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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2019

OR

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

For the transition period from to

Commission File Number: 1-12997

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

Virginia	**54-1000588**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1891 Metro Center Drive, Reston, Virginia	**20190**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MMS	New York Stock Exchange

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

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of February 3, 2020, there were 63,943,497 shares of the registrant's common stock (no par value) outstanding.

MAXIMUS, Inc.

Quarterly Report on Form 10-Q
For the Quarter Ended December 31, 2019

INDEX

Throughout this Quarterly Report on Form 10-Q, the terms “Company,” “we,” “us,” “our” and “MAXIMUS” refer to MAXIMUS, Inc. and its subsidiaries, unless the context requires otherwise.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Included in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “opportunity,” “could,” “potential,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- a failure to meet performance requirements in our contracts, which might lead to contract termination and actual or liquidated damages;
- the effects of future legislative or government budgetary and spending changes;
- our failure to successfully bid for and accurately price contracts to generate our desired profit;
- our ability to maintain technology systems and otherwise protect confidential or protected information;
- our ability to attract and retain executive officers, senior managers and other qualified personnel to execute our business;
- our ability to manage capital investments and startup costs incurred before receiving related contract payments;
- our ability to manage our growth, including acquired businesses;
- the ability of government customers to terminate contracts on short notice, with or without cause;
- our ability to maintain relationships with key government entities from whom a substantial portion of our revenue is derived;
- the outcome of reviews or audits, which might result in financial penalties and impair our ability to respond to invitations for new work;
- a failure to comply with laws governing our business, which might result in the Company being subject to fines, penalties, suspension, debarment and other sanctions;
- the costs and outcome of litigation;
- difficulties in integrating or achieving projected revenues, earnings and other benefits associated with acquired businesses;
- the effects of changes in laws and regulations governing our business, including tax laws, and applicable interpretations and guidance thereunder, or changes in accounting policies, rules, methodologies and practices, and our ability to estimate the impact of such changes;
- matters related to business we have disposed of or divested; and
- other factors set forth in Exhibit 99.1, under the caption "Special Considerations and Risk Factors," in our Annual Report on Form 10-K for the year ended September 30, 2019, which was filed with the Securities and Exchange Commission on November 26, 2019.

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

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

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

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

See notes to unaudited consolidated financial statements.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)
(Unaudited)

	Three Months Ended December 31,	
	2019	2018
Net income	$ 58,734	$ 55,723
Foreign currency translation adjustments	6,893	(5,720)
Comprehensive income	65,627	50,003
Comprehensive loss attributable to noncontrolling interests	—	(190)
Comprehensive income attributable to MAXIMUS	$ 65,627	$ 50,193

See notes to unaudited consolidated financial statements.

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

	December 31, 2019	September 30, 2019
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 149,515	$ 105,565
Accounts receivable — billed and billable, net of reserves of $ 6,846 and $5,382	511,670	476,690
Accounts receivable — unbilled	123,420	123,884
Income taxes receivable	6,049	20,805
Prepaid expenses and other current assets	53,254	62,481
Total current assets	843,908	789,425
Property and equipment, net	92,377	99,589
Capitalized software, net	32,936	32,369
Operating lease right-of-use assets	200,690	—
Goodwill	586,659	584,469
Intangible assets, net	171,077	179,250
Deferred contract costs, net	18,224	18,921
Deferred compensation plan assets	35,151	32,908
Deferred income taxes	191	186
Other assets	8,578	8,615
Total assets	$ 1,989,791	$ 1,745,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 174,707	$ 177,786
Accrued compensation and benefits	104,263	106,789
Deferred revenue	42,756	43,344
Income taxes payable	5,563	13,952
Current portion of long-term debt and other borrowings	7,009	9,658
Operating lease liabilities	85,625	—
Other liabilities	12,785	12,709
Total current liabilities	432,708	364,238
Deferred revenue, less current portion	32,105	32,341
Deferred income taxes	47,344	46,560
Deferred compensation plan liabilities, less current portion	37,298	34,079
Operating lease liabilities, net of current portion	121,620	—
Other liabilities	19,711	20,313
Total liabilities	690,786	497,531
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 63,953 and 63,979 shares issued and outstanding at December 31, 2019, and September 30, 2019, at stated amount, respectively	504,184	498,433
Accumulated other comprehensive loss	(38,487)	(45,380)
Retained earnings	833,308	794,739
Total MAXIMUS shareholders' equity	1,299,005	1,247,792
Noncontrolling interests	—	409
Total equity	1,299,005	1,248,201
Total liabilities and equity	$ 1,989,791	$ 1,745,732

See notes to unaudited consolidated financial statements.

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

	Three Months Ended December 31,	
	2019	**2018**
Cash flows from operations:		
Net income	$ 58,734	$ 55,723
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property and equipment and capitalized software	15,318	11,231
Amortization of intangible assets	9,088	5,458
Deferred income taxes	422	16,511
Stock compensation expense	5,397	4,971
Change in assets and liabilities net of effects of business combinations		
Accounts receivable — billed and billable	(31,016)	(69,890)
Accounts receivable — unbilled	2,013	20,198
Prepaid expenses and other current assets	4,063	(5,691)
Deferred contract costs	848	(1,757)
Accounts payable and accrued liabilities	2,403	26,564
Accrued compensation and benefits	6,842	377
Deferred revenue	(1,345)	(372)
Income taxes	13,984	(3,848)
Operating lease right-of-use assets and liabilities	(1,622)	—
Other assets and liabilities	2,138	(135)
Cash flows from operations	87,267	59,340
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software costs	(10,487)	(9,973)
Acquisitions of businesses, net of cash acquired	—	(421,809)
Maturities of short-term investments	—	19,996
Other	25	47
Cash used in investing activities	(10,462)	(411,739)
Cash flows from financing activities:		
Cash dividends paid to MAXIMUS shareholders	(17,913)	(16,033)
Purchases of MAXIMUS common stock	(1,898)	(40,984)
Tax withholding related to RSU vesting	(10,614)	(8,915)
Borrowings under credit facility and other loan agreements	83,419	195,100
Repayment of credit facility and other long-term debt	(86,301)	(70,033)
Other	(493)	(133)
Cash (used in)/provided by financing activities	(33,800)	59,002
Effect of exchange rate changes on cash and cash equivalents	1,452	(1,068)
Net increase/(decrease) in cash, cash equivalents and restricted cash	44,457	(294,465)
Cash, cash equivalents and restricted cash, beginning of period	116,492	356,559
Cash, cash equivalents and restricted cash, end of period	$ 160,949	$ 62,094

See notes to unaudited consolidated financial statements.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands)
(Unaudited)

	Common Shares Outstanding	Common Stock	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Noncontrolling interest	Total
Balance at September 30, 2019	63,979	$ 498,433	$ (45,380)	$ 794,739	$ 409	$ 1,248,201
Net income	—	—	—	58,734	—	58,734
Foreign currency translation	—	—	6,893	—	—	6,893
Cash dividends	—	—	—	(17,913)	(409)	(18,322)
Dividends on RSUs	—	354	—	(354)	—	—
Purchases of common stock	(26)	—	—	(1,898)	—	(1,898)
Stock compensation expense	—	5,397	—	—	—	5,397
Balance at December 31, 2019	63,953	$ 504,184	$ (38,487)	$ 833,308	$ —	$ 1,299,005

	Common Shares Outstanding	Common Stock	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Noncontrolling interest	Total
Balance at September 30, 2018	64,371	$ 487,539	$ (36,953)	$ 633,281	$ 2,552	$ 1,086,419
Cumulative impact from adopting ASC Topic 606 on October 1, 2018	—	—	—	32,929	553	33,482
Net income	—	—	—	55,913	(190)	55,723
Foreign currency translation	—	—	(5,720)	—	—	(5,720)
Cash dividends	—	—	—	(16,033)	(133)	(16,166)
Dividends on RSUs	—	428	—	(428)	—	—
Purchases of common stock	(654)	—	—	(41,330)	—	(41,330)
Stock compensation expense	—	4,971	—	—	—	4,971
Balance at December 31, 2018	63,717	$ 492,938	$ (42,673)	$ 664,332	$ 2,782	$ 1,117,379

See notes to unaudited consolidated financial statements.

