

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **August 2, 2006**

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-12997
(Commission
File Number)

54-1000588
(I.R.S. Employer
Identification No.)

**11419 Sunset Hills Road,
Reston, Virginia**
(Address of principal executive offices)

20190-5207
(Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 2, 2006, the Company issued a press release announcing its financial results for the three months ended June 30, 2006. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

| Exhibit No. | Description |
|-------------|-------------------------------------|
| 99.1 | Press release dated August 2, 2006. |

SIGNATURE

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

MAXIMUS, Inc.

Date: August 2, 2006

By: /s/ David N. Walker
David N. Walker, Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|-------------------------------------|
| 99.1 | Press release dated August 2, 2006. |

MAXIMUS REPORTS THIRD QUARTER RESULTS
— Third Quarter Revenue of \$186.6 Million —
— EPS, Excluding Litigation Charge, In-Line with Revised Expectations —

(RESTON, Va. — August 2, 2006) — MAXIMUS (NYSE: MMS), a leading provider of government services, reported financial results for its fiscal third quarter ended June 30, 2006, with third quarter revenue of \$186.6 million and a loss of \$0.81 per diluted share. Third quarter results were in-line with the Company's recently revised third quarter outlook, after adjusting for the \$9.1 million legal settlement charge (\$0.26 per diluted share, after-tax).

Revenue for the third quarter ended June 30, 2006 increased 7.5% over the same period a year ago. The year-over-year revenue increase was driven by \$12.1 million of hardware delivered on a voter contract in the Operations Segment.

The Company recorded a net loss in the third quarter of fiscal 2006 totaling \$17.3 million, or \$0.81 per diluted share. These results compare to net income in last year's third quarter of \$10.1 million, or \$0.47 per diluted share or, on an options-adjusted basis, \$9.3 million, or \$0.43 per diluted share.

During the quarter, the Company incurred a \$34.3 million pre-tax loss on the Texas Integrated Eligibility project which included a \$17.1 million write-off of deferred contract costs. The Company had previously estimated a loss in the range of \$35 million to \$38 million in the third fiscal quarter related to this contract. In addition, it still expects a loss on the Texas project of \$45 million to \$50 million for the second half of fiscal 2006. Fiscal 2006 third quarter results also include a previously announced charge of \$9.1 million (\$0.26 per diluted share, after-tax), net of reimbursed insurance claims, to settle certain outstanding litigation.

Richard Montoni, Chief Executive Officer, commented, "While the results for the quarter are in-line with our previous expectations, they are nevertheless disappointing and contrary to our long-term historical performance of recurring profitability. In fact, the Company has been profitable every year since its inception in 1975. Our intent is to return the Company to historical profitability levels and trends. We do expect a profitable fourth quarter and full fiscal year."

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Montoni continued, "In Texas, we are proceeding under our amended subcontract and we remain intent on demonstrating the economic viability of this model with substantially improved performance in fiscal 2007. Overall, our remaining business is sound. While our Systems Segment results were soft this quarter, we expect improved results next quarter. We continue to take actions to optimize existing operations through increased project training, more rigorous project reviews and tighter controls on contract terms. We have also directed efforts to eliminate outstanding contingencies, pursue the divestitures of non-strategic businesses, and direct new business efforts towards more profitable opportunities."

Consulting

Consulting Segment revenue for the third quarter, which represented 14% of total Company revenue, decreased 2.0% to \$26.7 million versus revenue of \$27.3 million for the same period last year. Consulting Segment operating income for the third quarter was \$3.8 million with an operating margin of 14.3% versus operating income of \$4.5 million and an operating margin of 16.4% in the same period last year. The Consulting Segment continues to perform as expected.

Systems

Third quarter Systems Segment revenue, which represented 16% of total Company revenue, was \$28.7 million for the period versus \$35.1 million in the third quarter of last year. Systems Segment operating loss for the third quarter was \$3.0 million, compared to operating income of \$3.0 million for the same period last year. Systems results for the third quarter were lower in the period due to weak performance in the ERP Division which is expected to improve in the fourth quarter. The Segment is expected to benefit from new work and license revenue from a large SchoolMAX contract which is expected to close during the fourth quarter and should drive significant improvement in income and margin.

Operations

Operations Segment revenue for the third quarter increased 17.9% to \$131.2 million, which represented 70% of total Company revenue, compared to \$111.3 million reported in the third quarter of last year. Revenue growth included \$12.1 million of voter hardware revenue. The Segment's operating loss for the third quarter was \$23.1 million compared to operating income of \$8.4 million in the same period a year ago. Third quarter operating income declined on a year-over-year basis as a result of the \$34.3 million

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loss on the Texas Integrated Eligibility project.

