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

FORM 8-K

CURRENT REPORT

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

Date of report: **May 8, 2009**
Date of earliest event reported: **May 7, 2009**

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:

- 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))
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Item 2.02 Results of Operations and Financial Condition.

On May 7, 2009, the Company issued a press release announcing its financial results for the quarter ended March 31, 2009. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On May 7, 2009, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.

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

Exhibit No.	Description
99.1	Press release dated May 7, 2009
99.2	Conference call transcript and slide presentation for Earnings Call – May 7, 2009

EXHIBIT INDEX

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99.2	Conference call transcript and slide presentation for Earnings Call – May 7, 2009

MAXIMUS Reports Fiscal 2009 Second Quarter Results
- Awarded \$266 Million Rebid and Expansion in Australia -
- Updates Fiscal 2009 Outlook; Positioned for Accelerated Growth in Fiscal 2010 -

RESTON, Va.--(BUSINESS WIRE)--May 7, 2009--MAXIMUS (NYSE:MMS), a leading provider of government services, today reported results for its fiscal 2009 second quarter ended March 31, 2009.

Key highlights for the second quarter of fiscal 2009 include:

- Second quarter revenue of \$184.2 million,
- Net income from continuing operations of \$11.4 million, or \$0.64 per diluted share, and on a pro forma basis \$0.66 per diluted share excluding legal and severance expenses,
- Strong cash provided by operating activities - continuing operations of \$40.0 million in the quarter and cash at March 31, 2009 of \$85.1 million,
- Improved Days Sales Outstanding to 66 days at March 31, 2009,
- New sales awards of \$447 million and total pipeline of \$1.4 billion at May 4, and
- Notification of award on a \$266 million rebid and expansion in Australia.

Revenue for the second quarter was \$184.2 million versus \$189.6 million reported for the same period last year. Results for the second quarter of fiscal 2009 reflect less favorable currency exchange rates. On a constant currency basis, revenue for the second quarter of fiscal 2009 increased approximately 1.0% over the comparable prior year quarter. For the second quarter, net income from continuing operations was \$11.4 million or \$0.64 per diluted share compared to \$13.5 million or \$0.72 per diluted share reported for the second quarter last year. Per share earnings in the second quarter of fiscal 2009 were lower principally due to less favorable currency exchange rates, as well as new contract transition and project timing in the Operations Segment, and lower contribution from the Consulting Segment, which was partially offset by share repurchase activities. For the second quarter of fiscal 2009, earnings per diluted share on a pro forma basis were \$0.66 excluding legal and severance expenses.

In a separate release issued today, MAXIMUS announced that its MAXNetWork subsidiary has been awarded a rebid and expansion of its Job Services Australia contract by the Department of Education, Employment and Workplace Relations. The three-year base contract is valued at \$266 million (USD) and launches July 1, 2009. The contract also allows for two three-year option periods, extending the contract to 2018 if all options are exercised. Under the new contract, MAXNetWork will provide employment services through 73 operational sites, a net increase of 36 new sites across Australia.

Richard A. Montoni, Chief Executive Officer commented, "We are pleased with the results for the quarter and what we see for the rest of fiscal 2009. Our year-to-date results demonstrate continued solid overall performance and stability of demand for our services, despite the challenging macro-economic environment. In addition, with today's announced win in Australia, along with other recent awards, we are excited about our prospects for growth in 2010 as these new contracts contribute to our stream of predictable, long-term revenue and profit. While the new wins will result in start-up expenses in the second half of the year, we expect that the new business awards year-to-date will increase revenue for fiscal 2010 by 7% over our current revenue forecast for fiscal 2009. Additionally, we remain optimistic on further growing the business in 2010 based on the high level of new work initiatives in process."

Operations Segment

Strong performance by the Operations Segment resulted in revenue of \$155.6 million and operating income of \$19.9 million for the second quarter of fiscal 2009. This compares to revenue of \$161.0 million and operating income of \$22.8 million for the same period last year. Segment results were lower in fiscal 2009 principally due to less favorable currency rates, the transition to a new contract that was successfully rebid last year, and project timing associated with the \$6.9 million hardware and software contribution in the second quarter of last year which did not reoccur this year. Normalized for hardware and software revenue of \$6.9 million and constant currency, Operations Segment revenue increased 5.6% compared to the same period last year. The Segment benefits from seasonal tax-credit work in the second half of the fiscal year, which will partially offset start-up expenses on new work and the deferral of outcomes-based revenue for the expanded Australian Job Services project.

Consulting Segment

For the fiscal 2009 second quarter, Consulting Segment revenue was \$28.6 million, consistent with prior year revenue of \$28.6 million. Revenue in the fiscal 2009 second quarter benefited from new work in the Educational Services division including \$4.8 million of non-recurring pass through revenue. The Segment's operating loss for the fiscal 2009 second quarter was \$475,000 compared to an operating profit of \$496,000 in the prior-year period. Segment performance continues to be impacted by costs to exit business lines and project provisions; however the Company remains focused on executing its plan to improve Consulting Segment performance.

Sales and Pipeline

Year-to-date signed contract wins at May 4, 2009, totaled \$447 million, compared to the \$615 million reported last year which included two large program awards. New contracts pending at May 4, 2009, (awarded but unsigned) totaled \$338 million compared to \$149 million reported last year. Sales opportunities (pipeline) at May 4, 2009, totaled \$1.4 billion (consisting of \$651 million in proposals pending, \$110 million in proposals in preparation and \$646 million in proposals tracking) compared to \$1.6 billion the prior year.

Balance Sheet and Cash Flows

MAXIMUS maintains a solid financial position with a robust cash balance totaling \$85.1 million at March 31, 2009. In the second quarter, MAXIMUS generated cash from operating activities from continuing operations of \$40.0 million and free cash flow of \$34.5 million. This includes a \$12.5 million insurance reimbursement that the Company received in connection with the previously announced arbitration settlement. Days Sales Outstanding (DSO) were 66 days for the Company's second quarter. During the second quarter, MAXIMUS purchased 187,200 shares of common stock for \$6.8 million under its ongoing share repurchase program and at March 31, had approximately \$53.4 million available under this program. On February 27, 2009, MAXIMUS paid a quarterly cash dividend of \$0.12 per share, and on April 7, 2009, the Company declared a quarterly cash dividend of \$0.12 per share payable on May 29, 2009.

Outlook

During the fiscal 2009 third and fourth quarters, MAXIMUS expects start-up expenses resulting from new wins and will defer revenue tied to outcome-based work on its expanded Australian employment services project, which, in total, is estimated to be approximately \$0.20 per diluted share. In addition, MAXIMUS has slightly reduced its outlook for its Consulting Segment. As a result, MAXIMUS now expects fiscal 2009 revenue to be in the range of \$745 million to \$755 million and earnings per share in the range of \$2.75 to \$2.85. The Company is reiterating its guidance for cash flow from continuing operations of \$35 million to \$45 million in fiscal 2009, before any additional insurance reimbursements.

Conclusion

Mr. Montoni concluded, "We are fundamentally on track for fiscal 2009. Our 2009 guidance has been modified principally as a result of the impact of start-up investments on new work. The required investments are a net positive as we further strengthen the business base. We remain optimistic as we continue to see stable demand in both domestic and international health and human services managed services programs, as evidenced by our expansion in Australia, Pennsylvania and Shelby County, Tennessee. These recent awards are a testament to the Company's successful transition to focus our operations on less discretionary health and human services program administration."

Website Presentation, Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, May 7, 2009, at 9:00 a.m. (ET). The Company has also posted a presentation on its website, under the Investor Relations page, for analysts to follow during the conference call.