MAXIMUS, Inc.
Notes to Unaudited Consolidated Financial Statements
For the Three Months Ended December 31, 2019 and 2018

1. Organization and Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. As permitted by these instructions, they do not include all of the information and notes required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the three months ended December 31, 2019, are not necessarily indicative of the results that may be expected for the full fiscal year. The balance sheet at September 30, 2019, has been derived from the audited financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statements.

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenue and expenses. On an ongoing basis, we evaluate our estimates including those related to revenue recognition and cost estimation on certain contracts, the realizability of goodwill and amounts related to income taxes, certain accrued liabilities and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

These financial statements should be read in conjunction with the consolidated audited financial statements and the notes thereto at September 30, 2019 and 2018, and for each of the three years ended September 30, 2019, included in our Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on November 26, 2019.

Changes in financial reporting

Leases

Effective October 1, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)*. The new standard requires that assets and liabilities arising under leases be recognized on the balance sheet, except for those with an initial term of less than 12 months. We adopted this standard using a modified retrospective approach. Accordingly, we did not recast prior period financial information. Certain elections were made in adopting the standard.

- We elected to use the package of practical expedients which, among other things, allows us to not reassess historical lease classification.
- We do not separate lease and non-lease components for all classes of leases, which allows us to account for a lease as a single component.
- We used the optional transition method, which did not require us to recast our comparative periods.
- We did not use the hindsight practical expedients, which would have allowed us to use hindsight in determining the reasonably certain lease term.
- We did not adjust our accounting for leases with an initial term of twelve months or less.

Upon adopting Topic 842, we recognized a lease liability of $ 214.5 million, reflecting the present value of the future remaining minimum lease payments. Changes to our opening balance sheet are summarized below. There was no cumulative impact to our retained earnings and the changes did not cause any material changes in our statements of operations or our statements of cash flows. The adoption of Topic 842 does not affect our compliance with our existing contracts, including our credit facility.

(dollars in thousands)	Balance at September 30, 2019	Adjustments due to adoption of new standard	Opening balance at October 1, 2019
Assets			
Prepaid expenses and other current assets	$ 62,481	$ (6,131)	$ 56,350
Operating lease right-of-use assets	—	206,314	206,314
Liabilities and shareholders' equity			
Accounts payable and accrued expenses	177,786	(5,250)	172,536
Operating lease liabilities	—	88,276	88,276
Other current liabilities	12,709	(648)	12,061
Operating lease liabilities, net of current portion	—	126,197	126,197
Other long-term liabilities	20,313	(8,392)	11,921

At the adoption of *Topic 842*, the Company recognized deferred tax assets and liabilities corresponding to the operating lease liabilities and operating right-of-use assets, respectively. These balances offset each other and no net effect resulted from this change.

Additional information and disclosures relating to this change are included within "Note 3. Leases."

Forthcoming changes

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This accounting guidance requires customers in cloud-computing arrangements to identify and defer certain implementation costs in a manner broadly consistent with that of existing guidance on the costs to develop or obtain internal-use software. We will adopt this guidance on October 1, 2020. The guidance may be adopted early and we may adopt using either a prospective or retrospective methodology. We are currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This update introduces a new model for recognizing credit losses on financial instruments, including losses on accounts receivable. We will adopt this guidance on October 1, 2020 and any changes will be recorded as a cumulative adjustment to retained earnings. We are still assessing the effect of this standard on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. This standard will not change the manner in which we would identify a goodwill impairment but would change any subsequent calculation of an impairment charge. We will adopt this guidance on October 1, 2020. The effect of this new standard will depend upon the outcome of future goodwill impairment tests.

Other recent accounting pronouncements are not expected to have a material effect on our financial statements.

2. Segment Information

The table below provides certain financial information for each of our business segments. We operate our business through three segments.

- Our U.S. Health and Human Services Segment provides a variety of business process services such as program administration, appeals and assessments services, and related consulting work for U.S. state and local government programs. These services support a variety of programs including the Affordable Care Act (ACA), Medicaid and the Children's Health Insurance Program (CHIP). We also serve as administrators in state-based welfare-to-work and child support programs.
- Our U.S. Federal Services Segment provides business process solutions, including program administration, appeals and assessment services, as well as system and software development and maintenance services for various U.S. federal civilian programs. This segment also contains certain state-based assessments and appeals work that is part of the segment's heritage within the Medicare Appeals portfolio and continues to be managed within this segment.
- Our Outside the U.S. Segment provides business process solutions for governments and commercial clients outside the U.S., including health and disability assessments, program administration and case management for employment services and other work-support programs. We deliver services in the United Kingdom, including the Health Assessment Advisory Service (HAAS), the Work & Health Programme and Fair Start; Australia, including jobactive and the Disability Employment Service; Canada, including Health Insurance British Columbia and the Employment Program of British Columbia; Saudi Arabia and Singapore.

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

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

(2) Other selling, general and administrative expenses includes credits and costs that are not allocated to a particular segment. In the three months ended December 31, 2018, these other costs include $2.7 million of costs related to the acquisition of the citizen engagement centers business.

Identifiable assets for the segments are shown below (in thousands):

	December 31, 2019	September 30, 2019
U.S. Health & Human Services	$ 584,038	$ 500,641
U.S. Federal Services	922,613	795,553
Outside the U.S.	245,289	234,769
Corporate	237,851	214,769
Total	$ 1,989,791	$ 1,745,732

3. Leases

Beginning October 1, 2019, we identify contracts which are, or contain, leases where a contract allows us the right to control identified property or equipment for a period of time in return for consideration. Our leases are typically for office space or facilities, as well as some equipment leases. Where contracts include both lease and non-lease components, we do not typically separate the non-lease components in our accounting.

At the inception of a lease, we recognize a liability for future minimum lease payments based upon the present value of those payments.

- In identifying our future minimum lease payments, we do not include variable lease costs, such as those for maintenance or utilities. These are recorded as lease expenses in the period in which they are incurred.
- In identifying future lease payments, we do not include short-term leases, identified as those with an initial term of twelve months or less.
- Lease options are included within our lease liability only where it is reasonably certain that we will utilize those periods of the lease and incur the related costs.
- In calculating the fair value of our lease liability, we utilize an estimate of our collateralized incremental borrowing rate. This estimate is based upon publicly-available information adjusted for company-specific, country-specific and lease-specific factors. The weighted average incremental borrowing rate utilized at December 31, 2019 is 3.6%.

Over the course of a lease, the lease liability is reduced as scheduled lease payments are made and increased as the implied interest charges are added.

