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 10, 2013**
Date of earliest event reported: **May 9, 2013**

MAXIMUS, INC.
(Exact name of registrant as specified in its charter)

Virginia	**1-12997**	**54-1000588**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1891 Metro Center Drive, Reston, Virginia	**20190-5207**
(Address of principal executive offices)	(Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2013, the Company issued a press release announcing its financial results for the quarter ended March 31, 2013. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On May 9, 2013, 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 9, 2013
99.2	Conference call transcript and slide presentation for Earnings Call – May 9, 2013

SIGNATURES

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

		MAXIMUS, Inc.
Date:	May 10, 2013	By: /s/ David R. Francis
		David R. Francis
		General Counsel and Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release dated May 9, 2013
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Exhibit 99.1

MAXIMUS Reports Financial Results for Second Quarter of Fiscal 2013

- Company Reiterates Guidance -

RESTON, Va.--(BUSINESS WIRE)--May 9, 2013--MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for its second quarter ended March 31, 2013.

Highlights for the quarter ended March 31, 2013 include:

- Revenue grew 34% to $326.4 million for the second quarter compared to $243.5 million reported for the same period last year, driven by the PSI acquisition, growth on existing contracts and new work. The second quarter of fiscal 2013 included $16.0 million of non-recurring revenue from a previously disclosed contract termination; excluding this, revenue grew 27%.

- Adjusted diluted earnings per share from continuing operations increased 47% to $0.72 for the second quarter of fiscal 2013 compared to $0.49 reported for the same period last year.

- Cash and cash equivalents totaled $187.3 million at March 31, 2013.

- Year-to-date signed contract awards totaled $886 million at March 31, 2013.

Revenue for the fiscal 2013 second quarter increased 34% to $326.4 million, which includes $16.0 million of non-recurring benefit related to a previously disclosed contract termination in the Human Services Segment. This compares to revenue of $243.5 million reported for the same period last year. Excluding the $16.0 million benefit, year-over-year second quarter revenue increased 27%, driven by the April 2012 acquisition of PSI, new work in both segments, and growth on existing contracts, which includes the ongoing revenue ramp up in the United Kingdom. Excluding PSI, revenue grew 15% organically compared to the prior-year period.

For the second quarter of fiscal 2013, income from continuing operations, net of taxes, totaled $31.7 million, or $0.91 per diluted share, and included pre-tax income of $10.9 million ($6.5 million, net of taxes), or $0.19 per diluted share, related to the previously disclosed contract termination. Excluding the benefit of $0.19 per diluted share, second quarter adjusted diluted earnings per share from continuing operations increased 47% to $0.72 compared to $0.49 reported for the same period last year. The year-over-year increase to earnings is attributable to accretive revenue growth in both segments. A reconciliation to non-GAAP measures is included in the accompanying financial schedules.

“Financial results in the quarter were solid and in-line with our expectations, supporting our growth trajectory for the remainder of fiscal 2013 and beyond. As expected, organic revenue growth accelerated in the second quarter, driven by strong performance from both segments. The long-term demand trends remain positive for MAXIMUS, with multi-year growth drivers in place as governments require a higher level of value-added services that deliver measurable and meaningful outcomes. These trends, coupled with our demonstrated experience and proven success, set the stage for our long-term success to grow the business and maximize shareholder value,” commented Richard A. Montoni, Chief Executive Officer of MAXIMUS.

Health Services Segment

Health Services Segment revenue for the second quarter of fiscal 2013 increased 23% to $197.9 million compared to $161.2 million for the same period last year, driven by the PSI acquisition, organic growth on existing contracts, and new work. Health Services Segment operating income for the second quarter of fiscal 2013 increased 59% to $28.9 million (14.6% operating margin) and benefitted from accretive revenue growth. This compares to $18.2 million (11.3% operating margin) for the same period last year.

Human Services Segment

Human Services Segment revenue for the second quarter of fiscal 2013 increased to $128.4 million compared to $82.3 million for the same period last year. Excluding the $16.0 million benefit from the aforementioned contract termination, revenue grew 37%, driven by the PSI acquisition, the ramp-up in the United Kingdom, as well as new work in Canada and Saudi Arabia. Human Services Segment operating income for the second quarter of 2013 totaled $21.5 million, which includes non-recurring pre-tax income of $10.9 million related to the contract termination. Excluding the $10.9 million benefit, operating income for the human services segment increased to $10.6 million (9.4% operating margin) compared to $8.6 million (10.5% operating margin) for the same period last year. The year-over-year operating income increase was driven by the expected improvement in the United Kingdom and growth in new programs, which offset the expected lower profit margin in Australia.

Sales and Pipeline

Year-to-date signed contract awards at March 31, 2013 totaled $886 million compared to $812 million reported for the same period last year. On a sequential basis, signed contract wins were strong with approximately $700 million of new signed awards during the fiscal second quarter of 2013. New contracts pending (awarded but unsigned) totaled $425 million compared to $284 million last year.

Sales pipeline for the quarter ended March 31, 2013 was $2.3 billion (consisting of $888 million in proposals pending, $85 million in proposals in preparation, and $1.3 billion in proposals tracking) and includes opportunities across multiple geographies and both segments. This compares to $1.7 billion in sales pipeline for the same period last year and $2.7 billion reported in the first fiscal quarter of 2013. Pipeline was lower on a sequential basis principally due to the large number of contracts shifting into the awarded categories.

Balance Sheet and Cash Flows

Cash and cash equivalents at March 31, 2013 totaled $187.3 million, of which approximately 70% is held overseas. For the second quarter of fiscal 2013, cash provided by operating activities from continuing operations totaled $29.4 million, with free cash flow of $18.3 million. Excluding the $16.0 million revenue benefit from the terminated contract, Days Sales Outstanding (DSO) from continuing operations were 66 days and remain within the Company's previously stated range of 65 to 80 days.

On February 28, 2013, MAXIMUS paid a quarterly cash dividend of $0.09 per share. On April 18, 2013, the Company announced a $0.09 per share cash dividend, payable on May 31, 2013 to shareholders of record on May 15, 2013. In addition, on June 28, 2013 MAXIMUS will complete a two-for-one stock split where each shareholder of record on June 14, 2013 will receive an additional share of stock for each outstanding share.

MAXIMUS did not repurchase any shares of the Company's common stock during the second quarter of fiscal 2013. At March 31, 2013, the Company had $114.6 million available for future repurchases under its Board-authorized share repurchase program.

Outlook

MAXIMUS is reiterating its fiscal 2013 revenue, earnings and cash flow guidance. The Company continues to expect fiscal 2013 revenue to range between $1.25 billion and $1.30 billion and adjusted diluted earnings per share from continuing operations to range between $3.00 and $3.15. The Company continues to expect cash provided by operating activities from continuing operations to range between $115 million and $135 million, and free cash flow from continuing operations to range between $70 million and $90 million.

Mr. Montoni concluded, “The recently announced two-for-one stock split underscores our confidence in the underlying, long-term fundamentals of MAXIMUS and our future outlook. The management team remains firmly committed to offering the highest quality of value-added services, enhancing our established brand recognition, and expanding our offerings to advance new opportunities.”

Website Presentation, Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, May 9, 2013, at 9:00 a.m. (ET). 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)

For those unable to listen to the live call, a replay will be available through May 23, 2013. Callers can access the replay by calling:

877.660.6853 (Domestic)/201.612.7415 (International)
Replay conference ID number: 412909

About MAXIMUS

MAXIMUS is a leading operator of government health and human services programs in the United States, United Kingdom, Canada, Australia and Saudi Arabia. The Company delivers business process services to improve the cost effectiveness, efficiency and quality of government-sponsored benefit programs, such as Medicaid, Medicare, Children's Health Insurance Program (CHIP), Health Insurance BC (British Columbia), as well as welfare-to-work and child support programs around the globe. The Company's primary customer base includes federal, provincial, state, county and municipal governments. Operating under its founding mission of *Helping Government Serve the People®*, MAXIMUS has approximately 8,800 employees worldwide. For more information, visitwww.maximus.com.