Sales and Pipeline Activity

Year-to-date signed contract wins through July 28, 2006 totaled approximately \$569 million, compared to \$1,080 million reported for the same period last year, which included the \$268 million British Columbia and \$370 million Texas awards. New contracts pending at July 28, 2006 (awarded but unsigned) totaled \$145 million compared to \$243 million reported for the same period last year. Sales opportunities at July 28, 2006 totaled \$1.1 billion (consisting of \$280 million in proposals pending, \$150 million in proposals in preparation, and \$634 million in proposals tracking) compared to \$1.2 billion reported last year. The trending in sales and pipeline reflects the Company's plan to reduce dependency on larger projects and focus on mid-sized projects with more favorable profit and risk profiles. The Company believes that the overall market demand for its products and services remains strong.

Cash Flows, Liquidity and DSOs

Net cash used by operations in the third quarter was \$221,000. At June 30, 2006, cash, cash equivalents, and marketable securities totaled \$170.4 million. During the quarter, the Company repurchased 25,000 shares of common stock but suspended repurchases early in the quarter. The Company had approximately \$26.3 million available at June 30, 2006, for future stock repurchases under its share repurchase program. The Company paid a quarterly cash dividend of \$0.10 per share on May 31, 2006. Days Sales Outstanding totaled 93 days at June 30, 2006.

Outlook and Conclusion

The Company reiterated its full year revenue expectations in the range of \$710 million to \$725 million and anticipates earnings per diluted share of \$0.31 to \$0.41 which

includes the \$0.26 per share third quarter legal settlement charge. The Company expects improvement across all Segments to drive sequential earnings growth in the fourth quarter including decreased losses on the Texas project in the Operations Segment as well as new work and license revenue in the Systems and Consulting Segments.

The Company will host a conference call on Thursday, August 3, 2006, at 9:00 A.M. ET which is open to the public and can be accessed under the Investor Relations page of the Company's website at www.maximus.com or by calling:

800.552.8050 (Domestic) / 206.902.3258 (International)

For those unable to listen to the live call, a replay will be available until 11:59 (CT) August 10, 2006, and is accessible by dialing:

Replay: 800.207.7077 or 314.255.1301

Replay PIN: 4923

MAXIMUS is one of America's leading government services companies devoted to providing program management, consulting and information technology services. The Company has more than 5,200 employees located in more than 280 offices in the United States, Canada and Australia. In 1999, 2001, 2002, 2003, and 2004 MAXIMUS was selected by Forbes Magazine as one of the Best 200 Small Companies in America for that year. MAXIMUS was selected by Business Week Magazine as one of the 100 Best Hot Growth Small Companies in 1999, 2000, 2001, and 2002. Additionally, MAXIMUS is included in the Russell 2000 Index and the S&P SmallCap 600 Index.

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission (file number 001-12997).

CONTACTS:

Lisa Miles
Investor Relations
703.251.8637

Rachael Rowland
Public/Media Relations
703.251.8688

MAXIMUS, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | <u>September 30,</u> <u>2005</u> | <u>June 30,</u> <u>2006</u> <u>(unaudited)</u> |
|--|-------------------------------------|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 59,073 | \$ 32,732 |
| Marketable securities | 119,290 | 137,715 |
| Restricted cash | 2,193 | 1,272 |
| Accounts receivable — billed, net of reserves of \$6,013 and \$8,486 | 124,477 | 139,198 |
| Accounts receivable — unbilled | 43,774 | 45,343 |
| Income taxes receivable | — | 9,120 |
| Deferred income taxes | — | 7,991 |
| Prepaid expenses and other current assets | 7,270 | 8,582 |
| Total current assets | <u>356,077</u> | <u>381,953</u> |
| Property and equipment, at cost | 64,730 | 67,810 |
| Less accumulated depreciation and amortization | <u>(33,574)</u> | <u>(35,240)</u> |
| Property and equipment, net | 31,156 | 32,570 |
| Capitalized software | 40,770 | 47,242 |
| Less accumulated amortization | <u>(16,817)</u> | <u>(21,130)</u> |
| Capitalized software, net | 23,953 | 26,112 |
| Deferred contract costs, net | 22,162 | 18,465 |
| Goodwill | 86,832 | 86,832 |
| Intangible assets, net | 7,756 | 6,230 |
| Other assets, net | 6,626 | 6,743 |
| Total assets | <u>\$ 534,562</u> | <u>\$ 558,905</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,151 | \$ 65,433 |
| Accrued compensation and benefits | 26,828 | 25,046 |
| Deferred revenue | 32,898 | 45,353 |
| Income taxes payable | 4,695 | — |
| Deferred income taxes | 277 | — |

