,907,061
Gross profit	332,314	264,364	949,957	737,714
Selling, general, and administrative expenses	167,033	182,545	504,682	471,445
Amortization of intangible assets	23,542	23,431	68,532	70,599
Operating income	141,739	58,388	376,743	195,670
Interest expense	20,555	21,026	62,428	63,631
Other expense/(income), net	809	1,005	475	(79)
Income before income taxes	120,375	36,357	313,840	132,118
Provision for income taxes	30,623	5,494	79,430	29,472
Net income	$ 89,752	$ 30,863	$ 234,410	$ 102,646
Earnings per share:				
Basic	$ 1.47	$ 0.50	$ 3.83	$ 1.68
Diluted	$ 1.46	$ 0.50	$ 3.81	$ 1.67
Weighted average shares outstanding:				
Basic	61,079	61,141	61,233	61,125
Diluted	61,381	61,544	61,495	61,368
Dividends declared per share	$ 0.30	$ 0.28	$ 0.90	$ 0.84

See accompanying notes to consolidated financial statements.

Maximus, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(in thousands)			
Net income	$ 89,752	$ 30,863	$ 234,410	$ 102,646
Other comprehensive (loss)/income, net of tax:				
Foreign currency translation adjustments	412	1,946	4,079	10,947
Net gains/(losses) on cash flow hedge, net of tax provision/(benefit) of $(427), $2,513, $(2,639), and $(466), respectively	(1,197)	7,046	(7,398)	(1,297)
Other comprehensive income/(loss)	(785)	8,992	(3,319)	9,650
Comprehensive income	$ 88,967	$ 39,855	$ 231,091	$ 112,296

See accompanying notes to consolidated financial statements.

Maximus, Inc.
Consolidated Balance Sheets

	June 30, 2024	September 30, 2023
	(unaudited)	
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 102,794	$ 65,405
Accounts receivable, net	850,462	826,873
Income taxes receivable	9,464	16,556
Prepaid expenses and other current assets	115,571	146,632
Total current assets	1,078,291	1,055,466
Property and equipment, net	35,020	38,831
Capitalized software, net	169,449	107,811
Operating lease right-of-use assets	138,817	163,929
Goodwill	1,780,299	1,779,215
Intangible assets, net	653,386	703,648
Deferred contract costs, net	53,899	45,372
Deferred compensation plan assets	52,895	42,919
Deferred income taxes	5,911	2,459
Other assets	31,823	46,147
Total assets	$ 3,999,790	$ 3,985,797
Liabilities and Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 280,836	$ 282,081
Accrued compensation and benefits	162,318	194,251
Deferred revenue, current portion	82,065	60,477
Income taxes payable	11,146	451
Long-term debt, current portion	39,952	86,844
Operating lease liabilities, current portion	47,992	49,852
Other current liabilities	55,734	49,058
Total current liabilities	680,043	723,014
Deferred revenue, non-current portion	35,269	38,849
Deferred income taxes	200,814	203,898
Long-term debt, non-current portion	1,100,701	1,163,149
Deferred compensation plan liabilities, non-current portion	55,870	46,432
Operating lease liabilities, non-current portion	101,911	129,367
Other liabilities	6,467	13,253
Total liabilities	2,181,075	2,317,962
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 60,427 and 60,998 shares issued and outstanding as of June 30, 2024, and September 30, 2023, respectively	604,287	577,898
Accumulated other comprehensive loss	(30,934)	(27,615)
Retained earnings	1,245,362	1,117,552
Total shareholders' equity	1,818,715	1,667,835
Total liabilities and shareholders' equity	$ 3,999,790	$ 3,985,797

See accompanying notes to consolidated financial statements.

Maximus, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended	
	June 30, 2024	June 30, 2023
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 234,410	$ 102,646
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property, equipment, and capitalized software	24,146	37,092
Amortization of intangible assets	68,532	70,599
Amortization of debt issuance costs and debt discount	2,899	2,236
Deferred income taxes	(3,770)	2,375
Stock compensation expense	27,605	22,239
Loss on sale of businesses	1,018	883
Change in assets and liabilities, net of effects of business combinations:		
Accounts receivable	(26,528)	7,675
Prepaid expenses and other current assets	19,316	21,101
Deferred contract costs	(8,377)	2,245
Accounts payable and accrued liabilities	(1,659)	16,915
Accrued compensation and benefits	(21,043)	(31,612)
Deferred revenue	18,079	(31,747)
Income taxes	10,576	(33,186)
Operating lease right-of-use assets and liabilities	(2,131)	(3,742)
Other assets and liabilities	8,351	(15,968)
Net cash provided by operating activities	351,424	169,751
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software	(82,237)	(58,863)
Asset acquisition	(18,006)	—
Proceeds from divestitures	3,078	9,124
Net cash used in investing activities	(97,165)	(49,739)
Cash flows from financing activities:		
Cash dividends paid to Maximus shareholders	(54,847)	(51,053)
Purchases of Maximus common stock	(47,275)	—
Tax withholding related to RSU vesting	(13,455)	(8,475)
Payments for contingent consideration	(10,977)	(6,662)
Payments for debt financing costs	(9,724)	—
Proceeds from borrowings	850,166	682,398
Principal payments for debt	(952,825)	(730,514)
Cash-collateralized escrow liabilities	9,118	(54,543)
Net cash used in financing activities	(229,819)	(168,849)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,270	3,735
Net change in cash, cash equivalents, and restricted cash	25,710	(45,102)
Cash, cash equivalents, and restricted cash, beginning of period	122,091	136,795
Cash, cash equivalents, and restricted cash, end of period	$ 147,801	$ 91,693

See accompanying notes to consolidated financial statements.

Maximus, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount			
			(in thousands)		
Balance at September 30, 2023	60,998	$ 577,898	$ (27,615)	$ 1,117,552	$ 1,667,835
Net income	—	—	—	64,148	64,148
Foreign currency translation	—	—	5,912	—	5,912
Cash flow hedge, net of tax	—	—	(8,885)	—	(8,885)
Cash dividends	—	—	—	(18,299)	(18,299)
Dividends on RSUs	—	285	—	(285)	—
Stock compensation expense	—	9,427	—	—	9,427
Tax withholding adjustment related to RSU vesting	—	(2,332)	—	—	(2,332)
RSUs vested	33	—	—	—	—
Balance as of December 31, 2023	61,031	$ 585,278	$ (30,588)	$ 1,163,116	$ 1,717,806
Net income	—	—	—	80,510	80,510
Foreign currency translation	—	—	(2,245)	—	(2,245)
Cash flow hedge, net of tax	—	—	2,684	—	2,684
Cash dividends	—	—	—	(18,309)	(18,309)
Dividends on RSUs	—	412	—	(412)	—
Stock compensation expense	—	8,697	—	—	8,697
RSUs vested	6	—	—	—	—
Balance as of March 31, 2024	61,037	594,387	(30,149)	1,224,905	1,789,143
Net income	—	—	—	89,752	89,752
Foreign currency translation	—	—	412	—	412
Cash flow hedge, net of tax	—	—	(1,197)	—	(1,197)
Cash dividends	—	—	—	(18,239)	(18,239)
Dividends on RSUs	—	419	—	(419)	—
Purchases of Maximus common stock	(611)	—	—	(50,637)	(50,637)
Stock compensation expense	—	9,481	—	—	9,481
RSUs vested	1	—	—	—	—
Balance as of June 30, 2024	60,427	$ 604,287	$ (30,934)	$ 1,245,362	$ 1,818,715

Maximus, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount			
			(in thousands)		
Balance at September 30, 2022	60,774	$ 557,978	$ (33,961)	$ 1,025,354	$ 1,549,371
Net income	—	—	—	39,995	39,995
Foreign currency translation	—	—	8,036	—	8,036
Cash flow hedge, net of tax	—	—	(3,781)	—	(3,781)
Cash dividends	—	—	—	(17,017)	(17,017)
Dividends on RSUs	—	298	—	(298)	—
Stock compensation expense	—	4,403	—	—	4,403
Balance as of December 31, 2022	60,774	562,679	(29,706)	1,048,034	1,581,007
Net income	—	—	—	31,788	31,788
Foreign currency translation	—	—	965	—	965
Cash flow hedge, net of tax	—	—	(4,562)	—	(4,562)
Cash dividends	—	—	—	(17,016)	(17,016)
Dividends on RSUs	—	413	—	(413)	—
Stock compensation expense	—	9,540	—	—	9,540
RSUs vested	10	—	—	—	—
Balance as of March 31, 2023	60,784	572,632	(33,303)	1,062,393	1,601,722
Net income	—	—	—	30,863	30,863
Foreign currency translation	—	—	1,946	—	1,946
Cash flow hedge, net of tax	—	—	7,046	—	7,046
Cash dividends	—	—	—	(17,020)	(17,020)
Dividends on RSUs	—	410	—	(410)	—
Stock compensation expense	—	8,296	—	—	8,296
Balance as of June 30, 2023	60,784	$ 581,338	$ (24,311)	$ 1,075,826	$ 1,632,853

See accompanying notes to consolidated financial statements.

Maximus, Inc.