Non-GAAP Measures

This release refers to non-GAAP financial measures, including free cash flows from operating activities, adjusted diluted earnings per share from continuing operations, organic growth, as well as revenues, operating income, net income and earnings per share excluding a terminated contract.

To provide organic growth information, revenue in the prior year is compared to the current year without PSI revenues. We believe organic growth provides a useful basis for assessing the performance of the business excluding PSI. We have provided a reconciliation of free cash flow to operating cash flow from continuing operations. We believe that free cash flow from operations is a useful basis for investors to compare our performance across periods or across our competitors. Free cash flow show the effects of the Company’s operations and routine capital expenditure and exclude the cash flow effects of acquisitions, share repurchases, dividend payments and other financing transactions. We have provided a reconciliation to adjusted diluted earnings per share and operating income excluding legal, settlement and acquisition-related expenses and the benefits of the terminated contract. We have also provided a reconciliation between revenue and revenue excluding the terminated contract. We believe that these measures are a useful basis for assessing the Company’s performance excluding the effect of the terminated contract, the costs of acquiring PSI, and net legal and settlement expenses.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to net income, cash flows from operating activities, diluted earnings per share, revenue growth, operating income and operating margin as measures of performance.

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, found on www.maximus.com.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Revenue	$ 326,351	$ 243,452	$ 612,617	$ 483,055
Cost of revenue	228,907	178,686	438,643	358,442
Gross profit	97,444	64,766	173,974	124,613
Selling, general and administrative expenses	46,693	37,959	88,915	70,715
Acquisition-related expenses	16	233	164	233
Legal and settlement expenses/(recoveries), net	—	(824)	142	(638)
Operating income from continuing operations	50,735	27,398	84,753	54,303
Interest and other income, net	637	824	1,743	1,928
Income from continuing operations before income taxes	51,372	28,222	86,496	56,231
Provision for income taxes	19,658	14,011	32,999	24,362
Income from continuing operations	31,714	14,211	53,497	31,869
Discontinued operations, net of income taxes:				
Loss from discontinued operations	(91)	—	(594)	—
Gain on disposal	66	62	102	108
Income (loss) from discontinued operations	(25)	62	(492)	108
Net income	$ 31,689	$ 14,273	$ 53,005	$ 31,977
Basic earnings (loss) per share:				
Income from continuing operations	$ 0.93	$ 0.42	$ 1.57	$ 0.95
Loss from discontinued operations	—	—	(0.01)	—
Basic earnings per share	$ 0.93	$ 0.42	$ 1.56	$ 0.95
Diluted earnings (loss) per share:				
Income from continuing operations	$ 0.91	$ 0.41	$ 1.53	$ 0.92
Loss from discontinued operations	—	—	(0.01)	—
Diluted earnings per share	$ 0.91	$ 0.41	$ 1.52	$ 0.92
Dividends paid per share	$ 0.09	$ 0.09	$ 0.18	$ 0.18
Weighted average shares outstanding:				
Basic	34,089	33,788	34,085	33,725
Diluted	34,954	34,728	34,917	34,638

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

	March 31, 2013 (unaudited)	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 187,343	$ 189,312
Restricted cash	12,934	11,593
Accounts receivable — billed, net of reserves of $3,769 and $3,265	205,397	172,705
Accounts receivable — unbilled	18,689	10,539
Prepaid income taxes	11,517	3,800
Deferred income taxes	20,992	22,207
Prepaid expenses and other current assets	36,690	38,528
Total current assets	493,562	448,684
Property and equipment, net	58,845	58,798
Capitalized software, net	32,374	27,390
Goodwill	111,670	112,032
Intangible assets, net	22,874	25,330
Deferred contract costs, net	10,675	9,284
Deferred income taxes	1,249	1,369
Deferred compensation plan assets	9,831	9,220
Other assets, net	3,280	3,186
Total assets	$ 744,360	$ 695,293
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 80,553	$ 73,128
Accrued compensation and benefits	49,592	56,105
Deferred revenue	66,072	60,026
Current portion of long-term debt	172	178
Income taxes payable	4,434	3,100
Other accrued liabilities	9,018	6,599
Total current liabilities	209,841	199,136
Deferred revenue, less current portion	8,943	19,550
Long-term debt	1,420	1,558
Acquisition-related contingent consideration, less current portion	393	406
Income taxes payable, less current portion	1,460	1,412
Deferred income taxes	15,539	10,384
Deferred compensation plan liabilities, less current portion	13,573	11,741
Total liabilities	251,169	244,187
Shareholders' equity:		
Common stock, no par value; 100,000 and 60,000 shares authorized; 56,883 and 56,516 shares issued and 34,103 and 33,985 shares outstanding at March 31, 2013 and September 30, 2012, at stated amount, respectively	407,685	395,967
Treasury stock, at cost; 22,780 and 22,531 shares at March 31, 2013 and September 30, 2012, respectively	(444,282)	(429,646)
Accumulated other comprehensive income	18,672	20,240
Retained earnings	511,116	464,545
Total shareholders' equity	493,191	451,106
Total liabilities and shareholders' equity	$ 744,360	$ 695,293

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
Cash flows from operating activities:				
Net income	$ 31,689	$ 14,273	$ 53,005	$ 31,977
Adjustments to reconcile net income to net cash provided by operating activities:				
(Income) loss from discontinued operations	25	(62)	492	(108)
Depreciation and amortization	7,959	5,434	17,934	11,545
Deferred income taxes	7,368	(2,891)	6,757	(5,315)
Non-cash equity based compensation	3,587	2,836	7,062	5,633
Change in assets and liabilities:				
Accounts receivable — billed	(6,931)	9,741	(33,311)	7,268
Accounts receivable — unbilled	(7,307)	355	(8,152)	(63)
Prepaid expenses and other current assets	(2,593)	(2,471)	(2,521)	(4,092)
Deferred contract costs	3,932	319	(1,413)	1,109
Accounts payable and accrued liabilities	(1,798)	4,528	8,728	12,298
Accrued compensation and benefits	5,817	4,266	(1,877)	(6,287)
Deferred revenue	(9,397)	3,662	(2,934)	11,291
Income taxes	(4,328)	3,932	(6,561)	8,910
Other assets and liabilities	1,352	(2,440)	2,285	(5,128)
Cash provided by operating activities – continuing ops	29,375	41,482	39,494	69,038
Cash used in operating activities – discontinued ops	(61)	-	(554)	-
Cash provided by operating activities	29,314	41,482	38,940	69,038
Cash flows from investing activities:				
Purchases of property and equipment	(6,264)	(4,022)	(13,351)	(6,576)
Capitalized software costs	(4,776)	(1,112)	(8,240)	(1,832)
Proceeds from settlement of final PSI price	3,380	-	3,380	-
Proceeds from note receivable	112	124	172	272
Proceeds from sale of discontinued operations	-	-	-	2,240
Cash used in investing activities	(7,548)	(5,010)	(18,039)	(5,896)
Cash flows from financing activities:				
Repurchases of common stock	-	-	(15,403)	(9,749)
Employee tax withholding on restricted stock units vesting	-	-	(6,677)	(3,088)
Tax benefit due to option exercises and RSU vesting	2,315	770	4,680	2,510
Cash dividends paid	(3,067)	(3,038)	(6,131)	(6,061)
Stock option exercises	-	1,959	1,752	4,775
Repayment of long-term debt	(43)	-	(87)	-
Cash used in financing activities	(795)	(309)	(21,866)	(11,613)
Effect of exchange rate changes on cash and cash equivalents	(766)	2,326	(1,004)	5,058
Net increase/(decrease) in cash and cash equivalents	20,205	38,489	(1,969)	56,587
Cash and cash equivalents, beginning of period	167,138	191,048	189,312	172,950
Cash and cash equivalents, end of period	$ 187,343	$ 229,537	$ 187,343	$ 229,537