| | | |
|--|------------|------------|
| Current portion of capital lease obligations | 1,502 | 1,547 |
| Other accrued liabilities | 3,386 | 1,390 |
| Total current liabilities | 107,737 | 138,769 |
| Capital lease obligations, less current portion | 3,606 | 2,440 |
| Deferred income taxes | 17,225 | 15,945 |
| Other liabilities | 40 | — |
| Total liabilities | 128,608 | 157,154 |
| Shareholders' equity: | | |
| Common stock, no par value; 60,000,000 shares authorized; 21,451,302 and 21,520,783 shares issued and outstanding at September 30, 2005, and June 30, 2006, at stated amount, respectively | 150,883 | 153,639 |
| Accumulated other comprehensive loss | (522) | (1,514) |
| Retained earnings | 255,593 | 249,626 |
| Total shareholders' equity | 405,954 | 401,751 |
| Total liabilities and shareholders' equity | \$ 534,562 | \$ 558,905 |

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MAXIMUS, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|--|--------------------------------|-------------|-------------------------------|------------|
| | 2005 | 2006 | 2005 | 2006 |
| Revenue | \$ 173,658 | \$ 186,596 | \$ 480,204 | \$ 529,095 |
| Write-off of deferred contract costs | — | 17,109 | — | 17,109 |
| Cost of revenue | 126,427 | 158,945 | 344,853 | 411,366 |
| Gross profit | 47,231 | 10,542 | 135,351 | 100,620 |
| Selling, general and administrative expenses | 30,681 | 32,275 | 88,504 | 94,725 |
| Legal expense | 1,060 | 9,078 | 1,500 | 10,303 |
| Income (loss) from operations | 15,490 | (30,811) | 45,347 | (4,408) |
| Interest and other income, net | 1,229 | 2,196 | 2,032 | 5,174 |
| Income (loss) before income taxes | 16,719 | (28,615) | 47,379 | 766 |
| Provision for income taxes (benefit) | 6,604 | (11,306) | 18,715 | 299 |
| Net income (loss) | \$ 10,115 | \$ (17,309) | \$ 28,664 | \$ 467 |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.47 | \$ (0.81) | \$ 1.35 | \$ 0.02 |
| Diluted | \$ 0.47 | \$ (0.81) | \$ 1.33 | \$ 0.02 |
| Dividends per share | \$ 0.10 | \$ 0.10 | \$ 0.20 | \$ 0.30 |
| Weighted average shares outstanding: | | | | |
| Basic | 21,298 | 21,472 | 21,303 | 21,442 |
| Diluted | 21,599 | 21,472 | 21,595 | 21,851 |

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MAXIMUS, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share data)
(Unaudited)

| | Nine Months Ended June 30, | |
|---|-------------------------------|---------|
| | 2005 | 2006 |
| Cash flows from operating activities: | | |
| Net income | \$ 28,664 | \$ 467 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 5,392 | 6,786 |
| Amortization | 5,334 | 5,839 |
| Write-off of deferred contract costs | — | 17,109 |
| Deferred income taxes | 5,201 | (9,547) |
| Tax benefit due to option exercises and restricted stock units vesting | 1,570 | — |
| Non-cash stock-based compensation | 927 | 4,570 |
| Change in assets and liabilities, net of effects from acquisitions: | | |