Notes to the Consolidated Financial Statements

1. ORGANIZATION

Maximus, a Virginia corporation established in 1975, is a leading provider of government services worldwide. Under our mission of *Moving People Forward*, we help millions of people access the vital government services they need. With nearly 50 years of experience working with local, state, federal, and international government clients, we proudly design, develop, and deliver innovative and impactful programs that change lives. We are driven to strengthen communities and improve the lives of those we serve. We are a proud partner to government agencies in the United States ("U.S.") and worldwide.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements, including the notes, include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation for Interim Periods

Certain information and footnote disclosures normally included for the annual financial statements to be prepared in accordance with U.S. GAAP have been condensed or omitted for the interim periods presented. We believe that the unaudited interim financial statements include all adjustments (which are normal and recurring in nature) necessary to present fairly our financial position and the results of operations and cash flows for the periods presented.

The results of operations for the interim periods presented are not necessarily indicative of results that may be expected for the year or future periods. The financial statements should be read in conjunction with our audited consolidated financial statements and the accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. We have continued to follow the accounting policies set forth in those financial statements.

Use of Estimates

The preparation of these financial statements, in conformity with U.S. GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenue and expenses. At each reporting period end, we make estimates, including those related to revenue recognition and cost estimation on certain contracts, the realizability of long-lived assets, including goodwill, and amounts related to income taxes, certain accrued liabilities, and contingencies and litigation.

At June 30, 2024, our capitalized software balance includes $31.2 million related to technology for new services within our U.S. Services Segment. Earlier in fiscal year 2024, we evaluated these assets by comparing their carrying value to their estimated future cash flows. At that time, our probability-weighted undiscounted cash flows showed that we would recover the costs of these assets through our contract pipeline. We continue to monitor this asset. If circumstances change, we may be required to adjust the value or asset life of this asset.

At June 30, 2024, our intangible asset balance includes $ 13.5 million related to technology-based assets acquired in May 2021 as part of our acquisition of VES Group, Inc. We are taking the opportunity to improve our technology portfolio and replace the acquired assets. Through June 30, 2024, we had assumed that the acquired assets would cease being used around September 2026; we now believe we will be able to transfer to the replacement system by September 2025. Accordingly, effective July 1, 2024, we will accelerate our intangible asset amortization charge over the shorter period.

3. BUSINESS SEGMENTS

We conduct our operations through three business segments: U.S. Federal Services, U.S. Services, and Outside the U.S.

U.S. Federal Services

Our U.S. Federal Services Segment delivers end-to-end solutions that help various U.S. federal government agencies better deliver on their mission, including program operations and management, clinical services, and technology solutions. The segment also includes system and application development, Information Technology ("IT") modernization, and maintenance services. Clinical services comprises appeals and assessments services, which includes managing the evaluation process for U.S. veterans and service members on behalf of the U.S. Department of Veterans Affairs ("VA") and certain state-based assessments and appeals work that is part of the segment's heritage. Under Technology Consulting Services ("TCS"), the segment executes on its digital strategy to deliver technology solutions that advance agency missions, including the challenge to modernize, provide better customer experience, and drive process efficiencies.

U.S. Services

Our U.S. Services Segment provides a variety of business process services ("BPS"), such as program administration, assessments, and related consulting work for U.S. state and local government programs. These services support a variety of programs, including the Affordable Care Act ("ACA"), Medicaid, the Children's Health Insurance Program ("CHIP"), Temporary Assistance to Needy Families ("TANF"), and child support programs. Previously, this segment suffered from reduced operating leverage resulting from the pause in Medicaid redeterminations during the COVID-19 pandemic, which resumed in fiscal year 2023.

Outside the U.S.

Our Outside the U.S. Segment provides BPS for international governments, transforming the lives of people around the world. Helping people find employment, access vital support, and remain healthy, these services include health and disability assessments, program administration for employment services, wellbeing solutions, and other job seeker-related services. We support programs and deliver services in the United Kingdom, including the Health Assessment Advisory Service and the recently awarded replacement contract scheduled to start in the fourth quarter of fiscal year 2024, Functional Assessment Services, and Restart; and Australia, including Workforce Australia, and other employment support and job seeker services in a number of other countries.

Table 3: Results of Operation by Business Segment

	For the Three Months Ended				For the Nine Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)
				(dollars in thousands)				
Revenue:								
U.S. Federal Services	$ 683,347		$ 583,960		$ 2,062,127		$ 1,786,202	
U.S. Services	472,298		449,061		1,448,258		1,338,242	
Outside the U.S.	159,284		155,656		479,942		520,331	
Revenue	$ 1,314,929		$ 1,188,677		$ 3,990,327		$ 3,644,775	
Gross profit:								
U.S. Federal Services	$ 186,075	27.2 %	$ 156,945	26.9 %	$ 506,074	24.5 %	$ 402,513	22.5 %
U.S. Services	121,012	25.6 %	98,538	21.9 %	369,497	25.5 %	268,152	20.0 %
Outside the U.S.	25,227	15.8 %	8,881	5.7 %	74,386	15.5 %	67,049	12.9 %
Gross profit	$ 332,314	25.3 %	$ 264,364	22.2 %	$ 949,957	23.8 %	$ 737,714	20.2 %
Selling, general, and administrative expenses:								
U.S. Federal Services	$ 79,949	11.7 %	$ 82,892	14.2 %	$ 247,671	12.0 %	$ 229,591	12.9 %
U.S. Services	59,531	12.6 %	51,536	11.5 %	174,032	12.0 %	140,793	10.5 %
Outside the U.S.	26,647	16.7 %	24,122	15.5 %	75,249	15.7 %	75,936	14.6 %
Divestiture-related charges (2)	—	NM	—	NM	1,018	NM	883	NM
Other (3)	906	NM	23,995	NM	6,712	NM	24,242	NM
Selling, general, and administrative expenses	$ 167,033	12.7 %	$ 182,545	15.4 %	$ 504,682	12.6 %	$ 471,445	12.9 %
Operating income/(loss):								
U.S. Federal Services	$ 106,126	15.5 %	$ 74,053	12.7 %	$ 258,403	12.5 %	$ 172,922	9.7 %
U.S. Services	61,481	13.0 %	47,002	10.5 %	195,465	13.5 %	127,359	9.5 %
Outside the U.S.	(1,420)	(0.9)%	(15,241)	(9.8)%	(863)	(0.2)%	(8,887)	(1.7)%
Amortization of intangible assets	(23,542)	NM	(23,431)	NM	(68,532)	NM	(70,599)	NM
Divestiture-related charges (2)	—	NM	—	NM	(1,018)	NM	(883)	NM
Other (3)	(906)	NM	(23,995)	NM	(6,712)	NM	(24,242)	NM
Operating income	$ 141,739	10.8 %	$ 58,388	4.9 %	$ 376,743	9.4 %	$ 195,670	5.4 %

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

(2) We have sold businesses in both fiscal years 2023 and 2024. Refer to "Note 7. Acquisitions and Divestitures" for more details.

(3) Other expenses includes credits and costs that are not allocated to a particular segment. In the three and nine months ended June 30, 2024, these charges include $0.3 million and $3.3 million related to the costs of a previously disclosed cybersecurity incident, respectively, compared to $22.1 million for the three and nine months ended June 30, 2023. Other charges include expenses incurred as part of our acquisitions, as well as potential acquisitions which have not been or may not be completed.

4. REVENUE RECOGNITION

We recognize revenue as, or when, we satisfy performance obligations under a contract. The majority of our contracts have performance obligations that are satisfied over time. In most cases, we view our performance obligations as promises to transfer a series of distinct services to our customers that are substantially the same and which have the same pattern of service. We recognize revenue over the performance period as a customer receives the benefits of our services.

Disaggregation of Revenue

In addition to our segment reporting, we disaggregate our revenues by contract type and customer type. Our operating segments represent the manner in which our Chief Executive Officer reviews our financial results, which is further discussed in "Note 3. Business Segments."

Table 4.1: Revenue by Contract Type

	For the Three Months Ended				For the Nine Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	(dollars in thousands)							
Performance-based	$ 758,942	57.7 %	$ 617,800	52.0 %	$ 2,202,541	55.2 %	$ 1,761,764	48.3 %
Cost-plus	281,823	21.4 %	281,014	23.6 %	958,336	24.0 %	940,509	25.8 %
Fixed price	170,787	13.0 %	171,809	14.5 %	514,280	12.9 %	527,556	14.5 %
Time and materials	103,377	7.9 %	118,054	9.9 %	315,170	7.9 %	414,946	11.4 %
Total revenue	$ 1,314,929		$ 1,188,677		$ 3,990,327		$ 3,644,775	

Table 4.2: Revenue by Customer Type

	For the Three Months Ended				For the Nine Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	(dollars in thousands)							
U.S. federal government agencies	$ 666,895	50.7 %	$ 568,924	47.9 %	$2,015,780	50.5 %	$1,742,739	47.8 %
U.S. state government agencies	470,301	35.8 %	445,855	37.5 %	1,440,391	36.1 %	1,329,766	36.5 %
International government agencies	156,587	11.9 %	148,742	12.5 %	468,995	11.8 %	491,861	13.5 %
Other, including local municipalities and commercial customers	21,146	1.6 %	25,156	2.1 %	65,161	1.6 %	80,409	2.2 %
Total revenue	$1,314,929		$1,188,677		$3,990,327		$3,644,775	

Contract balances

Differences in timing between revenue recognition and cash collection result in contract assets and contract liabilities. We classify these assets as accounts receivable — billed and billable and unbilled receivables; the liabilities are classified as deferred revenue.

In many contracts, we bill our customers on a monthly basis shortly after the month end for work performed in that month, and such balances are considered collectible and are included within accounts receivable, net.