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

	Three Months Ended March 31,				Six Months Ended March 31,			
	2013	% (1)	2012	% (1)	2013	% (1)	2012	% (1)
Revenue:								
Health Services	$ 197,948	100%	$ 161,170	100%	$ 373,946	100%	$ 319,213	100%
Human Services	128,403	100%	82,282	100%	238,671	100%	163,842	100%
Total	326,351	100%	243,452	100%	612,617	100%	483,055	100%
Gross Profit:								
Health Services	54,651	28%	41,137	26%	99,910	27%	77,136	24%
Human Services	42,793	33%	23,629	29%	74,064	31%	47,477	29%
Total	97,444	30%	64,766	27%	173,974	28%	124,613	26%
Selling, general, and administrative expense:								
Health Services	25,742	13%	22,935	14%	50,375	13%	42,151	13%
Human Services	21,334	17%	15,024	18%	38,923	16%	28,564	17%
Corporate/Other	(383)	NM	—	NM	(383)	NM	—	NM
Total	46,693	14%	37,959	16%	88,915	15%	70,715	15%
Operating income from continuing operations:								
Health Services	28,909	15%	18,202	11%	49,535	13%	34,985	11%
Human Services	21,459	17%	8,605	10%	35,141	15%	18,913	12%
Corporate/Other	383	NM	—	NM	383	NM	—	NM
Subtotal:								
Segment Operating Income	50,751	16%	26,807	11%	85,059	14%	53,898	11%
Acquisition-related expenses	16	NM	233	NM	164	NM	233	NM
Legal and settlement expenses/(recoveries), net	—	NM	(824)	NM	142	NM	(638)	NM
Total	$ 50,735	16%	$ 27,398	11%	$ 84,753	14%	$ 54,303	11%

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

MAXIMUS, Inc.
Non-GAAP Measures

ADJUSTED REVENUE AND OPERATING INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2013	Six Months Ended March 31, 2013
Total company revenue	$ 326,351	$ 612,617
Revenue from terminated contract	16,035	16,035
Total company revenue excluding terminated contract	$ 310,316	$ 596,582
Total company operating income	$ 50,735	$ 84,753
Operating income from terminated contract	10,900	10,900
Total company operating income, excluding terminated contract	$ 39,835	$ 73,853
Total company operating margin, excluding terminated contract	12.8%	12.4%

	Three Months Ended March 31, 2013	Six Months Ended March 31, 2013
Human Services revenue	$ 128,403	$ 238,671
Revenue from terminated contract	16,035	16,035
Human Services revenue, excluding terminated contract	$ 112,368	$ 222,636
Human Services operating income	$ 21,459	$ 35,141
Operating income from terminated contract	10,900	10,900
Human Services operating income, excluding terminated contract	$ 10,559	$ 24,241
Human Services operating margin, excluding terminated contract	9.4%	10.9%

MAXIMUS, Inc.
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS
FY 2013 and FY 2012
(Unaudited)

	Quarter Ended	
	Dec. 31, 2012	Mar. 31, 2013
Diluted EPS from continuing operations-GAAP basis	$ 0.62	$ 0.91
Adjustments:		
Legal, settlement and acquisition-related expenses	0.01	–
Adjustment for terminated contract	–	(0.19)
Subtotal pro forma adjustments	0.01	(0.19)
Adjusted diluted EPS from continuing operations	$ 0.63	$ 0.72

	Quarter Ended				Year Ended
	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Sept. 30, 2012
Diluted EPS from continuing operations-GAAP basis	$ 0.51	$ 0.41	$ 0.59	$ 0.68	$ 2.19
Adjustments:					
Legal, settlement and acquisition-related expenses (recovery), net	–	(0.01)	0.03	0.03	0.05
Adjustment for tax accounts	–	0.09	–	0.03	0.12
Subtotal pro forma adjustments	–	0.08	0.03	0.06	0.17
Adjusted Diluted EPS from continuing operations	$ 0.51	$ 0.49	$ 0.62	$ 0.74	$ 2.36

MAXIMUS, Inc.
FREE CASH FLOW
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Cash provided by operating activities – continuing operations	$ 29,375	$ 41,482	$ 39,494	$ 69,038
Purchases of property and equipment	(6,264)	(4,022)	(13,351)	(6,576)
Capitalized software costs	(4,776)	(1,112)	(8,240)	(1,832)
Free cash flow from continuing operations	$ 18,335	$ 36,348	$ 17,903	$ 60,630

CONTACT:
MAXIMUS
Lisa Miles, 703-251-8637
lisamiles@maximus.com

Exhibit 99.2

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MMS - Q2 2013 MAXIMUS, Inc. Earnings Conference Call

EVENT DATE/TIME: MAY 09, 2013 / 01:00PM GMT

CORPORATE PARTICIPANTS

Lisa Miles *MAXIMUS, Inc. - VP, Corporate Communications*

David Walker *MAXIMUS, Inc. - CFO*

Rich Montoni *MAXIMUS, Inc. - President and CEO*

Bruce Caswell *MAXIMUS, Inc. - President & General Manager, Health Services*

CONFERENCE CALL PARTICIPANTS

Charles Strauzer *CJS Securities - Analyst*

James Naklicki *Citigroup - Analyst*

Richard Close *Avondale Partners - Analyst*

Brian Kinstlinger *Sidoti & Company - Analyst*

Frank Sparacino *First Analysis Securities - Analyst*

PRESENTATION

Operator

Greetings and welcome to the MAXIMUS fiscal 2013 second-quarter conference call. At this time all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Lisa Miles, Senior Vice President of Investor Relations for MAXIMUS. Thank you, Ms. Miles; you may begin.

Lisa Miles - ***MAXIMUS, Inc. - VP, Corporate Communications***

Good morning. Thank you for joining us 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 today 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 events or results 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 10-K filed with the SEC. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances.

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

David Walker - ***MAXIMUS, Inc. - CFO***

Thanks, Lisa, and good morning. We are pleased to report another solid quarter of financial results.

As noted in today's press release, second-quarter results included $16 million of nonrecurring revenue in the human services segment and pretax income of $10.9 million, which on a tax-effected basis is $6.5 million or $0.19 per diluted share. As a reminder, we filed an 8-K on February 26, disclosing the termination of a contract as part of a broad statewide initiative to focus resources on a smaller number of programs. The recognized revenue in profit relate to deferred revenue associated with the PSI acquisition. We recommend that investors exclude this one-time, non-cash revenue in profit, as it is not indicative of current and ongoing operations.

As I walk through the financial results, I will provide both the reported GAAP number as well as the normalized results that exclude this nonrecurring item. So let's get started. This morning, MAXIMUS reported total Company revenue for the fiscal second quarter of $326.4 million. Excluding the $16 million of revenue from the terminated contract, fiscal second-quarter revenue grew 27% to $310.3 million compared to the same period last year, driven by the PSI acquisition and organic growth, as expected.

Organic revenue growth in the quarter accelerated. Organic revenue grew 15% over the prior-year period due to solid expansion across both segments and in our international operations.

Moving on to operating margin, total Company operating income, excluding legal, settlement, and acquisition expense (technical difficulty) excluding the $10.9 million in pretax profit from the discontinued contract, segment operating income totaled $39.8 million, which reflects a 12.8% total Company operating margin for our fiscal second quarter of 2013.

On the bottom line, earnings were in line with our expectations. For the second quarter, income from continuing operations, net of taxes, totaled $31.7 million or $0.91 per diluted share. This includes the one-time benefit of $6.5 million, net of taxes, or $0.19 per diluted share related to the contract termination. Excluding the $.19, adjusted diluted earnings per share in the second fiscal quarter of 2013 increased 47% to $0.72, compared to $0.49 reported last year.

Let's jump into results by segment, starting with Health Services. For the second quarter, Health Services revenue increased 23% to $197.9 million compared to the same period last year, driven by the PSI acquisition, expansion on existing programs, and new work that is starting to ramp up nicely. And as we mentioned last quarter, we also continue to experience healthy volumes in our federal Medicare repeals business.

Operating income for the Health Services segment increased 59% to $28.9 million compared to $18.2 million reported for the same period last year. Operating margin improved to 14.6% in the second quarter of fiscal 2013, driven by accretive growth. This compares to 11.3% reported in the prior-year period.