The call 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:

877.407.8289 (Domestic)/201.689.8341 (International)

A replay will be available through May 15, 2009. Callers can access the replay by calling:

877.660.6853 (Domestic)/201.612.7415 (International)

Replay account number: 316

Replay conference ID number: 321261

MAXIMUS is a leading provider of government services and is devoted to providing health and human services program management and consulting services to its clients. The Company has more than 6,000 employees located in more than 220 offices in the United States, Canada, Australia, Israel and the United Kingdom. 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 Quarterly Report filed with the Securities and Exchange Commission, found on www.maximus.com.

Non-GAAP Financial Information

This press release includes certain non-GAAP financial information as defined by Securities and Exchange Commission Regulation G. Pursuant to the requirements of this regulation, reconciliations of this non-GAAP financial information to MAXIMUS financial statements as prepared under generally accepted accounting principles (GAAP) are included in this press release. MAXIMUS management believes providing investors with this information gives additional insights into MAXIMUS results of operations. While MAXIMUS management believes that these non-GAAP financial measures are useful in evaluating MAXIMUS operations, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP.

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

	September 30,	March 31,
	2008	2009
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,605	\$ 85,090
Restricted cash	2,736	2,449
Accounts receivable — billed, net of reserves of \$5,512 and \$4,232	128,819	96,350
Accounts receivable — unbilled	30,695	35,388
Current portion of note receivable	746	786
Income taxes receivable	—	17,097
Deferred income taxes	21,901	8,735
Due from insurance carrier	12,500	—
Prepaid expenses and other current assets	7,892	17,655
Current assets of discontinued operations	193	192
Total current assets	<u>325,087</u>	<u>263,742</u>
Property and equipment, at cost	81,232	83,577
Less accumulated depreciation and amortization	(47,238)	(50,028)
Property and equipment, net	<u>33,994</u>	<u>33,549</u>
Capitalized software	19,979	23,262
Less accumulated amortization	(5,854)	(6,581)
Capitalized software, net	<u>14,125</u>	<u>16,681</u>
Deferred contract costs, net	5,324	7,604
Goodwill	60,659	58,763
Intangible assets, net	3,699	2,458
Note receivable, less current portion	1,337	721
Deferred income taxes	10,933	1,440
Other assets, net	3,788	3,065
Total assets	<u>\$ 458,946</u>	<u>\$ 388,023</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 48,950	\$ 53,218
Accrued compensation and benefits	26,684	24,932
Current portion of deferred revenue	19,676	19,351
Current portion of income taxes payable	12,662	—
Current portion of capital lease obligations	417	—
Other accrued liabilities	53,891	15,029
Current liabilities of discontinued operations	11,028	4,406
Total current liabilities	<u>173,308</u>	<u>116,936</u>
Deferred revenue, less current portion	8,315	7,884
Income taxes payable, less current portion	1,617	1,573
Total liabilities	<u>183,240</u>	<u>126,393</u>
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 18,302,368 and 17,423,577 shares issued and outstanding at September 30, 2008 and March 31, 2009, at stated amount, respectively	328,323	332,462
Treasury stock, at cost; 8,635,130 and 9,562,820 shares at September 30, 2008 and March 31, 2009, respectively	(289,103)	(319,149)
Accumulated other comprehensive income	5,536	(1,771)
Retained earnings	230,950	250,088
Total shareholders' equity	<u>275,706</u>	<u>261,630</u>
Total liabilities and shareholders' equity	<u>\$ 458,946</u>	<u>\$ 388,023</u>

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2008	2009	2008	2009
Revenue	\$ 189,611	\$ 184,201	\$ 366,700	\$ 364,293
Cost of revenue	137,748	137,090	268,553	270,035
Gross profit	51,863	47,111	98,147	94,258
Selling, general and administrative expenses	28,762	27,996	55,800	55,334
Legal and settlement expense	931	368	931	368
Operating income from continuing operations	22,170	18,747	41,416	38,556
Interest and other income, net	107	35	1,608	129
Income from continuing operations before income taxes	22,277	18,782	43,024	38,685
Provision for income taxes	8,788	7,419	17,267	15,281
Income from continuing operations	13,489	11,363	25,757	23,404
Discontinued operations, net of income taxes:				
Loss from discontinued operations	(3,862)	(336)	(5,525)	(409)
Loss on disposal	—	—	—	(5)
Loss from discontinued operations	(3,862)	(336)	(5,525)	(414)
Net income	<u>\$ 9,627</u>	<u>\$ 11,027</u>	<u>\$ 20,232</u>	<u>\$ 22,990</u>
Basic earnings (loss) per share:				
Income from continuing operations	\$ 0.73	\$ 0.65	\$ 1.32	\$ 1.33
Loss from discontinued operations	(0.21)	(0.02)	(0.28)	(0.03)
Basic earnings per share	<u>\$ 0.52</u>	<u>\$ 0.63</u>	<u>\$ 1.04</u>	<u>\$ 1.30</u>
Diluted earnings (loss) per share:				
Income from continuing operations	\$ 0.72	\$ 0.64	\$ 1.30	\$ 1.31
Loss from discontinued operations	(0.21)	(0.02)	(0.28)	(0.02)
Diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.62</u>	<u>\$ 1.02</u>	<u>\$ 1.29</u>
Dividends paid per share	<u>\$ 0.10</u>	<u>\$ 0.12</u>	<u>\$ 0.20</u>	<u>\$ 0.22</u>
Weighted average shares outstanding:				
Basic	18,537	17,435	19,527	17,621
Diluted	<u>18,763</u>	<u>17,751</u>	<u>19,803</u>	<u>17,832</u>

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

	Six Months Ended March 31,	
	2008	2009
Cash flows from operating activities:		
Net income	\$ 20,232	\$ 22,990
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	5,525	414
Depreciation	5,151	4,203
Amortization	1,410	1,525
Deferred income taxes	7,522	22,659
Gain on sale of fixed assets	—	(51)
Deferred interest income on note receivable	—	210
Non-cash equity based compensation	5,458	3,950
Change in assets and liabilities:		
Accounts receivable – billed	7,079	31,321
Accounts receivable – unbilled	(13,247)	(5,464)
Prepaid expenses and other current assets	(462)	(10,006)
Deferred contract costs	1,843	(2,486)
Due from insurance carrier	—	12,500
Other assets	282	(766)
Accounts payable	686	5,320
Accrued compensation and benefits	(479)	(1,498)
Deferred revenue	(5,035)	965
Income taxes	(11,107)	(29,494)
Other liabilities	(32)	(37,573)
Cash provided by (used in) operating activities – continuing operations	24,826	18,719
Cash provided by (used in) operating activities – discontinued operations	467	(7,035)
Cash provided by (used in) operating activities	25,293	11,684
Cash flows from investing activities:		
Proceeds from sale of fixed assets	—	54
Decrease in note receivable	—	366
Purchases of property and equipment	(3,534)	(4,904)
Capitalized software costs	(2,038)	(4,686)
Decrease in marketable securities	126,210	—
Cash provided by (used in) investing activities – continuing operations	120,638	(9,170)
Cash provided by (used in) investing activities – discontinued operations	(1,566)	—
Cash provided by (used in) investing activities	119,072	(9,170)
Cash flows from financing activities:		
Employee stock transactions	3,274	(97)
Repurchases of common stock	(150,388)	(30,046)
Payments on capital lease obligations	(805)	(417)
Tax benefit due to option exercises and restricted stock units vesting	576	287
Cash dividends paid	(4,074)	(3,854)
Cash used in financing activities – continuing operations	(151,417)	(34,127)
Cash used in financing activities – discontinued operations	—	—
Cash used in financing activities	(151,417)	(34,127)
Effect of exchange rate changes on cash and cash equivalents	—	(2,902)
Net decrease in cash and cash equivalents	(7,052)	(34,515)
Cash and cash equivalents, beginning of period	70,472	119,605
Cash and cash equivalents, end of period	\$ 63,420	\$ 85,090