Exceptions to this pattern will arise for various reasons, including those listed below.

- Under cost-plus contracts, we are typically required to estimate a contract's share of our general and administrative expenses. This share is based upon estimates of total costs, which may vary over time. We typically invoice our customers at an agreed provisional billing rate, which may differ from actual rates incurred. If our actual rates are higher than the provisional billing rates, an asset is recorded for this variance; if the provisional billing rates are higher than our actual rates, we record a liability.

- Certain contracts include retainage balances, whereby revenue is earned, but some portion of cash payments are held back by the customer for a period of time, typically to allow the customer to confirm the objective criteria laid out by the contract have been met. This balance is classified as accounts receivable - unbilled until restrictions on billing are lifted. As of June 30, 2024, and September 30, 2023, $26.3 million and $20.7 million, respectively, of our unbilled receivables related to amounts pursuant to contractual retainage provisions.
- In certain contracts, we may receive funds from our customers prior to performing operations. These funds are typically referred to as "set-up costs" and reflect the need for us to make investments in infrastructure prior to providing a service. This investment in infrastructure is not a performance obligation that is distinct from the service that is subsequently provided and, as a result, revenue is not recognized based upon the establishment of this infrastructure, but rather over the course of the contractual relationship. The funds are initially recorded as deferred revenue and recognized over the term of the contract. Other contracts may not include set-up fees but will provide higher fees in earlier periods of the contract. The premium on these fees is deferred.
- Some of our contracts, notably our employment services contracts in the Outside the U.S. Segment, include payments for desired outcomes, such as job placement and job retention, and these outcome payments occur over several months. We are required to estimate these outcome fees ahead of their realization and recognize this estimated fee over the period of delivery.

During the three and nine months ended June 30, 2024, we recognized revenue of $ 8.2 million and $53.5 million, respectively, included in our deferred revenue balances at September 30, 2023. During the three and nine months ended June 30, 2023, we recognized revenue of $13.9 million and $75.3 million, respectively, included in our deferred revenue balances at September 30, 2022.

Contract estimates

We are required to use estimates in recognizing revenue from some of our contracts.

Some of our performance-based contract revenue is recognized based upon future milestones defined in each contract. This is the case in many of our employment services contracts in the Outside the U.S. Segment, where we are paid as individuals attain employment milestones, which may take many months to achieve. We recognize revenue over the period of performance. Our estimates vary from contract to contract but may include the number of participants within a portfolio reaching employment milestones and the service delivery periods for participants reaching the employment milestone.

We estimate the total variable fees we will receive using the expected value method. We recognize the fees over the expected period of performance. At each reporting period, we update our estimates of the variable fees to represent the circumstances present at the end of the reporting period. We are required to constrain our estimates to the extent that it is probable that there will not be a significant reversal of cumulative revenue when the uncertainty is resolved. We do not have a history of significant constraints on these contracts.

Table 4.3: Effect of Changes in Contract Estimates

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(in thousands, except per share data)			
Benefit to/(reduction of) revenue recognized due to changes in contract estimates	$ (3,576)	$ (2,134)	$ (12,772)	$ (8,272)
Benefit to/(reduction of) diluted earnings per share recognized due to changes in contract estimates	$ (0.04)	$ (0.03)	$ (0.16)	$ (0.09)

Remaining performance obligations

As of June 30, 2024, we had approximately $ 310 million of remaining performance obligations. We anticipate that we will recognize revenue on approximately 72% of this balance within the next 12 months. This balance excludes contracts with an original duration of twelve months or less, including contracts with a penalty-free termination for convenience clause, and any variable consideration that is allocated entirely to future performance obligations, including variable transaction fees or fees tied directly to costs incurred.

5. EARNINGS PER SHARE

Table 5: Weighted Average Number of Shares - Earnings Per Share

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(in thousands)			
Basic weighted average shares outstanding	61,079	61,141	61,233	61,125
Dilutive effect of unvested RSUs and PSUs	302	403	262	243
Denominator for diluted earnings per share	61,381	61,544	61,495	61,368

The diluted earnings per share calculation for the three and nine months ended June 30, 2024, excludes approximately 212,000 and 216,000 unvested anti-dilutive restricted stock units, respectively. For the three and nine months ended June 30, 2023, approximately 98,000 and 105,000 unvested anti-dilutive restricted stock units were excluded from the diluted earnings per share calculation, respectively.

6. DEBT AND DERIVATIVES

Table 6.1: Details of Debt

	June 30, 2024	September 30, 2023
	(in thousands)	
Term Loan A	$ 650,000	$ 909,375
Term Loan B	500,000	344,934
Subsidiary loan agreements	5,003	3,220
Total debt principal	1,155,003	1,257,529
Less: Unamortized debt-issuance costs and discounts	(14,350)	(7,536)
Total debt	1,140,653	1,249,993
Less: Current portion of long-term debt	(39,952)	(86,844)
Long-term debt	$ 1,100,701	$ 1,163,149

Our principal credit agreements are held within the United States. In addition, we hold revolving credit facilities in Australia, Canada, and the United Kingdom.

On May 30, 2024, we amended our credit agreement with J.P. Morgan Chase Bank, N.A. (the "Amended Credit Agreement"), which replaced our previous arrangement with the same bank (the "Original Credit Agreement"). The Amended Credit Agreement is available for general corporate purposes, including the funding of working capital, capital expenditures, and possible future acquisitions.

The Amended Credit Agreement has three components.

- A Term Loan A facility (the "TLA"), which initially comprises $ 650 million. This facility matures on May 30, 2029. The interest rates are variable, based upon a combination of a Secured Overnight Financing Rate ("SOFR") and a margin based on our leverage. The margin can vary between 1.0% and 2.0%. At loan inception, it was set at 1.5% and will remain at this level until our December 2024 leverage calculation is submitted, which is likely to be in February 2025.
- A Term Loan B facility, which initially comprises $ 500 million. This facility matures on May 30, 2031. The interest rates are based upon SOFR, subject to a floor of 0.5%, plus a fixed 2.0% margin.
- A revolving credit facility, which enables us to borrow or utilize up to $ 750 million. The interest on this facility is generally based upon the same rates as those used for the TLA. In addition, we are charged a commitment fee between 0.125% and 0.30% on used funds, the fee being based upon our leverage.

The Amended Credit Agreement requires us to comply with various covenants, the terms of which are consistent with the Original Credit Agreement and customary for agreements of this type. At June 30, 2024, we are in compliance with all covenants. We do not believe that these covenants restrict our ability to successfully operate the business or to pay dividends.

The Amended Credit Agreement is, subject to customary exceptions, secured by substantially all of the assets of the Company and its wholly owned material domestic subsidiaries, and guaranteed by each of the Company's wholly owned material domestic subsidiaries.

Bank charges incurred in amending the Original Credit Agreement have been reported as a reduction to gross debt and will be amortized over the respective lives of the loans. The Amended Credit Agreement is considered a modification of the Original Credit Agreement, and accordingly, many of the costs deferred under this arrangement will continue to be deferred prospectively.

Following the establishment of the Amended Credit Agreement, our future minimum principal payments are as follows:

Table 6.2: Details of Future Minimum Principal Payments Due

	Amount Due
	(in thousands)
July 1, 2024 through September 30, 2024	$ 14,378
Year ended September 30, 2025	37,500
Year ended September 30, 2026	41,562
Year ended September 30, 2027	53,750
Year ended September 30, 2028	57,813
Years ended thereafter	950,000

Interest Rate Derivative Instruments

We utilize interest rate swaps to reduce our risk from interest rates, which we have designated as cash flow hedges. We had entered into interest rate swaps against the Original Credit Agreement which we will continue to utilize on the Amended Credit Agreement.

- We have arrangements for a combined notional amount of $500 million, which hedges a SOFR component of our TLA to a fixed amount of 2.31%. These arrangements expire in May 2026.
- We have an arrangement for a notional amount of $150 million, which hedges a SOFR component of our TLA to a fixed amount of 4.38%. This arrangement expires in September 2024.

At June 30, 2024 and September 30, 2023, we had assets of $ 21.0 million and $31.0 million, respectively, related to these interest rate swaps. These were recorded as "other assets" within our consolidated balance sheets. As these instruments are considered effective cash flow hedges, gains and losses based upon interest rate fluctuations are recorded within "accumulated other comprehensive income" within our consolidated financial statements.

7. ACQUISITIONS AND DIVESTITURES

On February 14, 2024, we acquired part of a vendor who has performed IT services for us over several years for a cash consideration of $ 18.0 million. Almost all of the consideration was allocated directly to the most significant asset, the acquired workforce. The value of this asset will be amortized over eight years. This asset is anticipated to provide support across all three of our operating segments.

We have sold a number of components of our Outside the U.S. Segment:

- In November 2023, we sold our businesses in Italy and Singapore, as well as our employment services business in Canada, recording a loss on sale of $1.0 million. During the fourth quarter of fiscal year 2023, we recorded an impairment charge of $ 2.9 million related to these assets.
- In March 2023, we sold our commercial practice in the United Kingdom, resulting in a pre-tax loss of $ 0.6 million. The cash consideration had a fair value of $16 million, to be received in installments. At June 30, 2024, we have installments remaining of $ 5.5 million.
- In March 2023, we sold our Swedish subsidiary for cash consideration of $ 0.4 million, resulting in a small loss.

8. FAIR VALUE MEASUREMENTS

The following assets and liabilities are recorded at fair value on a recurring basis.