And, lastly, the Health Services segment continues to benefit from strong demand in our core service areas, as demonstrated by the new win to support General Dynamics as a subcontractor under the federal Customer Contact Center Operations Contract. This work includes customer service activities for the federally facilitated health insurance marketplace.

Since this cost-reimbursable program is expected to provide only a few months of lower-margin revenue in fiscal 2013, and because we factor identified new contracts in our forecast, our full-year outlook remains unchanged. The team is currently in contract negotiations, so at this time we are unable to disclose additional contractual details, including contract size and length.

Now let's turn our attention to financial results for Human Services. For the second fiscal quarter, revenue for the Human Services segment increased to $128.4 million compared to last year. Excluding the $16 million in nonrecurring revenue from the contract termination, the top line grew 37% to $112.4 million.

For the second quarter, revenue increases for the Human Services segment were driven by the PSI acquisition; the ongoing ramp-up in the UK; as well as growth from our international operations, including Canada and Saudi Arabia. Human Services operating income for the fiscal second quarter totaled $21.5 million and included pretax profit from the contract termination of $10.9 million.

Excluding the $10.9 million in one-time pretax income, the segment's normalized second-quarter operating income was $10.6 million, delivering an operating margin of 9.4%. This compares to operating income of $8.6 million and an operating margin of 10.5% reported for the same period last year.

For the second quarter of fiscal year 2013, ongoing profit improvements from new programs ramping up in the UK, Canada, and Saudi Arabia offset expected margin decreases in Australia.

Moving on to cash flow and balance sheet items, cash flow in the fiscal second quarter was consistent with our expectations. However, as I mentioned (technical difficulty), we have two sizable programs with slower payments due to administrative delays.

On a sequential basis, our DSOs were lower at 66 days, excluding the revenue from the terminated contract, which is well within our expected range. Cash provided by operating activities from continuing operations totaled $29.4 million for the quarter, and we generated free cash flow of $18.3 million.

As a quick reminder, we calculate free cash flow by taking cash provided by operating activities of $29.4 million, less capital expenditures related to PP&E and capitalized software of $11 million. This gets you to free cash flow of $18.3 million for the second quarter.

At March 31, we had $187.3 million in cash and cash equivalents, of which approximately 70% is held overseas. During the quarter, MAXIMUS did not repurchase any shares of common stock. At March 31, 2013, we had $114.6 million available for future repurchases under our Board-authorized share repurchase program.

Also during the quarter, MAXIMUS completed a $100 million five-year line of credit with an accordion feature, which could provide up to an additional $50 million. The credit facility is available for general corporate purposes, such as working capital, acquisitions, dividends, and share repurchases. This loan line provides us with sensibly priced debt to take advantage of market opportunities, both domestically or internationally. So we are very pleased to wrap up this process that supports our long-term growth objectives, and we feel great about our continued relationship with SunTrust and expanded relationship with Bank of America and HSBC.

Subsequent to quarter end, we announced a 2 for 1 stock split that will take effect at the end of June. On June 28, 2013, shareholders of record on June 14, 2013, will receive an additional share of stock for each outstanding share. The stock split reaffirms our confidence in the business and our commitment to maximize shareholder value.

And lastly, we are reiterating our fiscal 2013 revenue, earnings, and cash flow guidance. As a reminder, we still expect fiscal 2013 revenue to range between $1.25 billion and $1.30 billion. And on the bottom line, we still expect adjusted diluted EPS from continuing operations to range between $3.00 and $3.15.

We continue to expect cash provided by operating activities derived from continuing operations to be in the range of $115 million to $135 million, and we expect free cash flow from continuing operations to be in the range of $70 million to $90 million. From a modeling perspective, it's important to remind everyone that we have a number of programs coming on board that have revenue and profit ramp-ups, which means that the remainder of the year will be backend loaded into Q4.

A couple examples of new programs include all of our new health insurance exchange work, including the work in New York, Connecticut, Vermont; plus the new CCO contract, which is more of a Q4 event. We also have revenue and profit ramping up as volume builds over time on our new contract for independent medical reviews for the California Workers' Comp program, as well as for our new DES program in Australia. And lastly, we still expect to see steady monthly growth in volumes in our federal appeals business for at least the remainder of the fiscal year.

And lastly, we are really pleased with the results in the quarter, and we remain confident in our full-year outlook. And with that, I'll hand it over to Rich.

Rich Montoni - *MAXIMUS, Inc. - President and CEO*

Thank you, David, and good morning, everyone. This quarter's solid financial results keep us on track to support our growth trajectory for the remainder of the fiscal year and beyond. While we have several new awards to share with you today, we are also pleased to report that our startup programs are progressing largely as planned.

MAXIMUS remains on track for exceptional top- and bottom-line growth in fiscal 2013 as we seek to expand our health and human services operations, both in the US and abroad. We continue to maintain an optimistic outlook on our growth potential and capitalize on opportunities to deliver value to our shareholders.

Let's start off this morning with an update on our health operations. We are very pleased to share that we have received award notification for a five-year renewal of our MassHealth contract with the Commonwealth of Massachusetts. Under the MassHealth program, this is what we do. We provide general eligibility and program participation customer service to Medicaid members and providers. We enroll Medicaid participants into managed care health plans. We enroll and credential providers, and we provide other services on the Commonwealth's behalf.

The scope of work is largely unchanged under the new contract. We are currently in final contract negotiations with the client and will provide additional details once the contract is signed. But clearly, we are very pleased to have the opportunity to continue to serve the great Commonwealth of Massachusetts.

In the United States, health care reform remains our largest growth driver, and we continue to add new contracts to our growing portfolio of work related to the Affordable Care Act. In the federal market, we are seeing expected pickup in procurements on the federally facilitated exchange, also known as the Health Insurance Marketplace.

We are very pleased to be part of the team selected by the Centers from Medicare and Medicaid Services for the Contract Center Operations contract. As David mentioned, MAXIMUS is a subcontractor to General Dynamics Information Technology, and under the contract we will handle ACA-related inquiries across the United States and its territories.

This key win is an important step in our longer-term strategies of growing our federal book of business and winning our fair share of health reform work. As we mentioned last quarter, there are two additional federal RFPs related to the exchange that are right in our sweet spot.

These RFPs are currently in the procurement cycle, and the date of award for both is uncertain at this time. The first RFP is for the eligibility support functions of the marketplace, and the other is for the eligibility appeals work in the marketplace. We have submitted bids for both of the contracts, but for competitive reasons, we are not in a position to share any additional details related to the potential value or if we've bid as a prime or sub for these programs.

As a reminder, a vendor cannot win both contracts.

We are also very pleased to report that we've made further progress in the state-based exchange market, with two new contracts to support state exchange efforts in Vermont and California. In Vermont, we recently signed a contract amendment to expand our Green Mountain Care customer support center to include the customer support center operations for Vermont Health Connect, the state's health benefits exchange.

This new work builds upon a 17-year partnership with the Department of Vermont Health Access, and expands our customer support center operations in the state. The one-year amendment started on May 1, 2013, and is valued at an estimated $12.5 million. Following the initial contract period, the state may exercise an additional one-year option period.

In California, the state has announced its intent to award MAXIMUS with a small but strategic contract to provide supplemental support to the state's health insurance exchange operations, known as Covered California. As I mentioned on our last call, California has elected to use public workers to staff its HIX customer service centers.

However, under this new contract, MAXIMUS will provide training to approximately 850 individuals associated with the service centers, including external partners. The MAXIMUS Center for Health Literacy will also provide services to ensure that all customer correspondence, forms, and other program materials are easy to understand by the population served under Covered California.

Looking beyond the early years of HIX operations, we expect to see some states that initially elect a federal or partnership exchange to transition to their own state-based exchange. These scenarios will present additional BPO opportunities for MAXIMUS down the road. We firmly believe that health care reform will be a long-term, multi-year growth driver, particularly as different health insurance marketplaces evolve over time.

Internationally, we continue to see promising opportunities to grow our health services business. As early as 2014, we could see RFP activity in our existing markets outside the US. These markets are where our current offerings have traditionally been in the welfare-to-work business.