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

	Three Months Ended March 31,				Six Months Ended March 31,			
	2008	% (1)	2009	% (1)	2008	% (1)	2009	% (1)
Revenue:								
Operations	\$ 160,982	100%	\$ 155,626	100%	\$ 307,789	100%	\$ 311,964	100%
Consulting	28,629	100%	28,575	100%	58,911	100%	52,329	100%
Total	<u>189,611</u>	100%	<u>184,201</u>	100%	<u>366,700</u>	100%	<u>364,293</u>	100%
Gross Profit:								
Operations	42,166	26.2%	40,233	25.9%	77,723	25.3%	81,702	26.2%
Consulting	9,697	33.9%	6,878	24.1%	20,424	34.7%	12,556	24.0%
Total	<u>51,863</u>	27.4%	<u>47,111</u>	25.6%	<u>98,147</u>	26.8%	<u>94,258</u>	25.9%
Selling, general, and administrative expense:								
Operations	19,318	12.0%	20,323	13.1%	37,049	12.0%	40,446	13.0%
Consulting	9,201	32.1%	7,353	25.7%	18,149	30.8%	14,493	27.7%
Corporate/Other	243	NM(2)	320	NM(2)	602	NM(2)	395	NM(2)
Total	<u>28,762</u>	15.2%	<u>27,996</u>	15.2%	<u>55,800</u>	15.2%	<u>55,334</u>	15.2%
Operating income (loss) from continuing operations:								
Operations	22,848	14.2%	19,910	12.8%	40,674	13.2%	41,256	13.2%
Consulting	496	1.7%	(475)	(1.7)%	2,275	3.9%	(1,937)	(3.7)%
Consolidating adjustments	(243)	NM(2)	(320)	NM(2)	(602)	NM(2)	(395)	NM(2)
Legal and settlement expense	(931)	NM(2)	(368)	NM(2)	(931)	NM(2)	(368)	NM(2)
Total	<u>\$ 22,170</u>	11.7%	<u>\$ 18,747</u>	10.2%	<u>\$ 41,416</u>	11.3%	<u>\$ 38,556</u>	10.6%

(1) % of respective segment revenue

(2) Not meaningful

MAXIMUS, Inc.
Supplemental Pro Forma Earnings per Diluted share from Continuing Operations
Fiscal Year 2008 and First Half Fiscal Year 2009

	Q1 08	Q2 08	Q3 08	Q4 08	Total FY 08	Q1 09	Q2 09	Total FY 09
Diluted earnings per share from continuing operations- GAAP basis	\$0.59	\$0.72	\$0.92	(\$0.80)	\$1.43	\$0.67	\$0.64	\$1.31
Pro forma adjustments:								
Legal and settlement charges	-	0.03	0.02	1.23	1.28	-	0.01	0.01
Gains on sale of building	-	-	(0.13)	-	(0.13)	-	-	-
Pre-ASR interest income	(0.03)	-	-	-	(0.03)	-	-	-
Non-cash goodwill impairment charge	-	-	-	0.25	0.25	-	-	-
Severance	-	-	-	0.03	0.03	-	0.01	0.01
Subtotal pro forma adjustments	(\$0.03)	\$0.03	(\$0.11)	\$1.51	\$1.40	-	\$0.02	\$0.02
Pro forma diluted earnings per share from continuing operations	\$0.56	\$0.75	\$0.81	\$0.71	\$2.83	\$0.67	\$0.66	\$1.33

CONTACT:
MAXIMUS
Lisa Miles
800-MAXIMUS x11637



David N. Walker
Chief Financial Officer and Treasurer
Second Quarter Fiscal Year 2009

May 7, 2009





Second Quarter Fiscal 2009 Financial Results

- Revenue of \$184.2 million, up 1% on a constant currency basis compared to same period last year
- Net income from continuing operations of \$11.4 million
- Q2 09 diluted EPS of \$0.64 from continuing operations
 - Pro Forma diluted EPS of \$0.66, which excludes legal and settlement expense
 - Residual costs with discontinued operations of \$0.02 per share
- Operating margin of 10.2%
- Clean, solid quarter in line with expectations



Operations Segment

- **Revenue increased 5.6% to \$155.6 million**
 - Q2 08 benefitted from \$6.9 million in non-recurring revenue
 - Normalized for this infrequent revenue, and on a constant currency basis, revenue grew 5.6%
- **Q2 operating income of \$19.9 million with a 12.8% operating margin**
 - Expected lower as a result of transition to a new contract and related upfront investments
 - Also impacted by less favorable currency exchange rates
- **Large Operations contracts often require investments that can reduce current earnings as a result of start-up costs**
 - Australia: Start-up investments and revenue lag from out-come based revenue
 - Expect combined start-up from new work and revenue lag in Australia to be approximately \$0.20 per diluted share in second half of FY 09
 - As a result, Operations margin expected to be at the lower end of the Company's stated range of 10% to 15% for the second half of the year



Consulting Segment

- **Revenue totaled \$28.6 million in Q2 09**
 - Performance driven by revenue and profit from the NYC Department of Education project
 - Included approximately \$4.8 million in non-recurring pass through revenue
- **The segment improved sequentially by approximately \$1.0 million in operating income, but continues to underperform**
- **Focus on the fundamentals including labor utilization, winding down certain practice areas, improving an underperforming fixed price contract and cost management**



Balance Sheet

- **MAXIMUS maintains strong liquidity and flexibility in this demanding market**
- **In Q2 09, MAXIMUS generated cash from operating activities related to continuing operations of \$40.0 million and free cash flow¹ from continuing operations of \$34.5 million**
 - **Included a \$12.5 million insurance reimbursement received in February**
- **Cash at March 31, 2009 totaled \$85.1 million and credit line of \$24.6 million put MAXIMUS in a strong position in a difficult economic environment**
- **DSOs improved to 66 days**
- **During the quarter MAXIMUS repurchased 187,200 shares of stock for \$6.8 million**
 - **At March 31, \$53.4 million was available under the Board-authorized program**
- **Paid quarterly cash dividend of \$0.12, a cash use of \$2.1 million**

¹The Company defines free cash flow as cash from operations less purchased property and equipment and capitalized software costs



Guidance

- **Updating fiscal 2009 guidance**
 - Revenue to be in the range of \$745 million to \$755 million
 - Earnings per share in the range of \$2.75 to \$2.85
 - Currently expect Q3 09 to be consistent with Q2 09, depending on the timing of start-up expenditures. Q4 09 is expected to be strong, driven by new work coming on stream and the annual seasonality from tax credit business
 - The bulk of the revision – approximately \$0.20 per diluted share – is related to investments in new work, mostly from our expanded book of business in Australia
 - Tempered outlook for Consulting
- **May have additional investments tied to new work that will help fuel new growth in FY 10 and beyond but premature to predict potential start up for work that is not yet won**
- **Reiterating cash flow guidance to be in the range of \$35 to \$45 million with free cash flow of \$15 to \$25 million**



Richard A. Montoni
President and Chief Executive Officer
Second Quarter Fiscal Year 2009

May 7, 2009





Setting the Table for Meaningful Growth in 2010 and Beyond

- **Second quarter results in line**
 - Reflective of the resilient nature of our repositioned business
 - Aside from start-up investments from new work and tempered outlook in consulting, progressing as expected