- We hold mutual fund assets within a Rabbi Trust to cover liabilities in our deferred compensation plan. These assets have prices quoted within active markets and, accordingly, are classified as level 1 within the fair value hierarchy.
- We have interest rate swap agreements serving to reduce our interest rate risk on our debt. These agreements can be valued using observable data and, accordingly, are classified as level 2 within the fair value hierarchy.
- During fiscal year 2024, we recorded liabilities for additional consideration payable on certain acquisitions. This consideration was contingent upon the post-acquisition performance of these businesses. This liability was based upon our internal assumptions regarding revenues, margins, volumes, and contract terms. Accordingly, these inputs were not observable and were classified as level 3 within the fair value hierarchy. In fiscal year 2024, all outstanding liabilities were settled.

The tables below present assets and liabilities measured and recorded at fair value in our consolidated balance sheets on a recurring basis and their corresponding level within the fair value hierarchy. No transfers between Level 1, Level 2, and Level 3 fair value measurements occurred for the nine months ended June 30, 2024.

Table 8.1: Fair Value Measurements

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Balance
	(in thousands)			
Assets:				
Deferred compensation assets - Rabbi Trust	$ 32,642	$ —	$ —	$ 32,642
Interest rate swaps - $650 million notional value	—	20,991	—	20,991
Total assets	$ 32,642	$ 20,991	$ —	$ 53,633

The fair values of receivables, prepaids, other assets, accounts payable, accrued costs, and other current liabilities approximate the carrying values as a result of the short-term nature of these instruments. The carrying value of our debt is consistent with the fair value as the stated interest rates in the agreements are consistent with the current market rates used in notes with similar terms in the markets (Level 2 inputs).

Accumulated Other Comprehensive Loss

All amounts recorded in accumulated other comprehensive loss are related to our foreign currency translations and interest rate swaps, net of tax. The following table shows changes in accumulated other comprehensive loss. Amounts reclassified from other comprehensive income were recorded within our selling, general and administrative expenses (for foreign currency translation adjustments) and within interest expense (for gains on derivatives).

Table 8.2: Details of Changes in Accumulated Other Comprehensive Loss by Category

	Foreign currency translation adjustment	Net unrealized gain on derivatives, net of tax	Total
	(in thousands)		
Balance as of September 30, 2023	$ (50,484)	$ 22,869	$ (27,615)
Other comprehensive income before reclassifications	3,946	1,860	5,806
Amounts reclassified from accumulated other comprehensive loss	133	(9,258)	(9,125)
Net current period other comprehensive losses	4,079	(7,398)	(3,319)
Balance as of June 30, 2024	$ (46,405)	$ 15,471	$ (30,934)

The foreign currency translation adjustment reflects a cumulative difference between the value of our earnings in currencies other than the United States Dollar between the time they were recorded and the date of the financial statements. At June 30, 2024, the balance included approximately $18.9 million of translation differences related to the Australian Dollar and $19.4 million related to the British Pound, with the remaining balance principally comprised of differences related to the Canadian Dollar.

Contingent Consideration

The fair value of our contingent considerations are based upon estimates of the likely payments, which are based upon assumptions over future performance. The liabilities are reviewed on a quarterly basis and, where changes in estimates arise, these are recorded to selling and general administrative expenses.

Our contingent consideration relates to the businesses below:

- In October 2021, we acquired the student loan servicing business from Navient, which we rebranded as Aidvantage. Payments were based upon volumes, up to a maximum payment of $65.0 million. At September 30, 2023, the Aidvantage contingent consideration was $7.5 million. This liability was settled in the third quarter of this fiscal year.
- In January 2022, we acquired BZ Bodies Limited. Future payments were based upon the performance of the business through December 2023, up to a maximum payment of $2.5 million (£2.0 million British Pounds). At September 30, 2023, we recorded a contingent consideration liability for the maximum payment, which we paid in the second quarter of fiscal year 2024.

Movement in our contingent consideration balance is as follows:

Table 8.3: Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

	Contingent Consideration	
	(in thousands)	
Opening contingent consideration as of September 30, 2023	$	9,903
Adjustments to fair value recorded in the period		985
Cash payments		(10,977)
Foreign currency translations		89
Closing contingent consideration as of June 30, 2024	$	—

9. EQUITY

Stock Compensation

We grant restricted stock units ("RSUs") and performance stock units ("PSUs") to eligible participants under our 2021 Omnibus Incentive Plan, which was approved by the Board of Directors and stockholders. The RSUs granted to employees vest ratably over three to five years and over one year for members of the Board of Directors, in each case from the grant date. PSU vesting is subject to the achievement of certain performance and market conditions, and the number of PSUs earned could vary from 0% to 200% of the number of PSUs awarded. The PSUs will vest at the end of a three year-performance period. We issue new shares to satisfy our obligations under these plans. The fair value of each RSU and PSU is calculated at the date of the grant.

During the nine months ended June 30, 2024, we issued approximately 380,000 RSUs, which will vest ratably over one to four years, and approximately 128,000 PSUs, which will vest after three years.

Share Purchase Program

Under a resolution adopted in June 2024, the Board of Directors authorized an increase to our existing stock purchase program whereby we may purchase, at management's discretion, up to $200 million of our common stock. During the three and nine months ended June 30, 2024, we purchased approximately 611,000 common shares at a cost of $50.6 million. At June 30, 2024, approximately $193.9 million remained available for future stock purchases. Since June 30, 2024, we have purchased a further 250,000 common shares for approximately $21.2 million.

10. OTHER BALANCE SHEET ITEMS

Cash, Cash Equivalents, and Restricted Cash

Table 10.1: Details of Cash and Cash Equivalents and Restricted Cash

	June 30, 2024	September 30, 2023
	(in thousands)	
Cash and cash equivalents	$ 102,794	$ 65,405
Restricted cash	45,007	56,686
Cash, cash equivalents, and restricted cash	$ 147,801	$ 122,091

Restricted cash is recorded within "Prepaid expenses and other current assets" on the Consolidated Balance Sheets.

Table 10.2: Supplemental Disclosures of Cash Flow Information

	For the Nine Months Ended	
	June 30, 2024	June 30, 2023
	(in thousands)	
Interest payments	$ 59,367	$ 59,580
Income tax payments	$ 67,822	$ 60,460

Accounts Receivable, Net

Table 10.3: Details of Accounts Receivable, Net

	June 30, 2024	September 30, 2023
	(in thousands)	
Billed and billable receivables	$ 613,429	$ 692,707
Unbilled receivables	249,813	137,885
Allowance for credit losses	(12,780)	(3,719)
Accounts receivable, net	$ 850,462	$ 826,873

On September 21, 2022, we entered into a Receivables Purchase Agreement with Wells Fargo Bank N.A., under which we may sell certain U.S.-originated accounts receivable balances up to a maximum amount of $200.0 million at any given time. In return for these sales, we receive a cash payment equal to the face value of the receivables less a financing charge.

We account for these transfers as sales. We have no retained interest in the transferred receivables other than administrative responsibilities, and Wells Fargo has no recourse for any credit risk. We estimate that the implicit servicing fees for an arrangement of this size and type would be immaterial.

For the nine months ended June 30, 2024, the gross fair value of accounts receivables transferred to Wells Fargo and derecognized from our balance sheet was $270.9 million. In exchange for these sales, we received $ 269.3 million of cash. The balance, representing a loss on sale from these transfers, is included within our selling, general, and administrative expenses. We have recorded these transactions within our operating cash flows.

11. COMMITMENTS AND CONTINGENCIES

Litigation

We are subject to audits, investigations, and reviews relating to compliance with the laws and regulations that govern our role as a contractor to agencies and departments of federal, state, local, and foreign governments. Adverse findings could lead to criminal, civil, or administrative proceedings, and we could be faced with penalties, fines, suspension, or debarment. Adverse findings could also have a material adverse effect on us because of our reliance on government contracts. We are subject to periodic audits by federal, state, local, and foreign governments for taxes. We are also involved in various claims, arbitrations, and lawsuits arising in the normal conduct of our business. These include but are not limited to bid protests, employment matters, contractual disputes, and charges before administrative agencies. Except for the matters described below for which we cannot predict the outcome, we do not believe the outcome of any existing matter would likely have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

We evaluate, on a regular basis, developments in our litigation matters and establish or make adjustments to our accruals as appropriate. A liability is accrued if a loss is probable and the amount of such loss can be reasonably estimated. If the risk of loss is probable, but the amount cannot be reasonably estimated, or the risk of loss is only reasonably possible, a potential liability will be disclosed but not accrued, if material. Due to the inherent uncertainty in the outcome of litigation, our estimates and assessments may prove to be incomplete or inaccurate and could be impacted by unanticipated events and circumstances, adverse outcomes, or other future determinations.

MOVEit Cybersecurity Incident Litigation

As the Company has previously disclosed, on May 31, 2023, Progress Software Corporation, the developer of MOVEit (“MOVEit”), a file transfer application used by many organizations to transfer data, announced a critical zero-day vulnerability in the application that allowed unauthorized third parties to access its customers’ MOVEit environments. Maximus uses MOVEit for internal and external file sharing purposes, including to share data with government customers related to Maximus's services in support of certain government programs. Based on its review of the impacted files to date, the Company has provided notices to individuals whose personal information, including social security numbers, protected health information, and/or other personal information, may have been included in the impacted files.