Our right-of-use asset is based upon the lease liability at the contract inception but is adjusted over the life of the lease by lease prepayments, additional costs or lease incentives. The right-of-use asset is amortized on a straight-line basis over the lease term, offset by the interest accretion recorded on the lease liability.

Lease expense is recorded within our consolidated statements of operations based upon the nature of the assets. Where assets are used to directly serve our customers, such as facilities dedicated to customer contracts, lease costs are recorded in "cost of revenue". Facilities and assets which serve management and support functions are expensed through "selling, general and administrative expenses". Costs recorded in the three months ended December 31, 2019 are summarized below.

(dollars in thousands)	Three months ended December 31, 2019
Operating lease cost	$ 25,250
Short-term lease cost	2,110
Variable lease cost	3,334
Total operating lease costs	$ 30,694

Future minimum lease payments for noncancelable operating leases as of December 31, 2019 are shown below.

(dollars in thousands)	Office space	Equipment	Total
For the years ended September 30,			
Remainder of 2020	$ 63,960	$ 6,336	$ 70,296
2021	58,107	6,812	64,919
2022	38,047	2,904	40,951
2023	25,691	124	25,815
2024	11,181	77	11,258
Thereafter	7,067	—	7,067
Total minimum lease payments	$ 204,053	$ 16,253	$ 220,306
Less imputed interest	(11,269)	(1,792)	(13,061)
Total lease liabilities	$ 192,784	$ 14,461	$ 207,245

Our weighted average remaining lease term at December 31, 2019 is 3.1 years.

For the three months ended December 31, 2019, we made cash payments of $ 28.1 million for amounts included in our lease liabilities. New or amended leases resulted in additional right-of-use assets of $17.3 million.

4. Revenue recognition

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

Disaggregation of revenue

In addition to our segment reporting, we disaggregate our revenues by service, contract type, customer type and geography. Our operating segments represent the manner in which our Chief Executive Officer reviews our financial results which is further discussed in "Note 2. Segment information."

By operating segment and service

(dollars in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Program administration	$ 236,907	$ 218,973
Assessments and appeals	33,831	37,221
Workforce and children services	29,386	23,903
Other	12,157	14,116
Total U.S. Health and Human Services	312,281	294,213
Program administration	281,688	140,121
Technology solutions	43,606	38,883
Assessments and appeals	41,277	37,983
Total U.S. Federal Services	366,571	216,987
Workforce and children services	57,239	73,278
Assessments and appeals	62,643	62,310
Program administration	17,094	15,320
Other	2,401	2,511
Total Outside the U.S.	139,377	153,419
Total revenue	$ 818,229	$ 664,619

By contract type

(dollars in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Performance-based	$ 292,758	$ 312,887
Cost-plus	362,811	175,298
Fixed price	119,216	147,151
Time and materials	43,444	29,283
Total revenue	$ 818,229	$ 664,619

By customer type

(dollars in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
New York State government agencies	$ 97,223	$ 91,712
Other U.S. state government agencies	209,886	198,902
Total U.S. state government agencies	307,109	290,614
United States Federal Government agencies	351,833	198,278
International government agencies	130,816	142,781
Other, including local municipalities and commercial customers	28,471	32,946
Total revenue	$ 818,229	$ 664,619

By geography

(dollars in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
United States of America	$ 678,852	$ 511,200
United Kingdom	73,002	73,418
Australia	37,435	53,373
Rest of world	28,940	26,628
Total revenue	$ 818,229	$ 664,619

Contract balances

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

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

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

- Under cost-plus contracts, we are typically required to estimate a contract’s share of our general and administrative expenses. This share is based upon estimates of total costs which may vary over time. We typically invoice our customers at an agreed provisional billing rate which will differ from actual rates incurred. If our actual rates are higher than the provisional billing rates, an asset is recorded for this variance; if the provisional billing rate is higher than our actual rate, we record a liability.
- Certain contracts include retainage balances, whereby revenue is earned but cash payments are held back by the customer for a period of time, typically to allow the customer to evaluate the quality of our performance. This balance is classified as accounts receivable - unbilled until restrictions on billing have been lifted.
- In certain contracts, we may receive funds from our customers prior to performing operations. These funds are typically referred to as “set-up costs” and reflect the need for us to make investments in infrastructure prior to providing a service. This investment in infrastructure is not a performance obligation which is distinct from the service that is subsequently provided and, as a result, revenue is not recognized based upon the establishment of this infrastructure, but rather over the course of the contractual relationship. The funds are initially recorded as deferred revenue and recognized over the term of the contract. Other contracts may not include set-up fees but will provide higher fees in earlier periods of the contract. The premium on these fees is deferred.
- Some of our contracts, notably our welfare-to-work contracts in the Outside the U.S. Segment, include payments for outcomes, such as job retention, which occur over several months. We are required to

estimate these outcome fees ahead of their realization and recognize this estimated fee over the period of delivery.

During the three months ended December 31, 2019 and 2018, we recognized revenue of $ 18.0 million and $21.8 million included in our deferred revenue balances at September 30, 2019 and 2018, respectively.

Contract estimates

We are required to use estimates in recognizing certain revenue.

- Some of our performance-based contract revenue is recognized based upon future outcomes defined in each contract. This is the case in many of our welfare-to-work contracts in the Outside the U.S. Segment, where we are paid as individuals attain employment goals, which may take many months to achieve. We recognize revenue on these contracts over the period of performance. Our estimates vary from contract to contract but may include estimates of the number of participants, the length of the contract and the participants reaching employment milestones. We are required to estimate these outcome fees ahead of their realization and recognize this estimated fee over the period of delivery.
- Other performance-based contracts with future outcomes include those where we recognize an average effective rate per participant based upon the total volume of expected participants. In this instance, we are required to estimate the amount of discount applied to determine the average rate of revenue per participant.

Where we have changes to our estimates, these are recognized on a cumulative catch-up basis. In the three months ended December 31, 2019 and 2018, we reported reductions in revenue of $1.4 million and $1.5 million from changes in estimates, respectively.

Deferred contract costs

For many contracts, we incur significant incremental costs at the beginning of an arrangement. Typically, these costs relate to the establishment of infrastructure which we utilize to satisfy our performance obligations with the contract. We report these costs as deferred contract costs and amortize them on a straight-line basis over the shorter of the useful economic life of the asset or the anticipated term of the contract.

In the three months ended December 31, 2019 and 2018, we deferred $ 1.3 million and $3.1 million of costs, respectively, and recorded amortization expense of $2.2 million and $1.3 million, respectively. This amortization was recorded within our "cost of revenue" on our consolidated statements of operations.

Remaining performance obligations

At December 31, 2019, we had approximately $ 300 million of remaining performance obligations. We anticipate that we will recognize revenue on approximately 60% of this balance within the next twelve months. This balance excludes contracts with an original duration of twelve months or less, including contracts with a penalty-free termination for convenience clause, and any variable consideration which is allocated entirely to future performance obligations including variable transaction fees or fees tied directly to costs incurred.

5. Earnings Per Share

The weighted average number of shares outstanding used to compute earnings per share was as follows:

	Three Months Ended December 31,	
(shares in thousands)	2019	2018
Basic weighted average shares outstanding	64,597	64,827
Dilutive effect of unvested RSUs	161	150
Denominator for diluted earnings per share	64,758	64,977

Our dilutive earnings per share for the three months ended December 31, 2019 and 2018, excludes any effect from approximately 274,000 and 282,000 unvested restricted stock units, respectively, as adding them to our calculation would have been antidilutive.