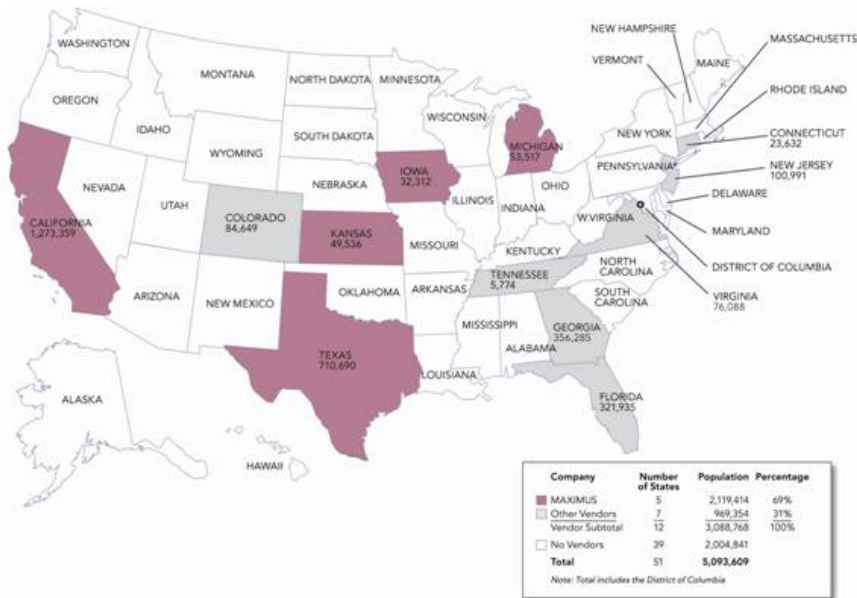
- **Major rebid and expansion of the Jobs Services Australia Program**
 - Three-year base contract valued at \$266 million (USD) begins July 1, 2009
 - Includes six additional option years, if exercised will take contract out to 2018
 - New contract with double annual revenue run rate for all our Australian operations to an estimated \$90-95 million (USD)
 - Net increase of 36 training and employment sites
 - MAXNetwork the #1 for-profit provider under the Star Ratings program (Australian government)
 - Longer term, Australian market could provide broader opportunities in other verticals, such as health

- **Child support enforcement award for Shelby County, TN**
 - Five-year contract valued at \$49 million
 - Largest child support privatization contract in the US

CHIP Reauthorization

- **CHIP legislation seeks to expand enrollment from 7 million to 11 million children over the next five years**
- **Could be a significant catalyst for growth in the long term**
- **As the leading provider of CHIP administration services, MAXIMUS is best equipped to help states meet challenges from new legislation**
- **We expect funds to lag over next few quarters and the growth in this market to be beyond this fiscal year**
 - **States must complete legislation and allocate funds**
 - **Administrating agencies must negotiate or amend agreements with health plans**
 - **As a result, we expect this will likely pause any meaningful growth in CHIP enrollments in the near term.**

Leading Pure-Provider in CHIP Enrollment



Source for number of CHIP enrollees: CMS 2007

Twelve states presently outsource CHIP enrollment of which MAXIMUS runs enrollment in five states with a 69% market share. Approximately 2,000,000 additional children receive CHIP services through a Medicaid expansion program.

FY 2009 Guidance and FY 2010 Top-Line Commentary

- **Fiscal 2009 earnings**
 - Adjusted primarily to account for ramp-up investments in new work
 - Tempered outlook in Consulting but executing plan to improve portfolio, focus on fundamentals, manage costs and bring it to consistent profitability
- **New work start-up investments are the precursor to meaningful growth in 2010**
- **Directional insight into our top-line prospects for FY 2010**
 - Assumes our base business remains intact, based solely with work we've won thus far in 2009
 - Top-line organic growth of approximately 7%
 - Does not factor in any potential additional new work we are currently pursuing
- **Our business remains stable, with positive demand trends for the Operations Segment**



Capitalizing on New Opportunities

- **Closely monitoring Federal health care reform efforts**
 - Administration has three main goals for reform: improve quality, contain costs and cover the uninsured
- **MAXIMUS brings valuable experience to the table**
 - Ability to contain administrative costs and increase access to cover uninsured and underinsured
 - MAXIMUS has demonstrated success achieving these goals at the state level
 - Longstanding positive relationship with Federal key decision makers
- **50 state outreach program to dissect CHIP and stimulus legislation and identify pressure points for key program administrators**
 - Helping states currently not partnering with a managed services provider to implement broader measures to expand CHIP enrollment
- **MAXIMUS remains the leading provider of CHIP administration, working with 5 of the 12 states that currently partner with managed service providers**

New Sales Awards and Pipeline

Sales	<u>Q2 2008*</u>	<u>Q2 2009</u>
Signed Contracts	\$604M	\$447M
Awarded Unsigned Contracts	\$125M	\$338M
Pipeline		
Proposals Pending	\$479M	\$651M
Proposals in Preparation	\$115M	\$110M
RFPs Tracking	\$782M	\$646M
Total Pipeline	\$1,376M	\$1,406M

*Restated to reflect divested businesses



Conclusion

- **MAXIMUS maintains a healthy cash balance**
- **We will invest in ramping up our new contracts in the coming quarters**
- **We are actively considering ways to deploy cash in a strategic fashion**
 - **Stock repurchase and dividend programs**
 - **Evaluation and pursuit of tuck-in acquisitions as appropriate**
- **We will use the remaining quarters in FY 09 to position the business for meaningful contribution in FY 10 and beyond**
- **We will capitalize on the many opportunities before us today and translate them into successes for MAXIMUS and value to our shareholders**

FINAL TRANSCRIPT

MMS - Q2 2009 MAXIMUS, Inc. Earnings Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, welcome to the MAXIMUS second quarter conference earnings call. (Operator Instructions) At this time I will turn the call over to Lisa Miles, Vice President of Investor Relations.

Lisa Miles - MAXIMUS - Vice President, Investor Relations

Good morning. Thank you for joining us today on today's conference call. I would like to point out that we have posted a presentation to our website under the Investor Relations page to assist you in following along with today's call.

With me is Rich Montoni, Chief Executive Officer, and David Walker, Chief Financial Officer. Following Rich's prepared comments we will open the call up for Q&A.

Before we begin, I would like to remind everyone that a number of statements being made today will be forward-looking in nature. Please remember that such statements are only predictions and actual results or events may differ materially as a result of risks we face, including those discussed in Exhibit 99.1 of our SEC filings. We encourage you to review the summary of these risks in our most recent 10K filed with the SEC. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances.

And with that, I will turn the call over to Dave.

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David Walker - MAXIMUS - CFO

Good morning and thanks for joining us. This morning, MAXIMUS reported revenue for the quarter totaling \$184.2 million, up 1% on a constant currency basis compared to the same period last year. Second quarter net income from continuing operations totaled \$11.4 million with diluted earnings per share of \$0.64 that are in line with our expectations and slightly ahead of consensus estimates.

On a pro forma basis, diluted earnings per share from continuing operations were \$0.66, which excludes legal and settlement expense. We also incurred \$0.02 per share of residual costs associated with discontinued operations in the quarter. We achieved a total Company operating margin of 10.2% which is consistent with the stated goal of an operating margin at or above 10% over the long term. All in all, it was another clean, solid quarter that was in line with our expectation.

Let's turn our attention to segment level results. For our fiscal second quarter, the Operations Segment posted revenue of \$155.6 million. In the second quarter of last year, the Segment arrived an unusual benefit of approximately \$6.9 million related to hardware and software purchases on a large health managed services program. After normalizing for this infrequent revenue, the Operations Segment revenue grew 5.6% compared to the same quarter last year on a constant currency basis. The Operations Segment delivered operating income of \$19.9 million and operating margin of 12.8%, well within our target margin for the Segment of 10% to 15%.

As a reminder, at the beginning of the second quarter we commenced a project we successfully rebid last year. We expected the margin to be lower as a result of the transition to this new contract and the associated investment in the technology refresh. Our Operations Segment has a business model which provides visibility into future periods. What we sell this year typically translates into revenue next year.

Rich will talk in greater detail about our new contract wins, the large award, such as the recently announced contract in Australia, will help fuel next year's growth. These large operations contracts often involve start-up costs that cannot always be capitalized and, therefore, reduce current earnings. In addition, certain contracts, such as the Australian contract, have outcome-based targets which results in a lag of revenue recognition. We expect the combined earnings impact of the revenue lag and the projected start-up expenses on current wins, not considered in our previous guidance, to be approximately \$0.20 per diluted share for fiscal 2009. As a result of these investments associated with recent awards we now expect profit margins for the Operations Segment to be in the lower end of our target range of 10% to 15% for the second half of fiscal 2009.