On August 1, 2023, a purported class action was filed against Maximus Federal Services, Inc. (a wholly-owned subsidiary of Maximus, Inc.) in the U.S. District Court for the Eastern District of Virginia arising out of the MOVEit cybersecurity incident – Bishop v. Maximus Federal Services, Case No. 1:23-cv-01019 (U.S. Dist. Ct. E. D. VA). The plaintiff, who purports to represent a nationwide class of individuals, alleges, among other things, that the Company’s negligence resulted in the compromise of the plaintiff’s personally identifiable information and protected health information.

Since August 1, 2023, approximately eleven additional cases arising out of the MOVEit cybersecurity incident have been filed in federal courts against Maximus, Inc. and its subsidiaries. These cases each allege substantially similar allegations on behalf of putative nationwide classes and on behalf of various putative state subclasses. Three plaintiffs have subsequently dismissed their claims voluntarily.

On October 4, 2023, the United States Judicial Panel on Multidistrict Litigation granted a Motion to Transfer that created a Multidistrict Litigation (“MDL”) in the District of Massachusetts for all cases in federal court related to the MOVEit cybersecurity incident, including cases filed against Maximus and other defendants, including Progress Software Corporation, the creator of MOVEit. All of the cases against Maximus, Inc. and its subsidiaries initially filed in federal courts outside of the District of Massachusetts that are related to the MOVEit cybersecurity incident have now been transferred to the MDL under the caption *In re: MOVEit Customer Data Security Breach Litigation* and are currently stayed pending the filing of consolidated amended compliant(s). The plaintiffs in Bishop and the other cases against the company in the MDL seek damages to be proved at trial.

On September 6, 2023, an individual action was filed in state court in the Florida Circuit Court for the 7th Judicial Circuit, Volusia County: Taylor v. Maximus Federal Services, Case No. 2023-12349 (Fla. Cir. Ct., 7th Jud. Cir., Volusia Cnty.), also arising out of the MOVEit cybersecurity incident. The plaintiff alleges, among other things, that the Company’s negligence resulted in the compromise of the plaintiff’s personally identifiable information and protected health information. Since September 6, 2023, approximately eight additional individual actions have been filed against Maximus, Inc. and its subsidiaries in Florida state courts, one of which has been dismissed. The Taylor matter pending in Volusia County, Florida has been stayed. The remaining seven matters pending in Florida’s state courts are pending in Miami-Dade County court. Each of the actions pending in Florida courts raise substantially similar allegations and legal claims. The plaintiffs in these individual actions seek damages to be proved at trial.

On October 27, 2023, a purported class action was filed in state court in Marion Superior Court in Marion County, Indiana, against Maximus Health Services, Inc. (a wholly owned subsidiary of Maximus, Inc.): Solis Garcia v. Maximus Health Services, Inc., Case No. 49D12-2310-CT-042115 (Ind. Super. Ct., Marion Cnty.), again arising out of the MOVEit cybersecurity incident. The plaintiff, who purports to represent a class comprised of Indiana residents, alleges, among other things, that the Company's negligence resulted in the compromise of the plaintiff's personally identifiable information and protected health information. The plaintiff seeks damages to be proved at trial. The Company has removed this case to federal court in the Southern District of Indiana and it has been transferred to the MDL.

The Company is not able to determine or predict the ultimate outcome of any of these proceedings or reasonably provide an estimate or range of the possible outcome or loss, if any.

Census Project – Civil Investigation Demand ("CID")

In 2021, Maximus received a CID from the U.S. Department of Justice ("DOJ") pursuant to the False Claims Act seeking records pertaining to the Census project. The CID requested the production of documents related to the Company's compliance with telephone call quality assurance scoring and reporting requirements. The Company is cooperating with the DOJ in its investigation and providing responses and information on an ongoing basis. As of June 30, 2024, the Company has reserved $4.0 million in connection with this matter. While it is reasonably possible that losses exceeding the amount accrued may be incurred, it is not possible at this time to estimate the additional possible loss in excess of the amount already accrued.

12. SUBSEQUENT EVENT

On July 5, 2024, our Board of Directors declared a quarterly cash dividend of $ 0.30 for each share of our common stock outstanding. The dividend is payable on August 31, 2024, to shareholders of record on August 15, 2024. Based on the number of shares outstanding, we anticipate a cash payment of approximately $18.1 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with "Risk Factors," "Special Note Regarding Forward-Looking Statements," and our financial statements and related notes included in our Annual Report on Form 10-K for fiscal year 2023 filed with the Securities and Exchange Commission on November 16, 2023 (the "2023 Form 10-K") and elsewhere in this Quarterly Report on Form 10-Q, as applicable.

Business Overview

Maximus, under its mission of *Moving People Forward*, helps millions of people access the vital government services they need. With almost 50 years of experience working with local, state, federal, and international government clients, we proudly design, develop, and deliver innovative and impactful programs that change lives. We are driven to strengthen communities and improve the lives of those we serve.

We create value for our customers through our ability to translate health and human services public policy into operating models that achieve outcomes for governments at scale. Our work covers a broad array of services, including the operation of large health insurance eligibility and enrollment programs; clinical services, including assessments, appeals, and independent medical reviews; and technology services. These services benefit from a market with increasing demographic demand, constrained government budgets, and an increased focus on technology. We also demonstrate the ability to move quickly, ranging from digitally enabled contact center support services for natural disaster response to swift establishments of public health and safety initiatives, examples of which occurred during the COVID-19 pandemic. Our organic growth through increased contract scope and entry into new markets has been supplemented by strategic acquisitions. Most notably, our acquisitions of VES Group, Inc. ("VES"), a leading provider of medical disability examinations ("MDE") to the United States ("U.S.") Department of Veterans Affairs ("VA"); the Federal business of Attain, LLC ("Attain"), a provider of technology consulting and systems integration services; and a service contract with the U.S. Department of Education, under our Aidvantage brand, have supplemented our organic growth and allowed expansion into new markets.

In fiscal year 2022, we introduced our refreshed three-to-five-year strategic plan, which we believe will further expand our business. Having moved past the major impacts of the COVID-19 pandemic, we believe we are in a strong position to capitalize on organic growth opportunities in our core business, as reflected in the following three pillars of our refreshed strategy.

- Customer Services, Digitally Enabled. Elevate the customer experience to achieve higher levels of satisfaction, performance, and outcomes through intelligent automation and cognitive computing.
- Future of Health. Help governments meet the rising demand for health services by growing our clinical capabilities to improve the health of people and their communities.
- Advanced Technologies for Modernization. Further our credibility as a technology leader, enabling the transformation of government programs to be resilient, dynamic, integrated, and equitable.

Financial Overview

A number of factors have affected our results for the three and nine months ended June 30, 2024. More detail on these changes is presented below within our "Results of Operations" section.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the three and nine months ended June 30, 2024, and June 30, 2023.

Table MD&A 1: Consolidated Results of Operations

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands, except per share data)			
Revenue	$ 1,314,929	$ 1,188,677	$ 3,990,327	$ 3,644,775
Cost of revenue	982,615	924,313	3,040,370	2,907,061
Gross profit	332,314	264,364	949,957	737,714
Gross profit percentage	***25.3 %***	***22.2 %***	***23.8 %***	***20.2 %***
Selling, general, and administrative expenses	167,033	182,545	504,682	471,445
Selling, general, and administrative expenses as a percentage of revenue	***12.7 %***	***15.4 %***	***12.6 %***	***12.9 %***
Amortization of intangible assets	23,542	23,431	68,532	70,599
Operating income	141,739	58,388	376,743	195,670
Operating margin	***10.8 %***	***4.9 %***	***9.4 %***	***5.4 %***
Interest expense	20,555	21,026	62,428	63,631
Other expense/(income), net	809	1,005	475	(79)
Income before income taxes	120,375	36,357	313,840	132,118
Provision for income taxes	30,623	5,494	79,430	29,472
Effective tax rate	***25.4 %***	***15.1 %***	***25.3 %***	***22.3 %***
Net income	$ 89,752	$ 30,863	$ 234,410	$ 102,646
Earnings per share:				
Basic	$ 1.47	$ 0.50	$ 3.83	$ 1.68
Diluted	$ 1.46	$ 0.50	$ 3.81	$ 1.67

Our business segments have different factors driving revenue fluctuations and profitability. The sections that follow cover these segments in greater detail. Our revenue reflects fees earned for services provided. Cost of revenue consists of direct costs related to labor and related overhead, subcontractor labor, outside vendors, rent, and other direct costs. The largest component of cost of revenue, approximately two-thirds, is labor, including subcontracted labor.