We are very excited about these emerging new opportunities that are right in our wheelhouse of core capabilities. This is really the next step in the natural progression of our land, execute, and expand strategy for introducing our core health offerings to current markets where we enjoy a history of demonstrated success and strong brand reputation.

Moving now to our human services operations in the US, MAXIMUS has launched operations under a new contract with the New York City Human Resources Administration. Through new employment service centers in the Bronx and Staten Island, MAXIMUS is providing assessment, work readiness, job placement and retention, and other support services to participants in public programs, as well as noncustodial parents and foster care youth. We are pleased to expand our workforce services business line into an important region like New York City.

The human services segment is also benefiting from recent federal regulations. As a result of the CMS requirements for independent oversight on large, federally funded programs, we are also starting to see an increase in our independent verification and validation -- or IV&V -- consulting practice.

MAXIMUS provides oversight services to make sure a large integration projects meet cost, time, and quality objectives. And recent wins include contracts with Pennsylvania, Ohio, and Oregon. While these engagements are typically smaller, they can be helpful in positioning MAXIMUS for future work downstream.

Turning now to our international welfare-to-work operations, I recently returned from a trip to the UK, where I joined our employees in celebrating our first five years of operations in the UK. The UK team has done an excellent job to position MAXIMUS as a recognized leader and proven provider of employment services within the welfare-to-work market.

Our current work program contract is performing to our expectations, and we look forward to the next set of performance metrics. Just recently, the Department of Work and Pensions announced they will now release the performance statistics on June 27, 2013, slightly later than the previously announced timing of late May. Following this report, we anticipate the UK government will start planning for the potential reallocation of work to hire performing vendors. However, we currently don't expect any shift of work until calendar 2014.

In Saudi Arabia, our pilot program is running successfully as we continue to place jobseekers in long-term, sustainable employment. The initial pilot program is set to end in August, but we are cautiously optimistic that our strong performance will help extend our contract beyond the one-year pilot.

In fact, we are hopeful that it can grow in a meaningful fashion over the coming years. The team's strong performance to date sets a solid platform as additional opportunities to deliver our core services develop over the longer term in this promising market.

Moving onto rebids, we started fiscal year 2014 with 14 contracts with a total value of approximately $475 million up for rebid. As you may recall, our Texas Medicaid enrollment and MassHealth contracts made up the lion's share, with a combined value of approximately $320 million.

So with an award notification on both of these contracts, we are pleased to win our two largest rebids this year. We did lose a child support rebid, which was valued at just under $5 million a year on price.

Net net, we are still having a great year from a rebid perspective and on track to win 90%-plus. At this point we now have five rebids remaining with a total contract value of just under $50 million.

Turning now to new sales award in the pipeline. We had a really strong quarter of new sales awards. At March 31, we had $886 million of year-to-date new signed awards, of which $700 million was signed in the second quarter. In addition, our awarded but unsigned contracts totaled approximately $425 million. These are contracts where we have received notification of award and are in contract negotiations, but we have not yet signed. At March 31, our total sales pipeline of opportunities was $2.3 billion, which was slightly lower than last quarter, driven mostly by contracts moving out of the pipe and into the award categories.

As David mentioned, cash in the quarter continues to be strong, with the majority held overseas. We have an active M&A program where we continue to maintain an approach towards the opportunities that complement our growth strategy.

Subsequent to quarter end, we announced a 2 for 1 stock split, which will take place at the end of June. The decision to split the stock demonstrates our ongoing confidence in the Company, our superior market positioning, and a positive outlook related to the many emerging opportunities we see across our business.

In summary, our focus on delivering high-quality, value-added services to our government clients in the areas of health and human services has generated significant growth over the last several years for MAXIMUS. This growth performance keeps us on a solid path for achieving our long-term goals of securing our fair share of health-care reform in the US, growing our federal operations, and expanding our global operations. The management team remains committed to offering the highest quality of services to our clients, growing the business with new work, and building long-term shareholder value.

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

QUESTION AND ANSWER

Operator

(Operator Instructions). Charles Strauzer, CJS.

Charles Strauzer - ***CJS Securities - Analyst***

Two questions for you. The first question is, when you look at the guidance, and if you maybe can expand on that -- obviously, you are reaffirming but not raising the guidance. And you have had a couple of good quarters so far to start the year. Can you give a little more color behind that? Is it just wanting to be more conservative here with these contracts still ramping?

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Good morning, Charlie. This is Rich. As it relates to guidance -- and, yes, we are very, very pleased with the quarter. I think it was a solid quarter, and we are very pleased to overdeliver by $0.02, which is roughly 3% better than our expectations on the quarter, so we need to put it in perspective.

The other point that I would make is that as we go through our process here, and we do it every quarter when we print actual results; we take a look at the rest of the year, and what we delivered in the quarter; we look at what were the actual results versus expectations. We look at the pipeline from a bottoms-up perspective, and we factor that into our view -- our revised view of full-year guidance.

And there are, in fact, quarters where we do raise guidance based upon that detailed analysis. In fact, that's what we did just last quarter.

The other point that's very important to remember is that this year is very backend loaded, and it's a great opportunity to have. And the backend load is really due to the growth that we are experiencing today that we experienced in this second quarter, that we'll experience in the third quarter, and on going into the fourth quarter.

And at this time we have an unprecedented number of startups, and that's ramping revenue and profit as the year builds. And many of these startups we've mentioned in the prepared remarks. So we still have a lot of ground to cover, Charlie. So when we add it all up, we conclude that our existing guidance squarely remains the right place to be.

Charles Strauzer - ***CJS Securities - Analyst***

Excellent. And then just a quick question -- my second question would be just on the organic growth rate. It was very strong in the quarter. Could you break that down a little bit by each segment, too, as well what the organic growth rates were?

David Walker - ***MAXIMUS, Inc. - CFO***

Charlie, we don't provide organic growth rate by segment, but I would say that it's been strong in both segments.

Operator

James Naklicki, Citigroup.

James Naklicki - ***Citigroup - Analyst***

My first question is on the human services segment. Results there were a little bit lighter than what I was looking for on a revenue and earnings basis. Can you talk about what the drivers were there?

David Walker - ***MAXIMUS, Inc. - CFO***

It's actually consistent with our expectation. If you look year over year, we saw some softness coming mainly out of MAXNetWork, and we've talked about that in previous quarters.

And just to add a little flavor to that, the lower margin contribution from Australia has really resulted in some required changes from the government. The government modified the documentation process for claims when we put people into employment, which is not unusual for these programs to evolve over time. And the last few quarters they have increased the regulatory oversight to support billings and outcomes for vendors across the board. So it's not just MAXIMUS. It's that whole marketplace.

As we've shared in prior quarters, we've invested more resources, added more staff. So naturally we wanted to increase our efforts to ensure that we meet the new requirements and still maintain our top rating -- rated standing. The department has also modified all vendor contracts to reflect these changes, so it's a permanent change. Our Australian contracts, in context, are still some of the best-performing, and I'd also say that we found the government to be a good partner who is fair and equitable.

James Naklicki - ***Citigroup - Analyst***

Okay. Thanks. And just one follow-up on the state-based health exchange opportunities that you're pursuing. Could you give us a point of reference as to how many you are actually pursuing?

And then one other on the same topic is, what was the HIX revenue for the quarter, if we include Minnesota, New York, and Connecticut?

Rich Montoni - *MAXIMUS, Inc. - President and CEO*

This is Rich Montoni. I'm going to ask Bruce Caswell, who has joined us today -- and as you know, Bruce runs our health business -- I'm going to ask you to answer part one. We haven't disclosed separately the HIX revenue in the quarter, so we'll have to decline on that one for the moment. But Bruce, could you talk about the HIX-based activity?

Bruce Caswell - *MAXIMUS, Inc. - President & General Manager, Health Services*

Sure. Absolutely. So James, it's probably important to segment it into two components. One is those states that are state-based exchanges, and as you know, there's 17 states and the District of Columbia that are doing state-based exchanges that still have active service center RFPs out.