These large contract wins also can use considerable amounts of working capital. For example, with the recent win this Australia, we anticipate capital expenditures in excess of \$7 million associated with the net increase of 36 new operational sites. This will be discussed shortly in terms of guidance for the balance sheet and cash flow.

Moving on to the Consulting Segment. For the second quarter, Consulting Segment revenue totaled \$28.6 million. Performance in the quarter was driven principally by the revenue contribution on the New York City Education Project, which included approximately \$4.8 million in pass-through revenue in the quarter. While this Segment continues to under-perform from our expectations, the Segment showed sequential improvement of approximately \$1 million in operating income. We continue to focus on fundamentals in the Consulting Segment, such as labor utilization, winding down certain practice areas, improving an under-performing legacy fixed-price contract, and cost management.

Moving on to balance sheet and cash flow items. MAXIMUS continues to maintain healthy liquidity levels and no outstanding debt. For the second quarter, MAXIMUS generated cash from operating activities related to continuing operations of \$40 million and free cash flow from continuing operations of \$34.5 million. Cash flow in the quarter included a \$12.5 million insurance reimbursement we received in February related to a settlement from the prior fiscal year.

Excluding the settlement receipt, cash flow from operations was still exceedingly strong. We ended the second quarter with cash totaling \$85.1 million at March 31, 2009. Our cash, coupled with the \$24.6 million available under our line of credit, certainly puts us in a strong position in a difficult, economic environment. This is something that is increasingly important to our clients, who prefer a financially stable partner when outsourcing important programs.

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We have maintained a rigorous focus on cash and receivable management. As a result, DSOs continue to run at the favorable end of guidance. DSOs for the second quarter were 66 days. There will be fluctuations due to timing, so overall, we continue to expect that DSOs could range between 65 to 80 days.

Early in the second fiscal quarter, we repurchased 187,200 shares of MAXIMUS common stock for approximately \$6.8 million. At March 31, 2009, MAXIMUS had \$53.4 million available under its Board authorized repurchase program. During the quarter, we also paid a quarterly cash dividend of \$0.12 per share, a cash use of \$1.2 million.

Before I turn the call over to Rich, I will wrap up with some guidance. We are adjusting fiscal 2009 guidance and now expect revenue in the range of \$745 million to \$755 million and diluted earnings per share of \$2.75 to \$2.85. At this, we expect the third quarter to be largely consistent with the second quarter depending on the timing of start-up expenditures. The fiscal fourth quarter is expected to be strong as a result of the new work coming onstream and annual seasonality from our Tax Credit Business. As noted in my earlier comments, the bulk of the revision, or approximately \$0.20 per diluted share, is related to investments in new work, mostly from our expanded book of business in Australia.

We have also slightly tempered our outlook for Consulting in this revised guidance. While we have seen sequential improvement in this Segment's performance, improvement has been more moderate than we previously anticipated.

And lastly, cash flow guidance. While some of our new contract wins require increased capital spending and use of working capital, our strong performance in the quarter allows us to maintain our full year cash flow guidance. Just to reiterate that, we continue to expect cash flow from continuing operations for the full year to be \$35 million to \$45 million with free cash flow from continuing operations of \$15 million to \$25 million.

Thank you for your time this morning. Now I will turn the call over to Rich.

Rich Montoni - MAXIMUS - CEO

Thank you, David. Good morning, everyone. Thank you for joining us today.

At the beginning of the fiscal year, we envisioned 2009 would be an improved year and one that sets the table for meaningful growth; meaningful growth in 2010 and beyond. And these are really shaping up as expected. Our second quarter results were in line with the expectations and reflective of the resilient nature of our repositioned business. We are pleased with our year-to-date results and principally - aside from start-up investments resulting from new work, one, and a modestly tempered outline in Consulting - we are progressing as expected.

The cornerstone of our enthusiasm for fiscal 2010 is today's announced win of a major rebid and expansion of the Job Services Australia Program. This win further demonstrates our market leading position in the administration of Health and Human Services programs.

I will share with you the highlights of the Australian win. And by the way, all the dollars I will mention will be in US dollars, although the contract itself is valued in Australian dollars. The contract is a three year based contract in Australia and it is valued at \$266 million. The contract also allows for up to six additional option years and, if exercised, will take the contract out to 2018. The new contract will double our annual revenue run rate for all of our Australian operations to an estimated \$90 million to \$95 million. The new contract, through our MAXNetwork subsidiary, calls for a major ramp in our Training and Employment Services with a net increase of 36 sites across Australia. In line with the program's goals, we will broaden our focus to include longer term, more comprehensive skills training to increase the length of employment for the most disadvantaged clients.

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MAXIMUS has been the number one rated for-profit provider under the Australian government's Star Ratings Program. We are reaping the benefits of the exceptional performance of our MAXNetwork team.

This gain, in this important international market, stems from our concentrated focus on our core, our core Health and Human Services offerings and our emphasis on maintaining a number one or number two position in key markets. Our strategy is working. Longer term, we think the Australian market could provide broader opportunities in other core vertical markets such as Health.

In addition to Australia, we recently won a five year, \$49 million Child Support Enforcement Award for Shelby County, Tennessee. This contract represents the largest child support privatization contract in the nation.

Our ability to continue to win contracts and expand our business is a reflection of our optimization efforts over the last three years as we become more effective in our core markets. Our demonstrated success further defines MAXIMUS as the leading pure-play provider in the government Health and Human Services market.

Let me review some of the important events of the second quarter. We were pleased that both the CHIP reauthorization and stimulus bills were passed into law. The CHIP legislation seeks to expand the program from seven million children to 11 million children over the next five years. This could be a significant catalyst for future growth. As the leading provider of CHIP administration services, we are best equipped to help States meet the challenges of the new requirements.

As discussed on last quarter's call, we expect new spending from these bills to start to ramp up over the next few quarters. This is due to the multi-step process of completing legislation and allocating funds down to the States and applicable agencies. State administered programs such as CHIP may also require State legislative action to increase funding levels while administering agencies must negotiate or amend agreement with health plans. This, in turn, will likely pause growth in CHIP enrollments in the near term and push out any meaningful growth from these bills beyond this fiscal year.

As David explained, our 2009 earnings forecast has been adjusted primarily to account for the start-up cost on new work. In addition, we have slightly tempered our outlook for Consulting. In Consulting, we are executing a plan to improve the Segment's overall portfolio and our main focus is on improving the fundamentals, managing costs, and bringing it to consistent profitability. While we have made progress here, we are focused on driving additional improvement.

But the largest driver behind modification to guidance is the new work start-up. This is a net positive, reflecting typical start-up costs, that are the precursor to meaningful growth. This meaningful growth we expect to start in the upcoming fourth quarter. In fiscal 2010, we expect a full year of benefit in growth, in revenue, and profit from this new work.

It is still early to introduce formal guidance for 2010 but we are comfortable enough with the contracts we have won thus far this year to provide some directional insight into our top-line prospects for the coming fiscal year. Assuming our base business remains intact, based solely on the new work we've won thus far this year, we have locked in expected top line organic growth of approximately 7%. This is based off the mid point of our 2009 revenue guidance. It is important to note that this projected growth does not factor in any additional growth from potential new work on the runway that we are currently pursuing, which, by the way, is quite robust.

All in all, we believe our business remains stable and we continue to see positive demand-trends in our Operations business. Our ability to navigate this challenging environment has been a direct result of our focus on core services for federally funded and federally mandated Health and Human Services work. We continue to win new work in these areas at both the State and Federal levels. However, it is critical, that we continue to take advantage of new work opportunities as they develop. We have several ongoing initiatives to monitor legislative action and capitalize on opportunities for our Consulting and Managed Services.