Table MD&A 2: Changes in Revenue, Cost of Revenue, and Gross Profit for the Three Months Ended June 30, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Three months ended June 30, 2023	$ 1,188,677		$ 924,313		$ 264,364	
Organic effect	133,211	11.2 %	66,178	7.2 %	67,033	25.4 %
Disposal of businesses	(7,123)	(0.6) %	(7,905)	(0.9) %	782	0.3 %
Currency effect compared to the prior period	164	— %	29	— %	135	0.1 %
Three months ended June 30, 2024	$ 1,314,929	10.6 %	$ 982,615	6.3 %	$ 332,314	25.7 %

Table MD&A 3: Changes in Revenue, Cost of Revenue, and Gross Profit for the Nine Months Ended June 30, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Nine months ended June 30, 2023	$ 3,644,775		$ 2,907,061		$ 737,714	
Organic effect	372,624	10.2 %	164,374	5.7 %	208,250	28.2 %
Disposal of businesses	(35,126)	(1.0) %	(37,955)	(1.3) %	2,829	0.4 %
Currency effect compared to the prior period	8,054	0.2 %	6,890	0.2 %	1,164	0.2 %
Nine months ended June 30, 2024	$ 3,990,327	9.5 %	$ 3,040,370	4.6 %	$ 949,957	28.8 %

Selling, general, and administrative ("SG&A") expenses

SG&A expense consists of indirect costs related to general management, marketing, and administration. It is primarily composed of labor costs. These costs may be incurred at a segment level, for dedicated resources that are not client-facing, or at a corporate level. Corporate costs are allocated to segments on a consistent and rational basis. Fluctuations in our SG&A expense are primarily driven by changes in our administrative cost base, which is not directly driven by changes in our revenue. As part of our work for the U.S. federal government and many states, we allocate these costs using a methodology driven by the U.S. Federal Cost Accounting Standards.

Our SG&A expense for the three months ended June 30, 2023, included $22.1 million of expenses for investigation and remediation activities related to a cybersecurity event. Notwithstanding this, our SG&A expenses for the nine months ended June 30, 2024, have increased compared to the comparative period. This growth is principally from growth in our administrative base as the business expands.

Amortization of intangible assets

Amortization of intangible assets remained consistent for the three months ended June 30, 2024, as compared to three months ended June 30, 2023. For the nine months ended June 30, 2024, amortization of intangible assets decreased by $2.1 million as compared to nine months ended June 30, 2023. The decline was principally driven by the amortization in full of intangible assets from our Aidvantage acquisition.

Our balance sheet includes intangible assets of $487 million and $37 million from the 2021 VES and 2019 GDIT acquisitions, respectively. These assets, comprising customer relationships, technology, and a medical provider network, continue to support contracts acquired with these acquisitions. The greater part of these assets are being amortized over the remaining nine and five years, respectively. In the event that our expectations change with respect to these acquired contracts, the value of these assets and the estimated remaining lives of these assets may need to be adjusted.

Interest Expense

Our interest expense has remained consistent year-over-year as declines in our debt balance are offset by increased interest rates. Following the amendment of our debt agreement, we continue to mitigate our risk by fixing interest rates on approximately half of our debt. Our near-term capital allocation plan continues to prioritize reducing our debt using our free cash flow.

Provision for Income Taxes

Our effective income tax rate for the three and nine months ended June 30, 2024, was 25.4% and 25.3%, respectively, compared to 15.1% and 22.3% for the three and nine months ended June 30, 2023. Our tax rates in fiscal year 2023 received the benefit of discrete tax benefits from tax credits, which did not recur in fiscal year 2024. For fiscal year 2024, we expect the effective tax rate to be between 24.5% and 25.5%.

U.S. Federal Services Segment

Our U.S. Federal Services Segment delivers end-to-end solutions that help various U.S. federal government agencies better deliver on their mission, including program operations and management, clinical services, and technology solutions. This segment also includes system and application development, Information Technology ("IT") modernization, and maintenance services. Clinical services comprises appeals and assessments services, which includes managing the evaluation process for U.S. veterans and service members on behalf of the U.S. Department of Veterans Affairs ("VA") and certain state-based assessments and appeals work that is part of the segment's heritage. Under Technology Consulting Services ("TCS"), the segment executes on its digital strategy to deliver technology solutions that advance agency missions, including the challenge to modernize, provide better customer experience, and drive process efficiencies.

Table MD&A 4: U.S. Federal Services Segment - Financial Results

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands)			
Revenue	$ 683,347	$ 583,960	$ 2,062,127	$ 1,786,202
Cost of revenue	497,272	427,015	1,556,053	1,383,689
Gross profit	186,075	156,945	506,074	402,513
Selling, general, and administrative expenses	79,949	82,892	247,671	229,591
Operating income	106,126	74,053	258,403	172,922
Gross profit percentage	27.2 %	26.9 %	24.5 %	22.5 %
Operating margin percentage	15.5 %	12.7 %	12.5 %	9.7 %

Our revenue and cost of revenue for the three months ended June 30, 2024, increased 17.0% and 16.5%, respectively, compared to the three months ended June 30, 2023. For the nine months ended June 30, 2024, revenue and cost of revenue growth were 15.4% and 12.5%, respectively, compared to the nine months ended June 30, 2023. All growth in fiscal year 2024 was organic.

Our revenue and margin growth has principally been driven by volume growth and strong performance on our contracts relating to clinical assessments. Our profit margins have grown as the volume growth has allowed for economies of scale.

We anticipate that our U.S. Federal Services Segment will continue to grow for the remainder of fiscal year 2024, driven primarily by additional volumes in clinical services. We anticipate that our full-year operating margin will be around 12.5%.

We continue to monitor the status of announced recompetes of two of our significant contracts:

- The Centers for Medicare & Medicaid Services is currently recompeting the Contact Center Operations contract awarded to us in 2022, which is earlier-than-expected, and for the express purpose of including a labor harmony agreement requirement. In June 2024 we filed a pre-award protest which will be adjudicated by the Government Accountability Office. The Company expects to receive a response prior to the end of fiscal year 2024. The $6.6 billion contract value over a base plus a nine-year period of performance, is equivalent to approximately 10% to 15% of total Company revenue on an annual basis. The contract type is cost-plus-award-fee which traditionally carries low single digit margins. Given the contract's absorption of indirect costs, the impact to consolidated operating income from the absence of this contract would likely be more significant than just the low single digit margin, depending in part on the extent to which we would be able to mitigate the effects. Maximus has consistently met or exceeded all contractual service levels with uninterrupted operations and driven the highest independently measured customer satisfaction in the history of the program. We anticipate continuing to work on this contract uninterrupted until the recompete process, including any subsequent protest actions, is completed. We also believe that, as the incumbent, we have significant operational advantages.
- A majority of the MDE contracts under the VA, which comprise our acquired VES business, had ceilings on claims volumes at the time of award in 2018. Volumes have significantly increased since the passage of the PACT Act, thereby requiring a rebid process. In fiscal year 2023, these contracts together represented between 10% and 15% of our revenue. We anticipate continuing to work on these contracts uninterrupted until the recompete process is completed and that, as the incumbent, we have significant operational advantages.

U.S. Services Segment

Our U.S. Services Segment provides a variety of business process services ("BPS"), such as program administration, assessments, and related consulting work for U.S. state and local government programs. These services support a variety of programs, including the Affordable Care Act ("ACA"), Medicaid, the Children's Health Insurance Program ("CHIP"), Temporary Assistance to Needy Families ("TANF"), and child support programs. Previously, this segment suffered from reduced operating leverage resulting from the pause in Medicaid redeterminations during the COVID-19 pandemic. Redeterminations resumed in late fiscal year 2023, meaning fiscal year 2024 and beyond are demonstrating and should continue to demonstrate recovery of operating leverage and related margin improvement.

Table MD&A 5: U.S. Services Segment - Financial Results

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands)			
Revenue	$ 472,298	$ 449,061	$ 1,448,258	$ 1,338,242
Cost of revenue	351,286	350,523	1,078,761	1,070,090
Gross profit	121,012	98,538	369,497	268,152
Selling, general, and administrative expenses	59,531	51,536	174,032	140,793
Operating income	61,481	47,002	195,465	127,359
Gross profit percentage	25.6 %	21.9 %	25.5 %	20.0 %
Operating margin percentage	13.0 %	10.5 %	13.5 %	9.5 %

Our revenue and cost of revenue for the three months ended June 30, 2024, increased 5.2% and 0.2%, respectively, compared to the three months ended June 30, 2023. For the nine months ended June 30, 2024, our revenue and cost of revenue increased 8.2% and 0.8%, respectively, compared to the nine months ended June 30, 2023. All growth was organic.

Growth in fiscal year 2024 was principally from Medicaid-related activities, a portion of which includes redetermination activities related to the unwinding exercise, resulting in additional volumes in transactions generating revenue on a cost-base which had been built up in anticipation of this growth. This resulted in improvements to our profit margins, that we anticipate returning to normal levels over the coming quarters. We anticipate a full-year operating profit margin of approximately 13%.

Outside the U.S. Segment

Our Outside the U.S. Segment provides BPS for international governments, transforming the lives of people around the world. Helping people find employment, access vital support, and remain healthy, these services include health and disability assessments, program administration for employment services, wellbeing solutions, and other job seeker-related services. We support programs and deliver services in the United Kingdom, including the Health Assessment Advisory Service and the recently awarded replacement contract scheduled to start in the fourth quarter of fiscal year 2024, Functional Assessment Services, and Restart; and Australia, including Workforce Australia, and other employment support and job seeker services in a number of other countries.