6. Acquisitions

On November 16, 2018, we acquired General Dynamics Information Technology's citizen engagement centers business for $ 430.7 million. This acquisition strengthens our position in the administration of federal government programs and the business was integrated into our U.S. Federal Services Segment. We completed our allocation of the purchase price to the assets acquired and liabilities assumed in September 2019, including goodwill of $184.6 million and intangible assets of $122.3 million.

On August 16, 2019, we acquired 100% of the share capital of GT Hiring Solutions (2005) Inc. ("GT Hiring") for a purchase price estimated to be $ 6.1 million (8.1 million Canadian Dollars). The purchase price is subject to a net working capital true-up. GT Hiring provides employment services in British Columbia. We acquired GT Hiring to enhance the reach and capabilities of our Canadian employment services and, accordingly, the business has been integrated into our Outside the U.S. Segment. We are still in the process of finalizing the purchase price and the allocation of assets acquired and liabilities assumed. We recorded estimated goodwill and intangible assets balances of $1.7 million and $2.7 million, respectively, related to this acquisition. The goodwill represents the assembled workforce and enhanced knowledge, experience and reputation we have obtained from the acquisition and will be deductible for tax purposes. The intangible assets represent customer relationships, which will be amortized over seven years.

7. Supplemental Disclosures

Under a resolution adopted in June 2018, the Board of Directors authorized the purchase, at management's discretion, of up to $ 200 million of our common stock. During the three months ended December 31, 2019, we purchased 26,000 of our common shares at a cost of $ 1.9 million. During the three months ended December 31, 2018, we acquired approximately 654,000 common shares at a cost of $ 41.3 million. At December 31, 2019, $144.1 million remained available for future stock purchases. Subsequent to December 31, 2019, we have purchased a further 30,000 shares at a cost of $ 2.2 million.

During the three months ended December 31, 2019, we granted 287,000 restricted stock units to our board of directors and employees. These awards will vest ratably over one and five years, respectively.

Our deferred compensation plan uses both mutual fund and life insurance investments to fund its obligations. The mutual funds are recorded at fair value, based upon quoted prices in active markets, and the life insurance investments at cash surrender value; changes in value are reported in our consolidated statements of operations. At December 31, 2019, the deferred compensation plan held $22.1 million of the mutual fund investments.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other amounts included within current assets and liabilities that meet the definition of a financial instrument are shown at values equivalent to fair value due to the short-term nature of these items. Our accounts receivable billed and billable balance includes both amounts invoiced and amounts that are ready to be invoiced where the funds are collectible within standard invoice terms. Our accounts receivable unbilled balance includes balances where revenue has been earned but no invoice was issued on or before December 31, 2019. Restricted cash represents funds which are held in our bank accounts but which we are precluded from using for general business needs through contractual requirements; these requirements include serving as collateral for lease, credit card or letter of credit arrangements or where we hold funds on behalf of clients. Restricted cash is included within "prepaid expenses and other assets" on our balance sheet and is included within "cash, cash equivalents and restricted cash" in our consolidated statements of cash flows. A reconciliation of these balances is shown below.

	Balance as of			
(dollars in thousands)	December 31, 2019	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	$ 149,515	$ 105,565	$ 54,736	$ 349,245
Restricted cash (recorded within "other current assets")	11,434	10,927	7,358	7,314
Cash, cash equivalents and restricted cash	160,949	116,492	62,094	356,559

During the three months ended December 31, 2019 and 2018, we made interest payments of $ 0.2 million and $0.2 million, respectively.

During the three months ended December 31, 2019 and 2018, we made income tax payments of $ 6.3 million and $7.1 million, respectively.

8. Litigation

We are subject to audits, investigations and reviews relating to compliance with the laws and regulations that govern our role as a contractor to agencies and departments of the United States Federal Government, state, local and foreign governments, and otherwise in connection with performing services in countries outside of the U.S. Adverse findings could lead to criminal, civil or administrative proceedings, and we could be faced with penalties, fines, suspension or debarment. Adverse findings could also have a material adverse effect on us because of our reliance on government contracts. We are subject to periodic audits by federal, state, local and foreign governments for taxes. We are also involved in various claims, arbitrations and lawsuits arising in the normal conduct of our business. These include but are not limited to bid protests, employment matters, contractual disputes and charges before administrative agencies. Although we can give no assurance, based upon our evaluation and taking into account the advice of legal counsel, we do not believe that the outcome of any existing matter would likely have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Medicaid claims

A state Medicaid agency has been notified of two proposed disallowances by the Centers for Medicare and Medicaid Services (CMS) totaling approximately $31 million. From 2004 through 2009, we had a contract with the state agency in support of its school-based Medicaid claims. We entered into separate agreements with the school districts under which we assisted the districts with preparing and submitting claims to the state Medicaid agency which, in turn, submitted claims for reimbursement to CMS. The state has asserted that its agreement with us requires us to reimburse the state for the amounts owed to CMS. However, our agreements with the school districts require them to reimburse us for such amounts, and therefore we believe the school districts are responsible for any amounts that ultimately must be refunded to CMS. Although it is reasonably possible that a court could conclude we are responsible for the full balance of the disallowances, we believe our exposure in this matter is limited to our fees associated with this work and that the school districts will be responsible for the remainder. We have reserved our estimated fees earned from this engagement relating to the disallowances. We exited the federal healthcare-claiming business in 2009 and no longer provide the services at issue in this matter. No legal action has been initiated against us.

9. Subsequent Events

On January 3, 2020, our Board of Directors declared a quarterly cash dividend of $ 0.28 for each share of our common stock outstanding. The dividend is payable on February 28, 2020, to shareholders of record on February 14, 2020. Based upon the number of shares outstanding, we anticipate a cash payment of approximately $18 million.

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

The following discussion and analysis of financial condition and results of operations is provided to enhance the understanding of, and should be read in conjunction with, our Consolidated Financial Statements and related Notes included both herein and in our Annual Report on Form 10-K for the year ended September 30, 2019, which was filed with the Securities and Exchange Commission on November 26, 2019.

Business Overview

We are a leading operator of government health and human services programs worldwide. We are a responsible and reliable contracting partner to governments under our mission of *Helping Government Serve the People®*. Governments rely on our financial stability and proven expertise in helping people connect and use critical government programs. We use our experience, business process management expertise, innovation and technology solutions to help government agencies run effective, efficient and accountable programs.

Our primary portfolio of work is tied to business process services (BPS) in the health services and human services markets. Our growth over the last decade was driven by new work, such as that from the Affordable Care Act (ACA) in the United States and a growing footprint in clinical services including assessments, appeals and independent medical reviews in multiple geographies, as well as acquisitions in the United States and United Kingdom.

In 2018, the Company articulated a long-term growth strategy with three key tenets including a digital transformation embedded in its service offerings, an aim to increase its growing clinical services and a desire to seek strategic acquisitions as a means to set the platform for organic growth.

We believe that demographic and legislative trends will provide our industry with further opportunities for growth and that our strong reputation within this industry, based upon our market leadership, strong financial position and experience, will allow us to benefit from this growth.