There's only a small handful of those remaining, because, of course, time is running short, and those awards need to be completed and vendors need to get underway. And we don't disclose specific contracts that we are bidding on. But as we have said before, we remain active and focused on that marketplace, and so we are active participants in those remaining procurements.

And we also, however, are being selective. We recognize that there is limited capacity in the industry. We want to ensure that we are picking our spots correctly. So don't expect us to bid all of them.

Secondly, though, many states -- and this is maybe not well known in the industry, but for states that are in the federally facilitated exchange, and there's 34 of them, that doesn't mean that their obligations are complete on the state side. So there are things that they need to do to modify their existing systems and business processes to meet requirements of the Act, such as the No Wrong Door requirement, so that individuals who are applying -- not just at the federal level -- can also apply through existing state/county offices, or existing websites, and so forth.

A number of components of those operations which MAXIMUS has responsibility in those states. So we would expect organic growth opportunities in existing states to help them become compliant with the requirements of the Act at the federal level. So those would be two dynamics to continue to watch as we move through the summer months.

Rich Montoni - *MAXIMUS, Inc. - President and CEO*

And, James, I want to add one point to the other question that you asked. It's interesting as it relates to the state-based health insurance exchange work. Some of that work is very, very difficult to bifurcate from our existing contracts. In fact, in some cases, it's simply an add-on to our existing work. So it's virtually not practical to sort out the two. Next question, please.

Operator

(Operator Instructions). Richard Close, Avondale Partners.

Richard Close - *Avondale Partners - Analyst*

Quick question. I want to focus in on the appeals. I think you mentioned you expect that to be strong through the remainder of the current year. I'm curious your expectations of the appeals opportunity. Any impact on, one, the Part A, Part B CMS rule that is currently seeking comments there, so a proposed rule on that part. And then also, too, any impact from the RAC rebid process that is currently progressing?

Rich Montoni - *MAXIMUS, Inc. - President and CEO*

Thanks, Richard. We're going to ask Bruce Caswell to respond to your questions.

Bruce Caswell - ***MAXIMUS, Inc. - President & General Manager, Health Services***

Sure. And good morning, Richard. Thanks for the questions. They are good ones, and I guess I'd begin with the question about the ability for hospitals to bill under Part B for otherwise previously billed -- or previously incurred Part A costs.

So first of all, I'd like to note that our analysis suggests that those -- we call those B of A -- Part B of A appeals. The volume that we see from those is about 10% to 15% of the overall RAC appeals that we receive. So that's a meaningful statistic to put in the context of the overall appeals business.

And as you've noted, we're only a couple of months under the new interim rule. So it's very early to see if this is going to change the hospitals' behaviors in a meaningful way. It's important to note, of course, that Part A pays more than Part B. So hospitals, generally, we've seen, continue to bill initially under Part A, because they then have 12 months to rebill under Part B if they are not successful in that process.

And even for hospitals that then choose to re-bill under Part B, there will be a portion -- probably not as great a portion, but a portion of those that will turn into appeals as well. So at this point, too early to tell if there is any significant impact, but we've not seen anything material to reflect a change in behavior on behalf of the hospitals as a result of that proposed interim final rule.

Turning to the RAC re-procurements, as you are well aware, those are coming up in 2014. I think our view would be that when they get re-procured, because CMS is realigning the regions to align with the MAC regions, you could have some transitional, call it, lumpiness, as if contracts change and vendors have to reposition into new regions, and start up operations, and so forth.

But fundamentally, we don't expect the vendors in those areas to change their behavior or become any, really, less aggressive in terms of the business that they're going after. So if you wanted to extend -- and this is purely theorizing a little bit -- in a competitive environment where margins may be under pressure for those RAC vendors because they are paid a contingency, if anything, you could theorize they may step up the level of aggressiveness in going after claims in order to minimize the absolute impact on their profitability. But it's too early to tell at this point.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

And I would add, if the rebid process -- it's an if -- results in material reassignments amongst the RACs, then there could be a temporary pause as it relates to the claims, and hence, the appeals. But we would view that as temporary, Richard.

Bruce Caswell - ***MAXIMUS, Inc. - President & General Manager, Health Services***

Is that helpful?

Richard Close - ***Avondale Partners - Analyst***

I guess.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Yes. Next question, please.

Operator

Brian Kinstlinger, Sidoti and Company.

Brian Kinstlinger - ***Sidoti & Company - Analyst***

In relationship to your Saudi Arabia contract that is ending -- I think you provided -- in a couple of months, what is your expectation afterward? Are you already in negotiations for a much larger piece, given this is a pilot project? Tell us, is the customer happy with your performance? Just maybe give us a sense of down the road how you see that contract playing out.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

We do believe that our performance has been solid. We do believe the client respects our performance and values our contribution. As you would expect, we are in active negotiations to hopefully extend that contract and possibly to expand the scope and the size of the work we do for that country.

Brian Kinstlinger - ***Sidoti & Company - Analyst***

Great. And then of your $886 million of bookings for the year so far, I'm curious. How much is from new projects or expansion of existing programs versus re-competes?

And then specifically, on Vermont, you announced that contract. How much of that is expansion from the old contract? So maybe give us a sense of what HIX is adding as a percentage of that.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

I think the pipeline dynamics are very interesting, and I think you hit on something that is key. I'm going to defer to Bruce in a minute as it relates to Vermont per se to give you some qualitative aspects of how much we think is new.

But the majority of the pipeline is attributable to new work, which I think is great news. And I really think that's an important factor as we think about our expectations, not only for the rest of the year, but it starts to give us -- sets the table for fiscal 2014 as well. So the majority of the pipeline is attributable to new work. Bruce, any comments on Vermont, per se?

Bruce Caswell - ***MAXIMUS, Inc. - President & General Manager, Health Services***

Yes. We mentioned that the value that is in the about $12 million range on an annual basis. And it's actually fairly substantial -- I think it more than doubles the size of the current work that we do in the state. So I would just say that if you are looking as an indicator of that effect, that's a fairly good representation.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Next question, please.

Operator

(Operator Instructions). Frank Sparacino, First Analysis.

Frank Sparacino - ***First Analysis Securities - Analyst***

Bruce, I just wanted to go back on the state exchanges and just get a better sense from your perspective. When you look at the remaining state opportunity -- and I guess the opportunity associated with the state/federal partnerships, where are we at sort of in terms of those contracts being awarded?

And I'd like to get your perspective as well as where you thought we would be now. It seems like the states have been slower to move than I would have expected, but just wanted to get your perspective on that.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Bruce?

Bruce Caswell - ***MAXIMUS, Inc. - President & General Manager, Health Services***

Sure. I'd be happy to. I think that if you have followed it in the marketplace, there's been some -- a bit of consternation on behalf of the states in terms of a lack of information that's essential to finalize a lot of the planning and execution. I think some of those, if you will, gates have opened; and there is more dialogue going on, and in fact, there's testing now occurring between states and the federal data services hub, which I view as a positive sign.

But the reality is that states, just like the federal government, I think, are looking hard at what really constitutes day one operations and success on day one. So they're going to move forward. And there's no doubt that operations will open as scheduled, and it's managed; some manual workarounds and so forth are required to accomplish that. Certainly states are planning for that presently.

So as I mentioned in an answer to a prior question, time is drawing short for states that need to procure service center or call center operations for their state-based exchanges to complete that process. And we would expect that to draw to a close some time probably in the next 30 days.

And then for those states that will need supplemental services to be compliant with the requirements of the federally facilitated exchange, generally those are being handled through modifications to existing contracts and are well underway as well. So I'd say things are pacing as we would expect. Not without some glitches here and there where there's outstanding information still needed and workarounds that are being contemplated, but it's largely as we would expect at this point.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Next question, please.

Operator

Richard Close, Avondale Partners.

Richard Close - ***Avondale Partners - Analyst***

With respect to the credit facility and that announcement, how should we view that? Should we get the sense that there could be potentially a transaction more near-term rather than farther out? And then, I guess, a preference from your standpoint on potential M&A. Is it more focused in on international? And the health or human services areas?

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Richard, really the best answer comes from just a discussion of what our M&A situation is. And as we've discussed in the past, we are active from an M&A perspective. We have internal resources that help us sort out M&A opportunities that we view as strategic.