Table MD&A 6: Outside the U.S. Segment - Financial Results

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands)			
Revenue	$ 159,284	$ 155,656	$ 479,942	$ 520,331
Cost of revenue	134,057	146,775	405,556	453,282
Gross profit	25,227	8,881	74,386	67,049
Selling, general, and administrative expenses	26,647	24,122	75,249	75,936
Operating loss	(1,420)	(15,241)	(863)	(8,887)
Gross profit percentage	15.8 %	5.7 %	15.5 %	12.9 %
Operating margin percentage	(0.9) %	(9.8) %	(0.2) %	(1.7) %

Table MD&A 7: Outside the U.S. Segment - Changes in Revenue, Cost of Revenue, and Gross Profit for the Three Months Ended June 30, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Three months ended June 30, 2023	$ 155,656		$ 146,775		$ 8,881	
Organic effect	10,587	6.8 %	(4,842)	(3.3) %	15,429	173.7 %
Disposal of businesses	(7,123)	(4.6) %	(7,905)	(5.4) %	782	8.8 %
Currency effect compared to the prior period	164	0.1 %	29	— %	135	1.5 %
Three months ended June 30, 2024	$ 159,284	2.3 %	$ 134,057	(8.7) %	$ 25,227	184.1 %

Table MD&A 8: Outside the U.S. Segment - Changes in Revenue, Cost of Revenue, and Gross Profit for the Nine Months Ended June 30, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Nine months ended June 30, 2023	$ 520,331		$ 453,282		$ 67,049	
Organic effect	(13,317)	(2.6) %	(16,661)	(3.7)%	3,344	5.0 %
Disposal of businesses	(35,126)	(6.8) %	(37,955)	(8.4)%	2,829	4.2 %
Currency effect compared to the prior period	8,054	1.5 %	6,890	1.5 %	1,164	1.7 %
Nine months ended June 30, 2024	$ 479,942	(7.8) %	$ 405,556	(10.5)%	$ 74,386	10.9 %

This segment has recorded a small loss in fiscal year 2024 as management undertakes steps to improve performance and deliver consistent profitability in this part of our organization. These steps included the divestiture in fiscal year 2024 of our employment services business in Canada and all of our operations in Italy and Singapore. In fiscal year 2023, we disposed of our commercial practice in the United Kingdom and our Swedish operations.

Revenue growth in the quarter was driven by our United Kingdom business, as well as the continued ramp up of contracts in Saudi Arabia.

Revenue from our employment services contracts include payments based upon our ability to place individuals in long-term, sustained employment. We recognize this revenue over the period of performance using estimates of these outcomes, which are typically based upon past performance. Changes in these estimates may have a significant effect on our revenue.

The improvement in the valuation of the British Pound provided an additional benefit to revenue and profit in the first nine months of fiscal year 2024.

We anticipate our Outside the United States Segment will yield slightly above break-even operating margin for the full year.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash from operations, and availability under our revolving credit facilities. As of June 30, 2024, we had $102.8 million in cash and cash equivalents. We believe that our current cash position, access to our revolving debt, and cash flow generated from operations should be sufficient for our operating requirements for the next 12 months and beyond, including enabling us to fund required long-term debt repayments, dividends and any share purchases we might choose to make. See "Note 6. Debt and Derivatives" to the Consolidated Financial Statements for a more detailed discussion of our debt financing arrangements.

We have included the following table showing our debt balances as of June 30, 2024, and their effective interest rates.

Table MD&A 9: Balances and interest rates as of June 30, 2024

	Carrying value	Effective cash interest rate	Interest rate basis
		(dollars in thousands)	
Term Loan A - Hedged though May 2026	$ 500,000	3.91%	Fixed rate of 2.31% plus margin. (1)
Term Loan A - Hedged through September 2024	150,000	5.98%	Fixed rate of 4.38% plus margin. (1)
Term Loan B	500,000	7.44%	Term SOFR (variable reset) plus 2% margin.
Debt held by international subsidiaries	5,003	6.21%	Floating rate, reset quarterly.
Debt Principal	$ 1,155,003		

(1) Applicable margin ranges between 1% and 2%, based on our leverage ratio.

Our effective cash interest rate reflects the drivers of our cash interest payments as of June 30, 2024, which can change based upon the reset of the rates. Including the amortization of the upfront payments, our effective interest rate as of June 30, 2024, is 6.0%.

The below table summarizes our change in cash, cash equivalents, and restricted cash.

Table MD&A 10: Net Change in Cash and Cash Equivalents and Restricted Cash

	For the Nine Months Ended	
	June 30, 2024	June 30, 2023
	(in thousands)	
Operating activities:		
Net cash provided by operating activities	$ 351,424	$ 169,751
Net cash used in investing activities	(97,165)	(49,739)
Net cash used in financing activities	(229,819)	(168,849)
Effect of foreign exchange rates on cash and cash equivalents and restricted cash	1,270	3,735
Net change in cash and cash equivalents and restricted cash	$ 25,710	$ (45,102)

Net Cash Provided By Operating Activities

Our cash flows from operating activities for the first nine months of fiscal year 2024 increased by $181.7 million, compared to the comparative period in the prior year. This increase was the result of our increased profitability year-over-year, as well as use of our Receivables Purchase Agreement. At June 30, 2024, and September 30, 2023, we had sold $173 million and $72 million of our receivables balance, respectively.

Our Days Sales Outstanding ("DSO") at June 30, 2024, were 59 days, compared with 60 days at September 30, 2023. Excluding the effects of the Receivables Purchase Agreement, DSO would have been 68 days and 65 days, respectively.

Net Cash Used In Investing Activities

We continue to make investments in our capital base, most notably in upgrading technology on our Federal MDE contracts. In addition:

- During fiscal year 2024, we have invested $18 million in acquiring part of one of our long-term vendors;
- During fiscal year 2023, we received payment from the sale of our Swedish business and a small commercial practice in the United Kingdom;
- During fiscal year 2024, we received a further installment payment on the sale of the U.K. business, as well as payment from the sale of our businesses in Italy, Singapore, and our Canadian employment business.

Net Cash Used In Financing Activities

Our principal debt agreement is with JPMorgan Chase Bank N.A. In May 2024, we amended our existing agreement (the "Amended Credit Agreement"). The Amended Credit Agreement extended the maturity dates of our debt and rebalanced our borrowings, but is otherwise broadly consistent with the original arrangement. We have continued to use our operating cash flows to reduce our outstanding debt balance, while maintaining the ability to seek opportunities to build value through M&A activity or our share purchase program. Entering into the Amended Credit Agreement resulted in new financing costs of $9.7 million.

In addition to dividends, we have also purchased Maximus common stock during fiscal year 2024; no such purchases were made in fiscal year 2023.

Our financing cash flows in both fiscal years 2024 and 2023 include transactions in restricted cash funds held by us on behalf of other parties. In fiscal year 2023, these include a payment of $60.7 million to the acquirer of some of our accounts receivable balances, relating to funds received on their behalf.

Credit Facilities

Our principal debt agreement is the Amended Credit Agreement. At June 30, 2024, we owed $1.15 billion under the Amended Credit Agreement, with access to an additional $750 million through a revolving credit facility. Following the amendment, our principal loans mature in May 2029 and May 2031, when the remaining balances must be renegotiated or repaid in full. The revolving facility also matures in May 2029. In addition, our term loans require quarterly mandatory repayments.

The Amended Credit Agreement contains a number of covenants with which we are expected to comply. Failure to meet these requirements would result in a need to renegotiate the agreement, seek a waiver, or a requirement to repay our outstanding debt in full. There are two financial covenants, both defined in the Amended Credit Agreement.

- Our Consolidated Net Total Leverage Ratio means, for any twelve-month period, the ratio of our Funded Debt (as defined by the Amended Credit Agreement), offset by up to $150 million of unrestricted cash (Consolidated Net Total Leverage), against our Consolidated EBITDA (as defined by the Amended Credit Agreement). To comply with our Amended Credit Agreement, this ratio cannot exceed 4.00:1.00 at the end of each quarter, with a step up to 4.50:1.00 under certain circumstances. This ratio also determines both our interest rate and the charge we pay on the unused component of our revolving credit facility, with the charge increasing as the leverage ratio increases.

- Our Consolidated Net Interest Coverage Ratio means, for any twelve-month period, the ratio of our Consolidated EBITDA against our Consolidated Net Interest Expense, as defined by the Amended Credit Agreement. To comply with our Amended Credit Agreement, this ratio cannot be less than 3.00:1.00 at the end of each quarter.

Consolidated EBITDA also drives certain permissions within the Amended Credit Agreement, such as the level of investment we are entitled to make without seeking additional approval from our lenders.

Our Amended Credit Agreement defines Consolidated EBITDA, as well as other components of the calculations above. The definition of Consolidated EBITDA requires us to include adjustments not typically included within EBITDA, including unusual, non-recurring expenses, certain non-cash adjustments, the pro forma effects of acquisitions and disposals, and estimated synergies from acquisitions. As a result, Consolidated EBITDA as defined by the Amended Credit Agreement may not be comparable to EBITDA or related or similarly-titled measures presented by other companies.

We have summarized below the components of our two financial ratio calculations, including the components of Consolidated EBITDA as defined by the Amended Credit Agreement which are included within our financial statements. At June 30, 2024, we were in compliance with all applicable covenants of our Amended Credit Agreement. We do not believe that these covenants represent a significant restriction in our ability to operate our business or to pay our dividends.