- Demographic trends, including increased longevity and more complex health needs, place an increased burden on government social benefit and safety-net programs. At the same time, programs that address societal needs must be a good use of taxpayer dollars and achieve their intended outcomes. We believe the macro-economic trends of demographics and government needs, coupled with the need to achieve value for money, will continue to drive demand for our services.
- We maintain a strong reputation within the government health and human services industry. Our deep client relationships and reputation for delivering outcomes and efficiencies creates a strong barrier to entry in a risk-averse environment. Entering our markets typically requires expertise in complex procurement processes, operation of multi-faceted government programs and an ability to serve and engage with diverse populations.
- Our contract portfolio offers us good revenue visibility. Our contracts are typically multi-year arrangements and we have customer relationships which have lasted decades. Because of this longevity, our contract portfolio at any point in time can typically be used to identify approximately 90% of our anticipated revenue for the next twelve months.
- We have a total company portfolio target operating profit margin that ranges between 10% and 15% with high cash conversion, a healthy balance sheet and access to a $400 million credit facility. Our financial flexibility allows us to fund investments in the business, complete strategic acquisitions to further supplement our core capabilities and seek new adjacent platforms.

To supplement our core business, we have an active program to identify potential strategic acquisitions. Our acquisitions have successfully enabled us to increase future organic growth, as well as expand our business processes, knowledge and client relationships into adjacent markets and new geographies. In November 2018, we acquired the citizen engagement centers business previously operated by General Dynamics Information Technology. This acquisition, coupled with our 2015 acquisition of Acentia, LLC, has provided increased scale, customer base and competitive advantages in our business with the United States Federal Government. In August 2019, we acquired GT Hiring Solutions in Canada, which we have integrated into our Outside the U.S. Segment. This acquisition supplements our existing businesses in this segment.

Financial Overview

We operate our business through three segments, U.S. Health and Human Services, U.S. Federal Services and Outside the U.S. The results for each of these segments for the three months ended December 31, 2019, compared to the comparative periods in fiscal year 2019, were affected by different factors.

- Our U.S. Health & Human Services Segment reported organic revenue growth of 6.1% and operating profit margins of 18.6%.
- Our U.S. Federal Services Segment reported growth from the acquisition of the citizen engagement centers business and organic growth both from the acquired business and the core MAXIMUS business. Much of the growth was driven by the Census Questionnaire Assistance contract.
- Our Outside the U.S. Segment continues to be challenged by market conditions.

Results of Operations

Consolidated

The following table sets forth, for the periods indicated, selected statements of operations data:

(dollars in thousands, except per share data)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Revenue	$ 818,229	$ 664,619
Cost of revenue	642,779	505,354
Gross profit	175,450	159,265
Gross profit percentage	21.4 %	24.0 %
Selling, general and administrative expenses	87,227	79,671
Selling, general and administrative expense as a percentage of revenue	10.7 %	12.0 %
Amortization of intangible assets	9,088	5,458
Operating income	79,135	74,136
Operating margin	9.7 %	11.2 %
Interest expense	484	625
Other income, net	719	2,045
Income before income taxes	79,370	75,556
Provision for income taxes	20,636	19,833
Effective income tax rate	26.0 %	26.2 %
Net income	58,734	55,723
Loss attributable to noncontrolling interests	—	(190)
Net income attributable to MAXIMUS	$ 58,734	$ 55,913
Basic earnings per share	$ 0.91	$ 0.86
Diluted earnings per share	$ 0.91	$ 0.86

As our business segments have different factors driving revenue fluctuations and profitability, the sections that follow cover these segments in greater detail.

Changes in revenue, cost of revenue and gross profit for the three months ended December 31, 2019, are summarized below.

	Revenue		Cost of Revenue		Gross Profit	
(dollars in thousands)	Dollars	Percentage change	Dollars	Percentage change	Dollars	Percentage change
Three months ended December 31, 2018	$ 664,619		$ 505,354		$ 159,265	
Estimated pre-acquisition results from citizen engagement centers business	98,429		85,341		13,088	
Pro forma results for the three months ended December 31, 2018	763,048		590,695		172,353	
Growth from citizen engagement centers contracts	38,105	5.0 %	28,591	4.8 %	9,514	5.5 %
Organic growth from other contracts	15,867	2.1 %	22,553	3.8 %	(6,686)	(3.9) %
Acquired growth	2,973	0.4 %	2,552	0.4 %	421	0.2 %
Currency effect compared to the prior period	(1,764)	(0.2) %	(1,612)	(0.3) %	(152)	(0.1) %
Three months ended December 31, 2019	$ 818,229	7.2 %	$ 642,779	8.8 %	$ 175,450	1.8 %

Revenue and cost of revenue for the three months ended December 31, 2019, increased compared to the same period in fiscal year 2019, principally driven by the citizen engagement centers business acquisition in the U.S. Federal Services Segment.

We acquired the citizen engagement centers business on November 16, 2018. We estimate that revenue and cost of revenue for the period from October 1, 2018 to November 16, 2018 (the acquisition date) would have increased our results by $98.4 million and $85.3 million, respectively. We have utilized pro forma revenue, cost of revenue and gross profit in calculating the changes shown above.

Organic revenue growth in the United States was partially offset by declines in our Outside the U.S. Segment. The factors driving changes are discussed in more detail below.

Our cost of revenue includes direct costs related to labor, subcontractor labor, outside vendors, rent and other direct costs.

Selling, general and administrative expense (SG&A) consists of indirect costs related to general management, marketing and administration. It is primarily composed of labor costs. These costs may be incurred at a segment level, for dedicated resources that are not client-facing, or at a corporate level. Corporate costs are allocated to segments on a consistent and rational basis. Fluctuations in our SG&A are primarily driven by changes in our administrative cost base, which is not directly driven by changes in our revenue. As part of our work for the United States Federal Government and many states, we allocate these costs using a methodology driven by the Federal Cost Accounting Standards. Our SG&A expense has increased year-over-year due primarily to the acquisition of the citizen engagement centers business, which has added an additional level of infrastructure. The first three months of fiscal year 2019 included approximately $2.7 million of one-time expenses directly related to the transaction.

Amortization of intangible assets received a full charge from our acquisition of the citizen engagement centers business during the three month period ended December 31, 2019. Additional charges from the acquisition of GT Hiring Solutions also increased our amortization expense.

Our interest expense is primarily driven by borrowings from our credit facility. In November 2018, we borrowed $150.0 million to partially fund the acquisition of the citizen engagement centers business; this borrowing was repaid in full during fiscal year 2019.

Our effective tax rate for the three months ended December 31, 2019, was 26.0%, compared to 26.2% in the same period in fiscal year 2018.

U.S. Health & Human Services Segment

Our U.S. Health and Human Services Segment provides a variety of business process services such as program administration, appeals and assessments services, and related consulting work for U.S. state and local government programs. These services support a variety of programs including the Affordable Care Act (ACA), Medicaid and the Children’s Health Insurance Program (CHIP). We also serve as administrators in state-based welfare-to-work and child support programs.

	Three Months Ended December 31,	
(dollars in thousands)	**2019**	**2018**
Revenue	$ 312,281	$ 294,213
Cost of revenue	222,691	206,182
Gross profit	89,590	88,031
Operating income	58,192	55,892
Gross profit percentage	28.7 %	29.9 %
Operating margin percentage	18.6 %	19.0 %

Our revenue and cost of revenue for the three month period ended December 31, 2019, increased 6.1% and 8.0%, respectively, compared to the same period in fiscal year 2019. All growth was organic. Revenue growth was driven by new contracts and the expansion of existing contracts. Our gross profit margin was tempered slightly by the delayed rollout of Medicaid managed care in North Carolina. Our operating profit margin remained steady, helped, in part, by a full quarter of benefit from the citizen engagement centers business in the U.S. Federal Segment, which absorbs general and administrative expenses and reduces allocated costs to this segment.