We would very much like to move forward with a transaction, provided it fits our strategic mindset. So we are looking at opportunities, and I'd say our primary focus right now is international in nature. What we'd really like to do is find an international opportunity in the health arena.

The majority of our work internationally is on the Human Services side and welfare-to-work. So you can look at our program in Australia. You can look at our program in the UK. Saudi Arabia we just mentioned. All of these are Human Services welfare-to-work opportunities.

Our view is once we establish ourselves as a valued provider and partner to that government, that we should be able to -- effectively to piggyback on that reputation, on that brand, and offer value in our complementary segment, our health segment. So we are looking -- taking a hard look at those established markets and looking for health opportunities. So we are active, we're interested, and signing this credit facility is an integral part of that strategy.

Richard Close - ***Avondale Partners - Analyst***

Great. Thank you for that follow-up.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

You're welcome. And next question, please.

Operator

(Operator Instructions). Brian Kinstlinger, Sidoti and Company.

Brian Kinstlinger - ***Sidoti & Company - Analyst***

Great. I'm curious, with both the bids in for the federal procurement, why is it competitive not to tell us whether you bid sub or prime?

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

That's a great question, Brian, and I'm going to ask Bruce Caswell to give us some insight on that one.

Bruce Caswell - ***MAXIMUS, Inc. - President & General Manager, Health Services***

Sure. Yes, Brian, it is a great question. And fundamentally, in situations where we are a subcontractor, we obviously would have an obligation to the prime contractor, and they would control any kind of disclosure of that nature.

But in situations where we are the prime contractor -- and, really, I guess this could apply to both. These bids are bids that follow a process, as you're probably well aware, that often include a best and final offer, and negotiations, and so forth. And any kind of disclosure of that nature sends a signal to the other competitors in the market that can be quite meaningful to them in their strategies for that portion of the bid process that remains, like their best and final offer process. So we treat that information very confidentially as a consequence.

Brian Kinstlinger - ***Sidoti & Company - Analyst***

Okay. And then the follow-up is -- I wasn't quite clear on the answer on my first question. On the $886 million of actual awards year to date, and/or you can combine the $400 million and some odd contracts that hasn't been signed, but have been awarded. How much of that -- not the future pipeline -- has been new or expansion of work?

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

My answer was intended to speak to the awards to date in this period. Not the pipeline, not the future awards, but the majority of the awards to date is new work. We have not -- and today we are not prepared to provide the specific metric, because historically we have not disclosed how much of that new versus rebid. But it's very important to note the majority of it is new work, Brian. Next question.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

Rich Montoni - ***MAXIMUS, Inc. - President and CEO***

Thank you, folks.

Fiscal 2013 Second Quarter Earnings

David N. Walker

Chief Financial Officer and Treasurer

May 9, 2013

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

MAXIMUS

HELPING GOVERNMENT SERVE THE PEOPLE®

Total Company Financial Results

($ in millions)	Q2 FY13	Q2 FY12	% Change
Revenue			
Total Company	$ 326.4	$ 243.5	
Terminated Contract Revenue	(16.0)	-	
Adjusted Revenue	$ 310.3	$ 243.5	27%
Operating Income			
Total Company*	$ 50.7	$ 26.8	
Terminated Contract OI	(10.9)	-	
Adjusted Operating Income	$ 39.8	$ 26.8	49%
Adjusted Operating Margin %	*12.8%*	*11.0%*	
Net Income	$ 31.7	$ 14.2	
Terminated contract net income	(6.5)	-	
Adjusted Net Income	$ 25.2	$ 14.2	77%
Adjusted EPS	$ 0.72	$ 0.49	47%

*Excluding legal, settlement and acquisition expense

Note: numbers may not add due to rounding

Q2 FY13 results in line with expectations

- Q2 FY13 results included $16m of non-recurring revenue, pre-tax income of $10.9m (after tax $6.5m), or $0.19 per diluted share, in the Human Services Segment due to a terminated contract
- Excluding the $16m, Q2 FY13 revenue grew 27% to $310.3m compared to last year. Organic revenue growth accelerated. Organic revenue grew 15% over last year driven by growth in both segments
- Q2 FY13 total company operating income, excluding legal, settlement and acquisition expense, totaled $50.7m (pre-tax). Excluding the pre-tax profit of $10.9m from the terminated contract, segment operating income totaled $39.8m (12.8% operating margin)
- Income from continuing ops, net of taxes, totaled $31.7m (or $0.91 per diluted share) and included $6.5m (or $0.19 per diluted share) related to the terminated contract
- Excluding the $0.19 one-time benefit, adjusted EPS grew 47% to $0.72

Health Services Segment

($ in millions)	Q2 FY13	Q2 FY12	% Change
Revenue			
Health Services	$ 197.9	$ 161.2	23%
Operating Income			
Health Services	$ 28.9	$ 18.2	59%
Operating Margin %	*14.6%*	*11.3%*	

Revenue

- Q2 revenue increased 23% to $197.9 million, driven by the PSI acquisition, expansion on existing programs, and new work that is starting to ramp nicely. Still experiencing healthy volumes in federal Medicare appeals business

Operating Income & Margins

- Q2 operating income increased 59% to $28.9 million compared to the same period last year and operating margin improved to 14.6% in Q2 driven by accretive growth. This compares to operating margin of 11.3% reported for the same period last year

Demand for Core Services Remains Strong

- New win to support General Dynamics Information Technology under the federal Customer Contact Center Operations (CCO) contract; includes customer service for ACA-related activities for the federally facilitated health insurance marketplace
- Cost reimbursable program will only provide a few months of lower-margin revenue in FY13 and we do factor new contracts into our forecast, so full year outlook remains unchanged

Human Services Segment

($ in millions)	Q2 FY13	Q2 FY12	% Change
Revenue			
Human Services	$ 128.4	$ 82.3	
Terminated Contract Revenue	(16.0)	-	
Adjusted Revenue	$ 112.4	$ 82.3	37%
Operating Income			
Human Services	$ 21.5	$ 8.6	
Terminated Contract OI	(10.9)	-	
Adjusted Operating Income	$ 10.6	$ 8.6	23%
Adjusted Operating Margin %	*9.4%*	*10.5%*	

Revenue

Q2 revenue increased to $128.4m. Excluding the $16.0m from the terminated contract, revenue grew 37% to $112.4m compared to last year, driven by the PSI acquisition, the ramp in the UK, and growth from Canada and Saudi Arabia

Operating Income & Margins

- Q2 operating income totaled $21.5m, and included pre-tax income of $10.9m from the terminated contract
- Excluding the $10.9m, the Segment's normalized Q2 operating income was $10.6m (operating margin of 9.4%)

Balance Sheet and Cash Flows

Cash Flows & DSOs
- Q2 cash flow consistent with expectations
- As expected, we continue to experience administrative payment delays on two programs
- DSOs were sequentially lower at 66 days at March 31 (excluding revenue from the terminated contract)

Cash and Use of Cash
- Cash provided by operating activities from continuing operations totaled $29.4m at March 31, 2013
- Free cash flow totaled $18.3m
- Cash and cash equivalents of $187.3m at March 31

Share Buybacks
- No shares were purchased in the quarter; at March 31, $114.6 million was available for future purchases

Credit Facility
- Completed a $100m, five-year line of credit
- Accordion feature up to an additional $50m
- Available for general corporate purposes

Stock Split
- On June 28, 2013, shareholders of record on June 14 will receive and additional share of stock for each outstanding share

Reconciliation to Free Cash Flow

$ in millions	March 31, 2013
Cash provided by operating activities from continuing operations	$29.4
Cash paid for property, equipment and capitalized software	($11.0)
Free cash flow	$18.3

Note: numbers may not add due to rounding

FY 13 Guidance: Reiterating Revenue & Adjusted EPS

Consolidated Guidance	FY13 E
Revenue	$1.25B - $1.30B
Adjusted Diluted EPS	$3.00 - $3.15
Cash from Continuing Ops	$115M - $135M
Free Cash Flow from Cont Ops	$70M - $90M