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On the Federal front, we continue to closely monitor President Obama's healthcare reform efforts. The Congressional Budget Office estimates a steady increase in healthcare spending, as a percentage of GDP, and it is likely that health reform will remain a legislative priority in the long run. The administration has three goals for health reform - improve quality, contain costs, and cover the uninsured. MAXIMUS brings valuable experience to the table, particularly with our ability to contain administrative costs and increase access to include coverage for the uninsured and the under-insured. We have demonstrated success in achieving these goals for our State clients in the administration of State, Medicaid and CHIP programs. We anticipate that House and Senate committees will introduce legislation in June and take action in early August. Right now, the likely vehicle to move this legislation is undefined, but as an independent provider, we are actively participating in health reform dialogue.

We believe our ongoing work in the Health and Human Services market has enabled us to build upon our long-standing, positive relationship with key decision makers, particularly those at the Centers for Medicare and Medicaid services, the Department of Defense TRICARE management activity and other Federal agencies. Our strong past performance as a key Federal contractor makes us confident about additional opportunities that will likely result from health reform.

At the State level, we are also aggressively working to raise awareness of our capabilities and experience to help position the Company with prospective new clients. We established a 50 State outreach program to help dissect CHIP and stimulus legislation and identify pressure points for program administrators and key decision makers. As part of this outreach effort, we are helping States currently not partnering with a Managed Services provider to implement broader measures to expand CHIP enrollment.

Today, MAXIMUS is the leading provider of CHIP administration working with five of the 12 States, including two of the largest, that currently partner with Managed Service Providers. We are exploring every opportunity to stay ahead of the curve and expand our leadership, both with existing and prospective customers.

Now, turning to our pipeline and rebid data. On May 4th, we had new signed awards of \$447 million and new contracts pending, or awarded but unsigned, totaling \$338 million. Our pipeline of new opportunities remains steady at \$1.4 billion. This includes \$651 million in proposals pending, \$110 million in proposals-in-preparation, and \$646 million in opportunities we are tracking and expect to come out in the next few months.

Finally, our cash position remains robust. In the coming quarters we will invest in ramping up our new contracts while maintaining a healthy cash balance. This, by the way, continues to serve as a competitive differentiator in our government markets. As we de-risk and focus the business, we are also mindful of ways to deploy cash in a strategic fashion to drive growth and strengthen our core competencies. Company Management and our Board of Directors regularly review opportunities to return capital to shareholders through our repurchase and dividend programs. We also continue to evaluate tuck-in acquisitions and will pursue these opportunities as appropriate.

In summary, as we look ahead, fiscal year 2009 will be a solid year and a time to position the business for meaningful future growth. Not only in fiscal year 2010, but in the years beyond. We will continue to optimize our business operations, provide our clients with high quality services, build relationships with key decision maker, and closely monitor legislative changes. We have many prospects before us today and I am optimistic about our capability to capitalize on these opportunities and translate them into successes for MAXIMUS and value to our shareholders.

With that, let's open it up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you, ladies and gentlemen, at this time we will be conducting a question-and-answer session. (Operator Instructions)

Our first question today comes from Anurag Rana with KeyBanc Capital Markets. Please proceed with your questions.

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Anurag Rana - *KeyBanc Capital Markets - Analyst*

Good morning, everyone. This is Adam in for Anurag. Couple of questions for your guys. When you refer to the new work you're pursuing, what areas in particular are you focusing on?

Rich Montoni - *MAXIMUS - CEO*

Good morning, Adam, this is Rich Montoni. We are really focused, across the board, in all of our business units, on new work. The items that come in mind, in terms of foremost, would certainly be in the Federal arena. Over the last couple of years we've experienced pretty meaningful growth in our Federal business. We think strategically it is a great match with the expertise we've built up over the years. We also think it plays handsomely into our capabilities in Dispute Resolution and the fact that we are an independent provider of Dispute Resolution Services, as well as Quality Oversight Services. So certainly in the Federal arena, we expect new work.

State and local, I think, we expect new work certainly in the Health and Human Services area. Some of this is resulting from the ongoing trend towards outsourcing by governments, and we can talk about what those drivers might be. But certainly, to quickly share with you some of the drivers behind it -- it's the retiring government workforce, it is the increasing complexity of the cases, the increasing number of the cases that I think really constitutes meaningful pressure points to increase demand in those service lines and then Consulting. And we expect to grow Consulting service capabilities when they best fit with our core capabilities. And that is really the can of Consulting space.

Anurag Rana - *KeyBanc Capital Markets - Analyst*

Great. Two more. Can you elaborate on your timing expectations for the State CHIP legislation and fund allocation?

Rich Montoni - *MAXIMUS - CEO*

I would be glad to talk about that. I have got to tell you, there is really no clear cut, quick answer. It really will depend upon, first and foremost, State by State -- the individual State situation, and how those State leaders decide to move forward with the opportunity presented to them by this new Federal legislation. And there is a continuum. Some States may choose not to modify their programs extensively. Others will choose to move forward.

I'd also say, keep in mind, I believe the intent of the new legislation, the CHIP legislation, it's really a five year program and the goal is to grow the coverage to children from 7 million to 11 million over five years. I think there's an earnest intent by the States to get there, but I don't think it's a three month or six month exercise. I think it is multi year.

Anurag Rana - *KeyBanc Capital Markets - Analyst*

Thanks, Rich. And lastly, to what extent have the additional Federal matching funds for Medicaid offset State's budget shortfalls to this point?

Rich Montoni - *MAXIMUS - CEO*

Well, that is really where you need to read tea leaves. It is tough to quantify and, from our perspective, impossible to quantify. So qualitatively, I would tell you, I think it's to a meaningful extent and I think it is very helpful. I think a lot of States did appreciate it and use it to help maintain the current level of service. So, I can just give it to you qualitatively, I think it is substantial.

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Anurag Rana - *KeyBanc Capital Markets - Analyst*

Thanks very much, Rich.

Rich Montoni - *MAXIMUS - CEO*

You bet. Thank you.

Operator

Thank you. Our next question comes from the line of Charlie Strauzer with CJS Securities. Please proceed with your question.

Charlie Strauzer - *CJS Securities - Analyst*

Good morning.

Rich Montoni - *MAXIMUS - CEO*

Good morning, Charles, how are you?

Charlie Strauzer - *CJS Securities - Analyst*

Good, thanks. Couple of things. First of all, if you could expand a little bit on the guidance and how we should think about the Segments' margins for the next couple of quarters. Are you also implying with the tempering of Consulting that that could actually turn back into a loss on the operating margin-side? Just give us a little bit more help if you could.

Rich Montoni - *MAXIMUS - CEO*

I would be glad to do that. The key highlights as we move forward by quarter would be, generally, we expect the third quarter to be relatively consistent top line and bottom line with the second quarter. And the big driver there, obviously, is the incurrence of the start-up cost and, by the way, most of the start-up cost -- and by most I mean 90% plus -- relate to this Australian expansion. And as you are aware, the adjustment and the guidance is mostly related to the start-up cost. We expect that there will be a weighting of the start-up cost towards the third quarter. If I were to share with you percentages, I think it would be 70/30, 60/40 weighting as it relates to Q3, Q4. So we'll get a bit of uplift in the fourth quarter relative to that weighting.

And other things that will give you flux between Q3 and Q4. As you're well aware, we have that seasonality that comes into play with our Tax Credit Business in the fourth quarter, it is its most handsome quarter and we expect that to repeat. We also see improvement in Growth and Health operations in the fourth quarter. We also see the Child Support Business as improving in the fourth quarter versus relatively flat in the third quarter. And the big driver to that is the Shelby contract that we mentioned in my call notes. That should kick in operationally and contribute to revenue and profit in the fourth quarter, but not so much in the third quarter.