We continue to anticipate operating profit margins for this segment in the 17%-18% range during fiscal year 2020.

U.S. Federal Services Segment

Our U.S. Federal Services Segment provides business process solutions, including program administration, appeals and assessment services as well as system and software development and maintenance services for various U.S. federal civilian programs. This segment also contains certain state-based assessments and appeals work that is part of the segment's heritage within the Medicare Appeals portfolio and continues to be managed within this segment.

	Three Months Ended December 31,	
(dollars in thousands)	**2019**	**2018**
Revenue	$ 366,571	$ 216,987
Cost of revenue	295,750	169,002
Gross profit	70,821	47,985
Operating income	31,582	21,353
Gross profit percentage	19.3 %	22.1 %
Operating margin percentage	8.6 %	9.8 %

Changes in revenue, cost of revenue and gross profit for the three months ended December 31, 2019, are summarized below.

	Revenue		Cost of Revenue		Gross Profit	
(dollars in thousands)	**Dollars**	**Percentage change**	**Dollars**	**Percentage change**	**Dollars**	**Percentage change**
Three months ended December 31, 2018 (1)	$ 216,987		$ 169,002		$ 47,985	
Estimated pre-acquisition results from citizen engagement centers business (2)	98,429		85,341		13,088	
Pro forma results for the three months ended December 31, 2018	315,416		254,343		61,073	
Growth from citizen engagement centers contracts (3)	38,105	12.1 %	28,591	11.2 %	9,514	15.6 %
Organic growth from other contracts (4)	13,050	4.1 %	12,816	5.0 %	234	0.4 %
Three months ended December 31, 2019	$ 366,571	16.2 %	$ 295,750	16.3 %	$ 70,821	16.0 %

To show the changes between fiscal year 2019 and 2020, we have utilized the following information.

1. These balances represent our results for the three months ended December 31, 2018. These results include approximately six weeks of benefit from the citizen engagement centers business, which was acquired on November 16, 2018 (the acquisition date).
2. These balances represent an estimate of the results for the citizen engagement centers business for the pre-acquisition period – the period from October 1, 2018 through to the acquisition date. This balance, combined with our prior year results, provides pro forma results – an estimate of the results of this segment if we had acquired the citizen engagement centers business on or before October 1, 2018.
3. These balances represent the growth, on a pro forma basis, of the contracts acquired with the citizen engagement centers business from the first quarter of fiscal years 2019 to the first quarter of fiscal year 2020. The principal driver of this growth was the Census Questionnaire Assistance (CQA) contract.
4. These balances represent the growth reported between the first quarters of fiscal years 2019 and 2020 of existing contracts outside those acquired.

We continue to anticipate operating profit margins in the 9%-10% range for this segment for fiscal year 2020. As previously disclosed, the CQA contract had $185 million of revenue in fiscal year 2019. The contract contributed approximately $70 million of revenue in the first fiscal quarter of 2020. It is anticipated to provide approximately $360 million of revenue during the current fiscal year and less than $50 million in fiscal year 2021.

Outside the United States Segment

Our Outside the U.S. Segment provides business process solutions for governments and commercial clients outside the U.S., including health and disability assessments, program administration and case management for employment services and other work-support programs. We deliver services in the United Kingdom, including the Health Assessment Advisory Service (HAAS), the Work & Health Programme and Fair Start; Australia, including jobactive and the Disability Employment Service; Canada, including Health Insurance British Columbia and the Employment Program of British Columbia; Saudi Arabia and Singapore.

	Three Months Ended December 31,	
(dollars in thousands)	2019	2018
Revenue	$ 139,377	$ 153,419
Cost of revenue	124,338	130,170
Gross profit	15,039	23,249
Operating income/(loss)	(1,014)	4,441
Gross profit percentage	10.8 %	15.2 %
Operating margin percentage	(0.7)%	2.9 %

Changes in revenue, cost of revenue and gross profit for the three months ended December 31, 2019, are summarized below.

	Revenue		Cost of Revenue		Gross Profit	
(dollars in thousands)	Dollars	Percentage change	Dollars	Percentage change	Dollars	Percentage change
Three months ended December 31, 2018	$ 153,419		$ 130,170		$ 23,249	
Organic decline	(15,251)	(9.9) %	(6,772)	(5.2) %	(8,479)	(36.5) %
Acquired growth	2,973	1.9 %	2,552	2.0 %	421	1.8 %
Currency effect compared to the prior period	(1,764)	(1.1) %	(1,612)	(1.2) %	(152)	(0.7) %
Three months ended December 31, 2019	$ 139,377	(9.2) %	$ 124,338	(4.5) %	$ 15,039	(35.3) %

Our revenue for the three month period ended December 31, 2019, decreased by 9.2% compared to the same period in fiscal year 2019. On a constant currency basis revenue decreased by 8.0%. Cost of revenue decreased by 4.5% compared to the same period in fiscal year 2019.

We continue to be challenged across the segment by low unemployment rates in the geographies in which we operate. Low unemployment and strong economies result in a smaller unemployed population to serve and a population which is typically harder to place into employment. The bush fires in Australia negatively impacted the first fiscal quarter and we anticipate further disruption for the remainder of the fiscal year. The Australian government has put temporary measures in place that exempt participants from certain activities until early March as the region recovers from the natural disaster. In addition, due to the coronavirus outbreak, the Australian Government has restricted travel between China and Australia. This may affect our ability to place jobseekers in industries dependent upon travel, such as tourism. We have taken steps to address our revenue and cost base, designed to improve operating margins. The pace of improvement may be negatively impacted by the factors discussed above.

Our acquired growth is from the acquisition of GT Hiring Solutions in Canada in August 2019.

The continued strength of the United States Dollar against the currencies in which we do business outside the U.S. has resulted in year-over-year declines in our revenue and costs.

Approximately half of our revenue within the Outside the U.S. Segment is generated through contracts within the United Kingdom, most of which are with government agencies. As such, we are closely monitoring developments following the departure of the United Kingdom from the European Union. We do not anticipate the withdrawal to have a material direct effect on our business in the United Kingdom due to the nature of our customer base and the absence of cross-border operations. However, the uncertainty over the process has affected us indirectly. We anticipate we will continue to be subject to political risks, as legislative priorities may change, the economic risks from the post-withdrawal environment, and we may, along with other businesses, experience difficulty in recruiting and retaining employees.

Liquidity and Capital Resources

Our principal source of liquidity remains our cash flows from operations. These cash flows are used to fund our ongoing operations and working capital needs as well as investments in capital infrastructure, purchases of our own common stock and business combinations. These operating cash flows are driven by our contracts and their payment terms. For many contracts, we are reimbursed for the costs of startup operations, although there may be a gap between incurring and receiving these funds. Other factors which may cause shortfalls in cash flows include contract terms where payments are tied to outcome deliveries, which may not correspond with the costs incurred to achieve these outcomes and short-term delays where government budgets are constrained.

To supplement our operating cash flows, we maintain and utilize our credit facility which allows us to borrow up to $400 million, subject to standard covenants. In November 2018, we utilized $150 million of borrowing to acquire the citizen engagement centers business, with the balance from existing cash balances. We have since repaid this balance in full. Our international locations have access to borrowing facilities which they may use to cover short-term working capital needs or small acquisitions, such as our acquisition of GT Hiring Solutions in August 2019.