Reiterating Revenue and Earnings Guidance; Maintaining Cash Flow Guidance

- We are reiterating our FY 13 revenue, adjusted EPS guidance and cash flow guidance
- From a modeling perspective:
  1. Many new programs coming on board have revenue and profit ramps this means that the remainder of the year will be back-end loaded into Q4
  2. Some examples of new programs with ramping trends include:
     a) New HIX work in NY, CT, VT, plus new CCO contract (which is more of a Q4 contributor)
     b) Our new contract for independent medical reviews for the California worker's comp program (as volumes grow)
     c) The new DES program in Australia
     d) Steady monthly volume increases in federal Medicare appeals
- Great quarter and remain confident on the remainder of fiscal 2013

Fiscal 2013 Second Quarter Earnings

Richard A. Montoni

President and Chief Executive Officer

May 9, 2013

MAXIMUS

HELPING GOVERNMENT SERVE THE PEOPLE®

On Track for Continued Growth in Fiscal 2013

- Solid Q2 financial results support growth trajectory for the remainder of fiscal year 2013 and beyond
- Several new awards to share today and start-up programs are progressing largely as planned
- On track for exceptional top- and bottom-line growth in fiscal 2013, as we seek to expand our health and human services operations, both in the U.S. and abroad
- Maintain an optimistic outlook on growth potential and capitalize on opportunities to deliver value to shareholders

Health Services: Renewal of MassHealth Contract

- Received award notification for a five-year renewal of MassHealth Medicaid contract
- Scope of work is largely unchanged; MAXIMUS:
  - Provides general eligibility and program participation customer service to Medicaid members and providers
  - Enrolls Medicaid participants into managed care health plans
  - Enrolls and credentials providers
  - Provides other services on the Commonwealth's behalf.
- In final contract negotiations with the client

Health Care Reform Update: Federal Market

- Seeing the expected pick-up in procurements on the federally facilitated exchange, also known as the Health Insurance Marketplace
- Part of the team selected by CMS for the contact center operations contract:
  - MAXIMUS is a subcontractor to General Dynamics Information Technology (GDIT)
  - Under the contract, we will handle ACA-related inquires across the U.S. and territories
  - Important step in strategy of growing federal business and winning fair share of health reform
- Two additional federal exchange RFPs in our sweet spot; award dates uncertain
  1. Eligibility Support functions of the Marketplace
  2. Eligibility Appeals work in the Marketplace

  - We have submitted bids for both contracts and for competitive reasons cannot share other details
  - As a reminder, a vendor cannot win both the Eligibility Support and Eligibility Appeals contracts

Health Care Reform remains our largest domestic growth driver and MAXIMUS continues to add new contracts to our growing portfolio of ACA-related work.

Health Care Reform Update: State Market

- Signed two new contracts to support state HIX
- Vermont: Contract amendment for customer support center for the state's health benefits exchange
  - Builds upon a 17-year partnership with the Department of Vermont Health Access and expands our customer support center operations in the state
  - One-year, $12.5 million contract amendment started on May 1, 2013; has an additional one-year option period
- California: Contract to provide supplemental support to the state's HIX operations
  - California has elected to use public workers to staff its HIX customer service centers
  - MAXIMUS will train approximately 850 individuals associated with the service centers
  - The MAXIMUS Center for Health Literacy will provide services to ensure that all consumer correspondence, forms, and other program materials are easy-to-understand by the populations served through the state HIX

Health Services: Future Growth Opportunities

- Domestically, states that initially elect a federal or partnership exchange may transition to state-based exchanges down the road; presents future opportunity
- Health care reform will be a long-term, multi-year growth driver, as health insurance marketplaces evolve over time

- Internationally, many promising opportunities to grow our health business
- Expect RFP activity (as early as 2014) in existing markets outside U.S. and where current offerings are focused on welfare-to-work
- These emerging, new opportunities are right in our wheelhouse of core capabilities
- Natural progression of "land, execute and expand" strategy

Human Services: Growth in the U.S. Markets

- Launched a new contract with the New York City Human Resources Administration
  - Employment services centers in the Bronx and Staten Island
  - Provide assessment, work readiness, job placement and retention, and support services to participants in public programs, non-custodial parents and foster care youth
- As a result of a CMS requirement for independent oversight on large federally funded programs, seeing an increase in our Independent Verification and Validation (IV&V) consulting practice
  - We provide oversight services to ensure that large integration projects meet cost, time and quality objectives
  - Recent wins in Pennsylvania, Ohio and Oregon
  - Engagements are small, but can be helpful in positioning MAXIMUS for future work downstream

Human Services: International Update

- U.K. Work Programme contract meeting expectations
  - Department of Work and Pensions will release next performance statistics on June 27, 2013
  - Expect the government will start planning for work reallocation, but expect shift of work to happen in 2014
- Saudi Arabia pilot program running successfully
  - Initial one-year pilot program is set to end in August
  - Team's strong performance to-date sets solid platform as additional opportunities to deliver our core services develop over the long-term in this promising market

Contract Rebids

- Started fiscal year 2013 with 14 contracts with a total value of approximately $475 million up for rebid
  - Texas Medicaid Enrollment and MassHealth contracts make up the lion's share with a combined value of approximately $320 million
  - With award notification on both of these contracts, pleased to win our two largest rebids
  - Lost a child support rebid on price; it was valued at just under $5 million a year
- Still having a great year from a re-bid perspective and on track to win 90%-plus
- Five rebids remaining, with a total contract value of just under $50 million

New Awards and Sales Pipeline

New Sales	March 31, 2013
YTD signed awards	$886 million
New contracts pending	$425 million
Sales Opportunities	**March 31, 2013**
Total pipeline	$2.3 billion

At March 31, 2013:

- MAXIMUS signed $886 million in new contract awards ($700 million signed in Q2)
- Approximately $425 million of "awarded but unsigned" contracts
- Total sales pipeline of opportunities was $2.3 billion, slightly lower than last quarter, driven mostly by contracts moving out of the pipe and into the award categories
- Routine fluctuations between the pipeline and award categories are driven by the stages in the procurement process and the timing of when contracts are awarded and signed

Use of Cash

- Cash in the quarter continues to be strong, with the majority held overseas
- Active M&A program with a very strategic approach towards opportunities that complement our growth strategy
- Subsequent to quarter end, announced a two-for-one stock split, which will take place at the end of June and demonstrates our:
  1. Ongoing confidence in the Company
  2. Superior market positioning
  3. Positive outlook related to the many emerging opportunities we see across our business

Conclusion

- Focus on delivering high-quality, value-added services to government clients
- Strong performance keeps us on a solid path for achieving our long-term goals of:
    1. Securing our fair share of health care reform work in the U.S.
    2. Growing our federal operations
    3. Expanding our global operations
- We are committed to offering the highest quality of services to clients, growing the business with new work, and building long-term shareholder value

Non-GAAP Measures

This presentation refers to non-GAAP financial measures, including free cash flows from operating activities, adjusted diluted earnings per share from continuing operations, organic growth, as well as revenues, operating income, net income and earnings per share excluding a terminated contract.

To provide organic growth information, revenue in the prior year is compared to the current year without PSI revenues. We believe organic growth provides a useful basis for assessing the performance of the business excluding PSI. We have provided a reconciliation of free cash flow to operating cash flow from continuing operations. We believe that free cash flow from operations is a useful basis for investors to compare our performance across periods or across our competitors. Free cash flow show the effects of the Company's operations and routine capital expenditure and exclude the cash flow effects of acquisitions, share repurchases, dividend payments and other financing transactions. We have provided a reconciliation to adjusted diluted earnings per share and operating income excluding legal, settlement and acquisition-related expenses and the benefits of the terminated contract. We have also provided a reconciliation between revenue and revenue excluding the terminated contract. We believe that these measures are a useful basis for assessing the Company's performance excluding the effect of the terminated contract, the costs of acquiring PSI, and net legal and settlement expenses.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to net income, cash flows from operating activities, diluted earnings per share, revenue growth, operating income and operating margin as measures of performance.