And lastly, on the Consulting side, we do expect Consulting should be pretty close to break even in Q3 and then profitable in Q4.

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Charlie Strauzer - *CJS Securities - Analyst*

Ok. And then segueing into Australia to get a little bit more color there. When you look at the work you're doing now verses what you are going to be ramping to do, can you give us a little bit of flavor of what is different from what you had been doing in the past there? And with the size of the contract are you --? I know it is a little bit above the target type of sized contract that you had dialed the Company back towards. Are you comfortable with the size of the contract and the scope of it as well? Because, I think in the past, larger contracts, I think, you kind of shied away from before.

Rich Montoni - *MAXIMUS - CEO*

Great question. I have got some points that are very appropriate. First off, as you are aware, Risk Management has been -- it has really been the cornerstone to our strategy for the last three years. And we worked really hard to design, buildout -- not only our Risk Management strategy, but all the tools and protocols that really execute it and make it work in real life. It still is very much an important part of the strategy. And will continue to be an important part of the strategy.

This project in particular, I believe, should be most viewed as an expansion and it has been subject to our higher level protocols. We've put it through our Business Review Committee. We've addressed the risk of this project expansion head-on. And we feel very comfortable that MAXIMUS is very capable of handling this project expansion.

To really understand this situation and the risk profile you need to go back to 2002. We had purchased a small business in Australia. This was the seed, this was their main contract at the time, so MAXIMUS and its predecessor have been running the contract and participating in this contract before 2002, so well over a decade. The risk on this is really spread over many locations. It is really picking up new geography as opposed to inventing and designing and building new systems. We are simply expanding on what we do today.

Another important data point is, last year we received, under the old contract, additional work, 11 additional sites. And we successfully ramped up those sites last year and they went live on time, on budget, and were, as expected, profitable and remain profitable today.

The last important point here is, we just have a great Management team there. They have extensive government experience; a lot of them used to work with the government itself. They have a great relationship with this client. This client, itself, is a very sophisticated client. They know their business. They know their systems. And they're a very fair client.

When we put it all together, we think this is a great contract and we're very capable of executing on it. We see it as a low risk expansion from an operational perspective.

Charlie Strauzer - *CJS Securities - Analyst*

Excellent. That's a great clarification. And then, Rich, you've purchased a fair amount of shares over the years. Can you maybe just recap for us, if you have it, on the total number of shares you've purchased in the last two or three years, just to kind of highlight the use of your cash for shareholder value?

Rich Montoni - *MAXIMUS - CEO*

That's a great point. To take a step back, over the last two years, I believe, we've purchased 1.3 million shares.

Charlie Strauzer - *CJS Securities - Analyst*

Excellent, thank you very much.

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Rich Montoni - MAXIMUS - CEO

Thank you, Charles.

Operator

Thank you. (Operator Instructions) Our next question comes from the line of Jason Kupferber from UBS. Please proceed with your question.

Jason Kupferber - UBS - Analyst

Thanks. I just wanted to follow up on the Australia contract. I might have missed this, but how much revenue is actually being deferred here?

Rich Montoni - MAXIMUS - CEO

Dave Walker?

David Walker - MAXIMUS - CFO

Yes. It is less that it is deferred than it is not matched with the cost. So, in this particular contract, we get these incentives or performance based payments and we've historically always had that, so it is the same structure, it is just double the size. And so you incur the cost to run them when people are employed for a certain period of time and they stay in the position. And we get incentive payments for retention and so it lags a little over a quarter. And we have had a very reliable revenue stream from it and we expect it to continue. It is just doubled in size and so the deferral relative to the cost of operations are off about a quarter and half.

Jason Kupferber - UBS - Analyst

Okay. So it sounds like there is nothing that unique about the financial structure of this rebid or expansion piece of work. I guess I am just trying to understand what surprised you guys here. You said, this is most the reason for the guide-down in EPS, is this contract specifically. If I heard you right? I am just trying to understand -- You weren't sure you were going to get the extension? What was the surprise here?

Rich Montoni - MAXIMUS - CEO

Well, it's a new contract rebid. When they award them you don't know what they are going to award. So they could award somewhere between zero sites or, and the other end of the continuum, is this additional amount of work. So, call it conservatism, but what we don't do in our guidance is factor new work into in it. We have basically assumed that we would basically win the same amount of work we are doing today, but we didn't factor in to our guidance that we would win a net new 36 sites. And it is really the cost of expanding those sites, that is the start-up cost. There are no start-up costs with the existing sites that we manage.

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Jason Kupferber - *UBS - Analyst*

Right. Okay. Right. I noticed that the unbilled DSO it spiked a bit quarter over quarter. Is that related to Australia specifically or any other factors?

David Walker - *MAXIMUS - CFO*

No. Not at all. We started up the contract in New York. We had a big, large front loaded hardware/software pass through. The milestone should be reached to be able to bill that next quarter, but the reality is -- And the DSOs are very competitive, there. You just have one large revenue and an unbilled receivable on a fixed-price contract that hit this quarter.

Jason Kupferber - *UBS - Analyst*

Okay. Just one last question. Any update on the rebids down in Texas from a timeline perspective? I know the State has kind of pushed that out.

Rich Montoni - *MAXIMUS - CEO*

They have pushed it out. And the main contract that is involved here -- There was one small contract that they let to a small provider that was about \$3 million a year, that happened in November. The main contract here, which is the main one that MAXIMUS is interested in, still remains not awarded. There is activity -- active sessions between the State -- in the State and their process to move forward to the decision. We are anxious to hear a definite decision, I'm going to say, over the next 30 days.

Jason Kupferber - *UBS - Analyst*

Okay. We'll stay tuned. Thanks.

Rich Montoni - *MAXIMUS - CEO*

Thank you.

Operator

Thank you. Our next question comes from the line of George Price with Stifel Nicolaus. Please proceed with your question.

George Price - *Stifel Nicolaus - Analyst*

Hi. First, just to -- Good morning, by the way, everyone.

Rich Montoni - *MAXIMUS - CEO*

Good morning, George.

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George Price - *Stifel Nicolaus - Analyst*

Just to clarify on Australia. How much of the \$0.20 of new -- of ramp up impact from new work -- How much of that \$0.20 is Australia and how much of it is other stuff?

Rich Montoni - *MAXIMUS - CEO*

More than 90% is Australia. We have one other job that is in a start-up phase, the Shelby situation that will incur some start-up costs in the period, but it is really not a material amount. It is all, virtually all, more than 90%, Australia.

David Walker - *MAXIMUS - CFO*

We routinely get these, with these large ops jobs, but it is pretty easy to bake inside of what it is. But when you get something as large as Australia that ramps up -- and while it is not operationally risky, and you've got the deferral stream, it is pretty noticeable and it is very tough to forecast when you don't know what volume or number of sites that you are going to get.

George Price - *Stifel Nicolaus - Analyst*

The reason we hadn't seen this earlier, is the base part of the contract that is ongoing is stuff that you have been doing for awhile?

David Walker - *MAXIMUS - CFO*

Forever.

George Price - *Stifel Nicolaus - Analyst*

I couldn't recall anything since BC that had a similar kind of impact. Maybe I'm not remembering.

Rich Montoni - *MAXIMUS - CEO*

No, we did have that BC contract that was started up, but that was a total new start contract.

George Price - *Stifel Nicolaus - Analyst*

And I guess, in terms of the timing of the ramp up of the contract revenue and beyond the start-up costs, any other timing to the full margin of the Australia contract?

David Walker - *MAXIMUS - CFO*

Well it is interesting. The contract has two payment streams. You get a basement. And then you get these revenue stream sets deferred, that's performance based. So you'll actually see the revenues spike up in Q4 on it, so the revenue will start to come on line pretty quickly. And when these bigger performance streams come in that relate to the cost that we incurred earlier, they'll be highly accretive. And so they will start to run in about the second quarter of 2010.