Table MD&A 11: Reconciliation of Net Income to Consolidated EBITDA as defined by our Amended Credit Agreement

	For the Three Months Ended June 30, 2024	For the Trailing Twelve Months Ended June 30, 2024
	(in thousands)	
Net income	$ 89,752	$ 293,556
Adjustments:		
Interest expense	20,555	82,935
Other expense/(income), net	809	916
Provision for income taxes	30,623	98,459
Amortization of intangibles	23,542	92,524
Stock compensation expense	9,481	34,888
Acquisition-related expenses	357	27
Loss on sale of businesses	—	1,018
Depreciation and amortization of property, equipment, and capitalized software	7,530	41,779
Pro forma and other adjustments permitted by our Amended Credit Agreement	17,643	70,669
Consolidated EBITDA (as defined by our Amended Credit Agreement)	$ 200,292	$ 716,771

Table MD&A 12: Consolidated Net Total Leverage Ratio

	For the Trailing Twelve Months Ended June 30, 2024
	(in thousands, except ratio data)
Funded Debt (as defined by our Amended Credit Agreement)	$ 1,155,003
Cash and cash equivalents up to $150 million	102,794
Consolidated Net Total Leverage (as defined by our Amended Credit Agreement)	$ 1,052,209
Consolidated Net Total Leverage Ratio (as defined by our Amended Credit Agreement)	1.47

Table MD&A 13: Consolidated Net Interest Coverage Ratio

	For the Trailing Twelve Months Ended June 30, 2024
	(in thousands, except ratio data)
Consolidated EBITDA (as defined by our Amended Credit Agreement)	$ 716,771
Interest expense	82,935
Components of other income/expense, net allowed in ratio calculation	2,454
Consolidated Net Interest Expense (as defined by our Amended Credit Agreement)	$ 85,389
Consolidated Net Interest Coverage Ratio (as defined by our Amended Credit Agreement)	8.39

Cash in Foreign Locations

We have no requirement to remit funds from our foreign locations to the United States. We will continue to explore opportunities to remit additional funds, taking into consideration the working capital requirements and relevant tax rules in each jurisdiction. When we are unable to remit funds back without incurring a penalty, we will consider these funds indefinitely reinvested until such time as these restrictions are changed. As a result, we do not record U.S. deferred income taxes on any funds held in foreign jurisdictions. We have not attempted to calculate our potential liability from any transfer of these funds, as any such transaction might include tax planning strategies that we have not fully explored. Accordingly, it is not possible to estimate the potential tax obligations if we were to remit all of our funds from foreign locations to the United States.

Free Cash Flow (Non-GAAP)

Table MD&A 14: Free Cash Flow (Non-GAAP)

	For the Nine Months Ended	
	June 30, 2024	June 30, 2023
	(in thousands)	
Net cash provided by operating activities	$ 351,424	$ 169,751
Purchases of property and equipment and capitalized software	(82,237)	(58,863)
Free cash flow (Non-GAAP)	$ 269,187	$ 110,888

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates, judgments, and assumptions that affect the amounts reported. Actual results could differ from those estimates. The 2023 Form 10-K, as filed with the SEC on November 16, 2023, includes a summary of critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenues, or expenses during the three or nine months ended June 30, 2024.

Non-GAAP and Other Measures

We utilize non-GAAP measures where we believe it will assist users of our financial statements in understanding our business. The presentation of these measures is meant to complement, but not replace, other financial measures in this document. The presentation of non-GAAP numbers is not meant to be considered in isolation, nor as an alternative to revenue growth, cash flows from operating activities, net income, or earnings per share 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.

For the three months ended June 30, 2024, 12% of our revenue was generated outside the U.S. We believe that users of our financial statements wish to understand the performance of our foreign operations using a methodology that excludes the effect of year-over-year exchange rate fluctuations. To calculate year-over-year currency movement, we determine the current fiscal period's results for all foreign businesses using the exchange rates in the prior fiscal period.

In recent years, we have made a number of acquisitions and divestitures. We believe users of our financial statements wish to evaluate the performance of our operations, excluding changes that have arisen due to businesses acquired or disposed of. We identify acquired revenue and cost of revenue by showing these results for periods for which no comparative results exist within our financial statements. We identify revenue and cost of revenue that has been disposed of in a similar manner. This information is supplemented by our calculations of organic growth. To calculate organic growth, we compare current fiscal period results excluding transactions from acquisitions or disposals, to our prior fiscal period results.

Our recent acquisitions have resulted in significant intangible assets, which are amortized over their estimated useful lives. We believe users of our financial statements wish to understand the performance of the business by using a methodology that excludes the amortization of our intangible assets. For the nine months ended June 30, 2023 and 2024, we also incurred losses on sales of businesses. We believe that providing supplemental measures that exclude the impact of the items detailed below is useful to investors in evaluating our core operations and results in relation to past periods. Accordingly, we have calculated our operating income, net income, and diluted earnings per share, excluding the effect of the amortization of intangible assets and divestiture-related charges. We have included a table showing our reconciliation of these income measures to their corresponding GAAP measures.

Table MD&A 15: Non-GAAP Adjusted Results Excluding Amortization of Intangible Assets and Divestiture-Related Charges

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands, except per share data)			
Operating income	$ 141,739	$ 58,388	$ 376,743	$ 195,670
Add back: Amortization of intangible assets	23,542	23,431	68,532	70,599
Add back: Divestiture-related charges	—	—	1,018	883
Adjusted operating income excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 165,281	$ 81,819	$ 446,293	$ 267,152
Adjusted operating income margin excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	12.6 %	6.9 %	11.2 %	7.3 %
Net income	$ 89,752	$ 30,863	$ 234,410	$ 102,646
Add back: Amortization of intangible assets, net of tax	17,350	17,276	50,508	52,082
Add back: Divestiture-related charges	—	—	1,018	883
Adjusted net income excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 107,102	$ 48,139	$ 285,936	$ 155,611
Diluted earnings per share	$ 1.46	$ 0.50	$ 3.81	$ 1.67
Add back: Effect of amortization of intangible assets on diluted earnings per share	0.28	0.28	0.82	0.86
Add back: Effect of divestiture-related charges on diluted earnings per share	—	—	0.02	0.01
Adjusted diluted earnings per share excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 1.74	$ 0.78	$ 4.65	$ 2.54

In order to sustain our cash flows from operations, we regularly refresh our fixed assets and technology. We believe that users of our financial statements wish to understand the cash flows that directly correspond with our operations and the investments we must make in those operations using a methodology that combines operating cash flows and capital expenditures. We provide free cash flow to complement our statement of cash flows. Free cash flow shows the effects of our operations and replacement capital expenditures and excludes the cash flow effects of acquisitions, purchases of our common stock, dividend payments, and other financing transactions. We have provided a reconciliation of net cash provided by operating activities to free cash flow in "Liquidity and Capital Resources."

To sustain our operations, our principal source of financing comes from receiving payments from our customers. We believe that users of our financial statements wish to evaluate our efficiency in converting revenue into cash receipts. Accordingly, we provide DSO, which we calculate by dividing billed and unbilled receivable balances at the end of each quarter by revenue per day for the quarter. Revenue per day for a quarter is determined by dividing total revenue by 91 days.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates, and counterparty risk. We use derivative instruments to manage selected interest rate exposures. The Company's market rate risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" on the 2023 Form 10-K, as filed with the SEC on November 16, 2023, have not changed materially during the nine month period ended June 30, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

Item 1. Legal Proceedings

Refer to our disclosures included in " Note 11. Commitments and Contingencies" included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There were no material changes during the nine months ended June 30, 2024, to the risk factors previously disclosed in the 2023 Form 10-K, as filed with the SEC on November 16, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) The following table sets forth the information required regarding purchases of common stock that we made during the three months ended June 30, 2024.

Common Stock Repurchase Activity During the Three Months Ended June 30, 2024

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans or Programs (1)	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs *(in thousands)*
April 1, 2024 - April 30, 2024	241,828	$ 79.86	241,828	$ 31,277
May 1, 2024 - May 31, 2024	201,981	$ 84.64	201,981	$ 14,180
June 1, 2024 - June 30, 2024	167,611	$ 84.78	167,611	$ 193,853
Total	611,420	$ 82.79	611,420	

(1) Under a resolution adopted in June 2024, the Board of Directors authorized an increase to our existing stock purchase program whereby we may purchase, at management's discretion, up to $200.0 million of our common stock.

Item 3. Defaults Upon Senior Securities

(a) None.

(b) None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.		Description of Exhibit
10.1		Amended and Restated Credit Agreement, dated as of May 30, 2024, by and among the Company, JPMorgan Chase Bank, N.A., as administrative agent, collateral agent, an issuing lender and swing line lender, and the lenders and other financial institutions party thereto (incorporated by reference to the Company's Current Report on Form 8-K, filed June 4, 2024).
31.1	❖	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	❖	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Φ	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Φ	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS	❖	Inline XBRL Instance Document.
101.SCH	❖	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	❖	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF	❖	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB	❖	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE	❖	Inline XBRL Taxonomy Presentation Linkbase Document.
104	❖	Cover Page Interactive Data File (formatted as Inline XBRL tags and contained in Exhibit 101).

❖ Filed herewith.
Φ Furnished herewith.

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, thereunto duly authorized.

Maximus, Inc.

/s/ Bruce L. Caswell	August 8, 2024
By: Bruce L. Caswell President and Chief Executive Officer (Principal Executive Officer)	
/s/ David W. Mutryn	August 8, 2024
By: David W. Mutryn Chief Financial Officer (Principal Financial Officer)	

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bruce L. Caswell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Maximus, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Bruce L. Caswell — August 8, 2024

By: Bruce L. Caswell
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David W. Mutryn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Maximus, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ David W. Mutryn

August 8, 2024

By: David W. Mutryn
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Maximus, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Caswell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bruce L. Caswell	August 8, 2024

By: Bruce L. Caswell
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Maximus, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Mutryn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David W. Mutryn	August 8, 2024
By: David W. Mutryn Chief Financial Officer (Principal Financial Officer)	