We believe our cash flows from operations to be sufficient to meet our day-to-day requirements.

Our priorities for cash utilization are to actively pursue new growth opportunities. We also maintain our quarterly dividend program and, where opportunities arise, make purchases of our own shares.

We have no requirement to remit funds from our foreign locations back to the United States. With the passage of the Tax Cuts and Jobs Act in the United States, we are able to transfer a significant amount of funds from our foreign locations on a tax-free basis. We will continue to explore opportunities to bring back additional funds, taking into consideration the working capital requirements and relevant tax rules in each jurisdiction. When we are unable to remit funds back without incurring a penalty, we will consider these funds indefinitely reinvested until such time as these restrictions are changed. As a result, we do not record U.S. deferred income taxes on any funds held in foreign jurisdictions. We have not attempted to calculate our potential liability from any transfer of these funds as any such transaction might include tax planning strategies which we have not fully explored. Accordingly, it is not possible to estimate the potential tax obligations if we were to remit all of our funds from foreign locations to the United States. At December 31, 2019, we held $39.2 million in cash or cash equivalents held in foreign locations in local currencies.

Cash Flows

The following table provides a summary of our cash flow information for the three months ended December 31, 2019 and 2018.

	Three Months Ended December 31,	
(dollars in thousands)	**2019**	**2018**
Net cash provided by/(used in):		
Operations	$ 87,267	$ 59,340
Investing activities	(10,462)	(411,739)
Financing activities	(33,800)	59,002
Effect of exchange rate changes on cash and cash equivalents	1,452	(1,068)
Net increase/(decrease) in cash, cash equivalents and restricted cash	$ 44,457	$ (294,465)

The largest single driver of our cash flow growth has been from the operations of our acquisition of the citizen engagement centers business, which has increased both our cash collections from customers and our cash payments to vendors.

Cash flows from operations improved through the growth of the business, improvements in our cash collections and timing differences related to our payroll obligations.

- We have received operating cash flows from our acquisition of the citizen engagement centers business.
- Our Days Sales Outstanding (DSO) at December 31, 2019, were 71 days; the balance at September 30, 2019, was 72 days. During the first quarter of fiscal year 2019, our DSO grew by six days to 73 days, reflecting a strong cash collection performance at the end of fiscal year 2018. We have a target range for DSO of 65 to 80 days and in recent years, we have typically maintained the lower end of this range.
- Beginning in fiscal year 2019, our business in the United States operates on a bi-weekly payroll cycle and, accordingly, our pattern of payments to our employees and the tax authorities are not consistent between quarters. During the first fiscal quarter of 2020, our cash payments were lower than our expenses by approximately one week of payroll, benefiting our cash flow.

Cash used in investing activities for the three months ended December 31, 2019, was $10.5 million compared to $411.7 million in the same period last year. Our fiscal year 2019 cash outflows include an initial payment of $421.8 million for the acquisition of the citizen engagement centers business.

Cash used in financing activities in the three months ended December 31, 2019, was $33.8 million, compared to $59.0 million of cash provided in the comparative period. Fiscal year 2019 included net cash borrowings of $125.1 million, offset by $41.0 million of purchases of our own common stock. Debt and stock purchase transactions were less significant in fiscal year 2020.

To supplement our statements of cash flows presented on a GAAP basis, we use the measure of free cash flow to analyze the funds generated from operations.

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

(1) Purchases of property and equipment and capitalized software costs included $4.5 million in one time payments to cover software licenses required for employees joining us through the citizen engagement centers acquisition in November 2018.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenue and expenses. On an ongoing basis we evaluate our estimates, including those related to revenue recognition and cost estimation on certain contracts, the realizability of goodwill and other long-lived assets, and amounts related to contingencies and income tax liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

During the three months ended December 31, 2019, we made changes to the manner in which we record leases. For additional information, please see "Note 3. Leases" in our "Notes to Unaudited Consolidated Financial Statements" in Item 1 of this Form 10-Q.

Non-GAAP Measures

We utilize non-GAAP measures where we believe it will assist the user of our financial statements in understanding our business. The presentation of these measures is meant to complement, but not replace, other financial measures in this document. The presentation of non-GAAP numbers is not meant to be considered in isolation, nor as an alternative to revenue growth, cash flows from operations or net income as measures of performance. These non-GAAP measures, as determined and presented by us, may not be comparable to related or similarly titled measures presented by other companies.

In fiscal year 2019, 21% of our revenue was generated outside the U.S. We believe that users of our financial statements wish to understand the performance of our foreign operations using a methodology which excludes the effect of year-over-year exchange rate fluctuations. To calculate year-over-year currency movement, we determine the current fiscal year's results for all foreign businesses using the exchange rates in the prior fiscal year. We refer to this adjusted revenue on a "constant currency basis."

In recent years, we have made a number of acquisitions. We believe users of our financial statements wish to evaluate the performance of our operations, excluding changes that have arisen due to businesses acquired. Where information is available, we will show pro forma revenue, cost of revenue and gross profit. Pro forma results represent an estimate of the results of the business as though we had owned the business for an entire comparative period, rather than just a portion of it. To provide pro forma financial information, we use the results of the acquired business as prepared by the former owners adjusted to reflect changes in accounting and eliminating transactions between ourselves and the company. Where this information has not been prepared, we will identify acquired revenue and cost of revenue by showing these results for periods for which no comparative results exist within our financial statements. We provide pro forma comparative results and acquired revenue as a way of allowing investors to see the growth in our business on a year-over-year basis. This information is supplemented by our calculations of organic revenue. To calculate organic revenue growth, we compare current fiscal year revenue excluding revenue from these acquisitions to our prior fiscal year revenue.

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

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

As noted above, we have a $400 million credit facility. Our credit agreement includes the defined term Consolidated EBITDA and our calculation of Adjusted EBITDA conforms to the credit agreement definition. We believe our investors appreciate the opportunity to understand the possible restrictions which arise from our credit agreement. Adjusted EBITDA is also a useful measure of performance which focuses on the cash generating capacity of the business as it excludes the non-cash expenses of depreciation and amortization, and makes for easier comparisons between the operating performance of companies with different capital structures by excluding interest expense and therefore the impacts of financing costs. The measure of Adjusted EBITA is a step in calculating Adjusted EBITDA and facilitates comparisons to similar businesses as it isolates the amortization effect of business combinations. Our credit facility requires us to calculate Adjusted EBITDA on a pro forma basis as though we had owned any acquired business for a full twelve month period prior to the acquisition. We have provided a reconciliation from net income to Adjusted EBITA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as follows:

(dollars in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Trailing Twelve Months Ended December 31, 2019	Trailing Twelve Months Ended December 31, 2018
Net income attributable to MAXIMUS	$ 58,734	$ 55,913	$ 243,645	$ 217,573
Interest (income)/expense, net	(118)	(957)	650	(3,290)
Provision of income taxes	20,636	19,833	77,628	78,376
Amortization of intangible assets	9,088	5,458	36,684	13,048
Stock compensation expense	5,397	4,971	21,200	19,807
Acquisition-related expenses	—	2,690	1	3,637
Adjusted EBITA - non-gaap	$ 93,737	$ 87,908	$ 379,808	$ 329,151
Depreciation and amortization of property, plant, equipment and capitalized software	15,318	11,231	56,491	49,396
Adjusted EBITDA - non-gaap	$ 109,055	$ 99,139	$ 436,299	$ 378,547
Additional adjusted EBITDA related to citizen engagement centers acquisition		6,695		28,330
Pro Forma Adjusted EBITDA - non-gaap		$ 105,834		$ 406,877

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our exposure to market risks generally relates to changes in foreign currency exchange rates.