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George Price - *Stifel Nicolaus - Analyst*

And then margin characteristics? Is this -- are the margins on this one up to full run rate?

David Walker - *MAXIMUS - CFO*

Very comfortable expected margin. We think that the contract should operate well within the target range for this type of business.

George Price - *Stifel Nicolaus - Analyst*

Okay. Last thing, also to understand. It looks like \$0.05 to \$0.10 of the EPS lowering in the guidance is from Consulting, right? It is going down 25% to 30%. And you are citing 24%, the start-up costs. Is this just general fiscal pressures around Consulting and discretionary demand, or is it more performance related with the legacy stuff?

Rich Montoni - *MAXIMUS - CEO*

I think it's more the legacy stuff. We're working really hard to wrap those up. We believe we have our arms around it, it's just that executing the remedies takes a little bit of time. I do think that you've got -- I was not under the impression that the order of magnitude with Consulting was \$0.10. I thought it was \$0.00 to \$0.05 depending upon the range versus \$0.05 to \$0.10, George. But it is moreso legacy wrap up. And I think that's good news because in that type of situation we don't expect it to be a recurring, quarter after quarter, type situation.

George Price - *Stifel Nicolaus - Analyst*

I just thought \$315 million to \$285 million, that's \$0.30.

Rich Montoni - *MAXIMUS - CEO*

Oh, at the upper end of the range, yes.

George Price - *Stifel Nicolaus - Analyst*

Last thing. You talked about fiscal '10, throwing out growth. You throw out any kind of thoughts around profitability? I mean, do you think, I know you said at least 10%, do you think you guys could be at or north of a 11% on an operating margin basis?

Rich Montoni - *MAXIMUS - CEO*

I think -- First off, I'm just very, very pleased to have these wins in our pocket at this point in time, such that we have this minimum 7% top-line growth as we start to look at fiscal 2010. I would expect that it all of it should contribute within the range that we've targeted. As you know, we've historically said the Company should be 10% plus top-line, and 10% plus operating income percentage performer. I think with this development, it certainly puts us in a position where that's a very, very achievable metric. I don't quite want to go to the point to declare that victory at this point in time. It is just too early in the season to do that. But I think it gives us a really good position to at least start asking the question if something beyond that is achievable?

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George Price - *Stifel Nicolaus - Analyst*

Alright. Fair enough. Thanks.

Rich Montoni - *MAXIMUS - CEO*

Thank you, George.

Operator

Thank you. Our next question comes from the line of [Adam Peck] with Hartford Funds. Please proceed with your question.

Adam Peck - *Hartford Funds - Analyst*

Good morning, thank you for taking the call. On to your 2010 guidance, you said that the base business would be intact. What would that assume for Consulting?

Rich Montoni - *MAXIMUS - CEO*

It assumes that Consulting will continue to perform pretty much at its constant level. I don't expect that it is going to be a big negative draw. I think that Consulting is positioned to do better in 2010 than it is expected to do in 2009 because we remedied a lot of situations, we discontinued the RevMax business, so it's gone, which is in Consulting. But again, we're not giving granular guidance for 2010, so that it's not appropriate to say that we're assuming inside -- that directional guidance that Consulting is going to improve dramatically or not.

Adam Peck - *Hartford Funds - Analyst*

Ok. Coming at the margins again for 2010. Given that the start-up costs will come in 2009, is it fair to assume that margins will be higher in 2010 overall than they are in 2009?

David Walker - *MAXIMUS - CFO*

All things held equal, that is true because we wouldn't repeat the start-up costs which are pretty substantial.

Adam Peck - *Hartford Funds - Analyst*

Ok. Great. Thanks.

Rich Montoni - *MAXIMUS - CEO*

But I want to come back to your question as it relates to Consulting. Again, we have a plan in place to deal with the Consulting and our plan anticipates that Consulting will not be as negative a contributor in future years as it is in 2009.

Adam Peck - *Hartford Funds - Analyst*

Okay. Thank you.

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Operator

Thank you. Our next question comes from Charles Strauzer with CJS Securities. Please proceed with your question.

Charlie Strauzer - CJS Securities - Analyst

Just a quick follow up, Rich, on guidance in Texas. Is there anything assumed in Texas for guidance yet?

Rich Montoni - MAXIMUS - CEO

We generally assume the current level of run rate in rebid situations and I believe that's what we are doing in Texas too as well, Charles.

Charlie Strauzer - CJS Securities - Analyst

Great. Thank you very much. We look forward to getting you on the road in a couple of weeks.

Rich Montoni - MAXIMUS - CEO

Same here. Thanks.

Operator

Thank you. Our next question comes from from the line of George Price with Stifel Nicolaus. Please proceed with your question.

George Price - Stifel Nicolaus - Analyst

Hi. Thanks. I wanted to follow up on one or two things. Mainly, first around stimulus. You talked about CHIP, but beyond just CHIP what are you seeing in terms of flow of funds related to the stimulus package?

Rich Montoni - MAXIMUS - CEO

Here is what we are seeing as it relates to stimulus. We're seeing a lot of activity, and by that I mean at the State level and the Federal level as well, a lot planning activity, a lot of organizational activity. Who has responsibility for what? How are we going to organize to deal with this? A lot of analysis, a lot of policy discussions in a preliminary policy setting. Ranging from some States, they're asking themselves, "To what extent, if any, do we want to avail ourselves of these bills?"

We see -- we've actually won several smaller jobs, George. And by smaller, I mean the \$1 million plus or minus range, more consulting in nature, advisory in nature. And there is a lot of State clients that are focused on the CHIP expansion, as we've mentioned. As a company we've had a 50 State call program for both of these new pieces legislation. My take is that we were seeing meaningful interface at the Federal level as a couple of these agencies that we deal with are stepping up to take over their new responsibilities. In fact, we've got a couple of bids that are pending at this point in time. And we are optimistic about the awards in the short term.

As I said earlier, our sense is that a lot of this is perhaps going to be used against existing state deficits; tough to measure. So, when I sum it all up, as I've said before and I think we have said on prior calls, there may be some lift in fiscal '09 in terms of new revenue and opportunity for MAXIMUS, but I wouldn't put it in the category of material at this point in time. I expect most of the lift will come in fiscal 2010. And really, it is really too soon to quantify.

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George Price - *Stifel Nicolaus - Analyst*

Okay. Last question. Status, maybe, of the UK contract. I think there was a large opportunity in the UK that you've talked about before. And I am wondering if that is some of the potential investments to fuel growth in 2010 that you've indicated in the slides that there could be incremental impact to current guidance from something like that. I assume you are referring to start-up costs or transition costs of some sort?

Rich Montoni - *MAXIMUS - CEO*

Yes. From a modelling perspective, again, we approach it as we will not model in any impacts from pending new work, bids we have out there, until such time as we are awarded the work. And then we'll factor in the additional revenue and the cost ramifications and earnings ramifications.

So, at this point in time, we haven't factored in any new work for the pending bids that we have out there, one of which is this fairly sizeable opportunity in the UK. And again, there is a continuum we may not receive any of the award, or it may be a de minimus amount, or it could be quite substantial. And when we learn of that, that's when we adjust our model. We do expect that the UK will decide their course of action probably in the next 30 days.

George Price - *Stifel Nicolaus - Analyst*

Okay. But just to clarify, that is sort of what the language was alluding to or referring to, right?

Rich Montoni - *MAXIMUS - CEO*

I think that's exactly right. That if we've got additional awards and additional ramifications we'd change our model.

George Price - *Stifel Nicolaus - Analyst*

Thank you.

Operator

Thank you, ladies and gentlemen, this concludes today's presentation. (Operator Instructions) Thank you, ladies and gentlemen, for your participation. You may now disconnect.

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