| | | |
|--|-----------|-----------|
| Accounts receivable — billed | (16,332) | (14,721) |
| Accounts receivable — unbilled | (2,399) | (1,569) |
| Prepaid expenses and other current assets | 1,128 | (1,312) |
| Deferred contract costs | (4,997) | (13,411) |
| Other assets | (329) | (961) |
| Accounts payable | 14,166 | 27,281 |
| Accrued compensation and benefits | 2,166 | (1,782) |
| Deferred revenue | 7,338 | 12,455 |
| Income taxes payable | 1,722 | (13,816) |
| Other liabilities | (443) | (1,114) |
| Net cash provided by operating activities | 49,108 | 16,274 |
| Cash flows from investing activities: | | |
| Acquisition of businesses, net of cash acquired | (651) | — |
| Purchases of property and equipment | (6,637) | (8,200) |
| Capitalized software costs | (8,548) | (6,472) |
| Increase in marketable securities | (50,983) | (18,575) |
| Other | 442 | — |
| Net cash used in investing activities | (66,377) | (33,247) |
| Cash flows from financing activities: | | |
| Employee stock transactions | 7,872 | 7,268 |
| Repurchases of common stock | (11,990) | (10,139) |
| Payments on capital lease obligations | (1,230) | (1,121) |
| Tax benefit due to option exercises and restricted stock units vesting | — | 1,058 |
| Cash dividends paid | (4,259) | (6,434) |
| Net cash used in financing activities | (9,607) | (9,368) |
| Net decrease in cash and cash equivalents | (26,876) | (26,341) |
| Cash and cash equivalents, beginning of period | 91,854 | 59,073 |
| Cash and cash equivalents, end of period | \$ 64,978 | \$ 32,732 |

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MAXIMUS, Inc.
Segment Information
(In thousands)
(Unaudited)

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|--|--------------------------------|--------------------|-------------------------------|-------------------|
| | 2005 | 2006 | 2005 | 2006 |
| Revenue: | | | | |
| Consulting | \$ 27,272 | \$ 26,714 | \$ 74,919 | \$ 76,717 |
| Systems | 35,105 | 28,686 | 100,557 | 97,205 |
| Operations | 111,281 | 131,196 | 304,728 | 355,173 |
| Total | <u>\$ 173,658</u> | <u>\$ 186,596</u> | <u>\$ 480,204</u> | <u>\$ 529,095</u> |
| Gross Profit: | | | | |
| Consulting | \$ 12,254 | \$ 11,148 | \$ 32,391 | \$ 31,512 |
| Systems | 12,329 | 6,644 | 37,859 | 30,511 |
| Operations | 22,648 | (7,250) | 65,101 | 38,597 |
| Total | <u>\$ 47,231</u> | <u>\$ 10,542</u> | <u>\$ 135,351</u> | <u>\$ 100,620</u> |
| Selling, General, and Administrative expense: | | | | |
| Consulting | \$ 7,781 | \$ 7,330 | \$ 23,751 | \$ 22,182 |
| Systems | 9,370 | 9,654 | 28,013 | 29,356 |
| Operations | 14,252 | 15,871 | 38,925 | 45,106 |
| Corporate/Other | (722) | (580) | (2,185) | (1,919) |
| Total | <u>\$ 30,681</u> | <u>\$ 32,275</u> | <u>\$ 88,504</u> | <u>\$ 94,725</u> |
| Income from Operations: | | | | |
| Consulting | \$ 4,473 | \$ 3,818 | \$ 8,640 | \$ 9,330 |
| Systems | 2,959 | (3,010) | 9,846 | 1,155 |
| Operations | 8,396 | (23,121) | 26,176 | (6,509) |
| Consolidating adjustments | 722 | 580 | 2,185 | 1,919 |
| Legal expense | (1,060) | (9,078) | (1,500) | (10,303) |
| Total | <u>\$ 15,490</u> | <u>\$ (30,811)</u> | <u>\$ 45,347</u> | <u>\$ (4,408)</u> |

Note: Beginning October 1, 2005, the Company adopted FAS 123 (R) on a prospective basis and commenced expensing stock options. Consequently, selling, general and

administrative expense, income from operations, and associated margin percentages for periods prior to adoption may not be comparable to fiscal 2006 data.

Total stock option expense in the third quarter was \$1.1 million, or \$0.03 per diluted share, compared to \$1.4 million, or \$0.04 per diluted share, if the Company had been expensing stock options in the third quarter of 2005. Segment results for fiscal 2005 exclude stock option expense.

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MAXIMUS, Inc.
Supplemental Financial Information
(In thousands, except per share data)
(Unaudited)

The following table reflects the impacts of certain items on pre-tax income and earnings per share on the Company's financial results for the three months ended June 30, 2006:

| | Three Months Ended | |
|--------------------------------------|---------------------------|------------------|
| | June 30, 2006 | |
| | Pre-tax | EPS |
| | Expense | |
| Texas Project: | | |
| Project operating loss | \$ 17,195 | \$ (0.49) |
| Write-off of deferred contract costs | 17,109 | (0.48) |
| Subtotal Texas project | \$ 34,304 | \$ (0.97) |
| Legal Settlement | \$ 9,078 | \$ (0.26) |
| Total of above impacts | <u>\$ 43,382</u> | <u>\$ (1.23)</u> |

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