At December 31, 2019, and September 30, 2019, we held net assets denominated in currencies other than the U.S. Dollar of $189.3 million and $176.3 million, respectively. Of these balances, cash and cash equivalents comprised $39.2 million and $18.9 million, respectively. Accordingly, in the event of a 10% unfavorable exchange rate movement across these currencies, we would have reported the following incremental effects on our comprehensive income and our cash flow statement (in thousands).

	December 31, 2019	September 30, 2019
Comprehensive income attributable to MAXIMUS	$ (18,930)	$ (17,630)
Net decrease in cash and cash equivalents	(3,920)	(1,890)

Included within our net assets held in international currency are assets which we consider to be monetary assets — those which hold a fair value close to their book value and which represent a recent cash outflow or which will become a cash inflow or outflow within a short period of time. These assets and liabilities are typically cash, billed, billable and unbilled accounts receivable, current prepaid expenses, accounts payable, accrued compensation, deferred revenue and debt. At December 31, 2019, the net value of these assets and liabilities was $78.9 million.

Where possible, we identify surplus funds in foreign locations and place them into entities with the U.S. Dollar as their functional currency. This mitigates our exposure to foreign currencies. We mitigate our foreign currency exchange risks within our operating divisions through incurring costs and cash outflows in the same currency as our revenue.

We are exposed to interest rate risk through our revolving credit facility and other short term borrowings. Our interest rate for the revolving credit facility is based upon the one-month London Interbank Offering Rate (LIBOR) or equivalent plus a premium based upon our leverage; this premium is currently 1%. The one-month LIBOR at December 31, 2019, was approximately 1.8%. We had no borrowings under the facility at December 31, 2019. The majority of our outstanding debt at December 31, 2019, was comprised of short-term borrowings in foreign locations to cover short-term working capital needs. The terms and rates under which we borrow in these jurisdictions varies from location to location. As these borrowings are relatively small and for brief periods, we do not anticipate significant interest rate exposure. In the event that longer-term borrowings were required or if the costs of borrowing became expensive, we would anticipate using our current cash balance to cover these obligations.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

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

From October 2019, we have made changes to our accounting for leases based upon changes in accounting principles. These changes have required updates and additions to our existing controls which have been implemented in the current fiscal year.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to audits, investigations and reviews relating to compliance with the laws and regulations that govern our role as a contractor to agencies and departments of the United States Federal Government, state, local and foreign governments, and otherwise in connection with performing services in countries outside of the U.S. Adverse findings could lead to criminal, civil or administrative proceedings, and we could be faced with penalties, fines, suspension or debarment. Adverse findings could also have a material adverse effect on us because of our reliance on government contracts. We are subject to periodic audits by federal, state, local and foreign governments for taxes. We are also involved in various claims, arbitrations and lawsuits arising in the normal conduct of our business. These include but are not limited to bid protests, employment matters, contractual disputes and charges before administrative agencies. Although we can give no assurance, based upon our evaluation and taking into account the advice of legal counsel, we do not believe that the outcome of any existing matter would likely have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Medicaid claims

A state Medicaid agency has been notified of two proposed disallowances by the Centers for Medicare and Medicaid Services (CMS) totaling approximately $31 million. From 2004 through 2009, we had a contract with the state agency in support of its school-based Medicaid claims. We entered into separate agreements with the school districts under which we assisted the districts with preparing and submitting claims to the state Medicaid agency which, in turn, submitted claims for reimbursement to CMS. The state has asserted that its agreement with us requires us to reimburse the state for the amounts owed to CMS. However, our agreements with the school districts require them to reimburse us for such amounts, and therefore we believe the school districts are responsible for any amounts that ultimately must be refunded to CMS. Although it is reasonably possible that a court could conclude we are responsible for the full balance of the disallowances, we believe our exposure in this matter is limited to our fees associated with this work and that the school districts will be responsible for the remainder. We have reserved our estimated fees earned from this engagement relating to the disallowances. We exited the federal healthcare-claiming business in 2009 and no longer provide the services at issue in this matter. No legal action has been initiated against us.

Item 1A. Risk Factors.

In connection with information set forth in this Form 10-Q, the factors discussed under “Risk Factors” in our Form 10-K for fiscal year ended September 30, 2019, should be considered. The risks included in the Form 10-K could materially and adversely affect our business, financial condition and results of operations. There have been no material changes to the factors discussed in our Annual Report on Form 10-K for the year ended September 30, 2019, which was filed with the Securities and Exchange Commission on November 26, 2019.

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

(c) The following table sets forth the information required regarding purchases of common stock that we made during the three months ended December 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (in thousands)
October 1, 2019 - October 31, 2019	—	$ —	—	$ 146,043
November 1, 2019 - November 30, 2019	—	—	—	146,043
December 1, 2019 - December 31, 2019	26,000	72.96	26,000	144,146
Total	26,000		26,000	

(1) Under a resolution adopted in June 2018, the Board of Directors authorized the purchase, at management's discretion, of up to an aggregate of $200 million of our common stock. The resolution also authorized the use of option exercise proceeds for the purchase of our common stock.

Item 6. Exhibits.

Exhibit No.		Description
31.1	♦	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	♦	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	❖	Section 906 Principal Executive Officer Certification.
32.2	❖	Section 906 Principal Financial Officer Certification.
101		The following materials from the MAXIMUS, Inc. Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity and (vi) Notes to Consolidated Financial Statements. Filed electronically herewith.

♦ Filed herewith.

❖ Furnished herewith.

SIGNATURES

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

		MAXIMUS, INC.
Date: February 6, 2020	By:	/s/ Richard J. Nadeau
		Richard J. Nadeau
		Chief Financial Officer
		(On behalf of the registrant and as Principal Financial and Accounting Officer)

EXHIBIT 31.1

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

I, Bruce L. Caswell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MAXIMUS, Inc. for the period ended December 31, 2019;

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

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

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

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

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

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

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

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

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

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

Date: February 6, 2020

/s/ Bruce L. Caswell

Bruce L. Caswell
Chief Executive Officer

EXHIBIT 31.2

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

I, Richard J. Nadeau, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MAXIMUS, Inc. for the period ended December 31, 2019;

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

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

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

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

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

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

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

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

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

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

Date: February 6, 2020

/s/ Richard J. Nadeau

Richard J. Nadeau
Chief Financial Officer

EXHIBIT 32.1

Section 906 CEO Certification

I, Bruce L. Caswell, Chief Executive Officer of MAXIMUS, Inc. (“the Company”), do hereby certify, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2019 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or 78o(d)) and

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

Date: February 6, 2020

/s/ Bruce L. Caswell

Bruce L. Caswell
Chief Executive Officer

EXHIBIT 32.2

Section 906 CFO Certification

I, Richard J. Nadeau, Chief Financial Officer of MAXIMUS, Inc. (“the Company”), do hereby certify, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2019 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or 78o(d)) and

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

Date: February 6, 2020

/s/ Richard J. Nadeau

Richard J. Nadeau
Chief Financial Officer