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 March 31, 2023

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

For the transition period from __________to__________.

Commission file number: 1-12997

Maximus, Inc.

(Exact name of registrant as specified in its charter)

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

(703) 251-8500

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

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

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

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

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

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

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

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

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

There were 60,783,621 shares of the registrant's Common Stock outstanding as of May 1, 2023.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements that are not historical facts, including statements about our confidence, strategies and initiatives, and our expectations about revenues, results of operations, profitability, liquidity, market demand, the residual impacts of the coronavirus ("COVID-19") global pandemic, and our recent acquisitions, are forward-looking statements that are subject to risks and uncertainties. These risks could cause our actual results to differ materially from those indicated by such forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- a failure to meet performance requirements could lead to penalties, liquidated damages, actual damages, adverse settlement agreements, and/or contract termination;
- our failure to successfully bid for and accurately price contracts to generate our desired profit;
- the effects of future legislative or government budgetary and spending changes;
- the impact of the Biden Administration on federal procurement, federal funding to states' safety-net programs, and the overall decision-making process related to our industry, including our business and customers;
- our ability to manage our growth, including acquired businesses;
- difficulties in integrating or achieving projected revenues, earnings, and other benefits associated with acquired businesses;
- the outcome of reviews or audits, which might result in financial penalties and impair our ability to respond to invitations for new work;
- our ability to manage capital investments and startup costs incurred before receiving related contract payments;
- our ability to manage our debt;
- our ability to maintain 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;
- 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;
- 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;
- 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 businesses we disposed of or divested; and
- other factors set forth in Item 1A, "Risk Factors" of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 22, 2022.

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

PART I - Financial Information

Item 1. Financial Statements

Maximus, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(in thousands, except per share amounts)			
Revenue	$ 1,206,852	$ 1,177,326	$ 2,456,098	$ 2,328,202
Cost of revenue	978,249	948,875	1,982,748	1,871,596
Gross profit	228,603	228,451	473,350	456,606
Selling, general, and administrative expenses	142,448	130,307	288,900	254,528
Amortization of intangible assets	23,650	22,856	47,168	45,261
Operating income	62,505	75,288	137,282	156,817
Interest expense	20,999	9,438	42,605	19,076
Other income, net	818	715	1,084	404
Income before income taxes	42,324	66,565	95,761	138,145
Provision for income taxes	10,536	16,469	23,978	34,719
Net income	$ 31,788	$ 50,096	$ 71,783	$ 103,426
Earnings per share:				
Basic	$ 0.52	$ 0.81	$ 1.17	$ 1.66
Diluted	$ 0.52	$ 0.80	$ 1.17	$ 1.66
Weighted average shares outstanding:				
Basic	61,120	62,227	61,119	62,256
Diluted	61,383	62,381	61,265	62,409
Dividends declared per share	$ 0.28	$ 0.28	$ 0.56	$ 0.56

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(in thousands)			
Net income	$ 31,788	$ 50,096	$ 71,783	$ 103,426
Other comprehensive (loss)/income, net of tax:				
Foreign currency translation adjustments	965	(23)	9,001	436
Net (losses)/gains on cash flow hedge, net of tax effect of $(1,630), $3,814, $(2,979), and $4,772, respectively	(4,562)	10,689	(8,343)	13,374
Other comprehensive (loss)/income	(3,597)	10,666	658	13,810
Comprehensive income	$ 28,191	$ 60,762	$ 72,441	$ 117,236

See accompanying notes to consolidated financial statements.

Maximus, Inc.
Consolidated Balance Sheets

	March 31, 2023	September 30, 2022
	(unaudited)	
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 56,344	$ 40,658
Accounts receivable, net	742,387	807,110
Income taxes receivable	12,156	2,158
Prepaid expenses and other current assets	141,017	182,387
Total current assets	951,904	1,032,313
Property and equipment, net	46,915	52,258
Capitalized software, net	71,393	58,740
Operating lease right-of-use assets	162,633	132,885
Goodwill	1,780,200	1,779,415
Intangible assets, net	751,194	804,904
Deferred contract costs, net	47,498	47,732
Deferred compensation plan assets	42,049	37,050
Deferred income taxes	5,865	4,970
Other assets	39,205	42,447
Total assets	$ 3,898,856	$ 3,992,714
Liabilities and Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 259,463	$ 264,553
Accrued compensation and benefits	156,990	178,199
Deferred revenue, current portion	66,796	87,146
Income taxes payable	4,482	718
Long-term debt, current portion	84,490	63,458
Operating lease liabilities, current portion	55,928	63,999
Other current liabilities	53,026	116,374
Total current liabilities	681,175	774,447
Deferred revenue, non-current portion	25,776	21,414
Deferred income taxes	201,079	206,099
Long-term debt, non-current portion	1,205,028	1,292,483
Deferred compensation plan liabilities, non-current portion	43,706	40,210
Operating lease liabilities, non-current portion	121,957	86,175
Other liabilities	18,413	22,515
Total liabilities	2,297,134	2,443,343
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 60,784 and 60,774 shares issued and outstanding as of March 31, 2023, and September 30, 2022, respectively (shares in thousands)	572,632	557,978
Accumulated other comprehensive loss	(33,303)	(33,961)
Retained earnings	1,062,393	1,025,354
Total shareholders' equity	1,601,722	1,549,371
Total liabilities and shareholders' equity	$ 3,898,856	$ 3,992,714

See accompanying notes to consolidated financial statements.

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

	For the Six Months Ended	
	March 31, 2023	March 31, 2022
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 71,783	$ 103,426
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property, equipment, and capitalized software	26,321	21,199
Amortization of intangible assets	47,168	45,261
Amortization of debt issuance costs and debt discount	1,635	1,297
Deferred income taxes	(1,368)	(3,318)
Stock compensation expense	13,943	15,052
Loss on sale of businesses	883	—
Change in assets and liabilities, net of effects of business combinations and disposals:		
Accounts receivable	62,529	(49,064)
Prepaid expenses and other current assets	13,412	9,769
Deferred contract costs	583	(6,431)
Accounts payable and accrued liabilities	(6,361)	(3,047)
Accrued compensation and benefits	(14,222)	(28,281)
Deferred revenue	(18,347)	18,473
Income taxes	(6,578)	(13,515)
Operating lease right-of-use assets and liabilities	(2,072)	(1,293)
Other assets and liabilities	(14,272)	2,331
Net cash provided by operating activities	175,037	111,859
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software	(33,751)	(22,898)
Acquisitions of businesses, net of cash acquired	—	(4)
Proceeds from sale of businesses	9,124	—
Net cash used in investing activities	(24,627)	(22,902)
Cash flows from financing activities:		
Cash dividends paid to Maximus shareholders	(34,033)	(34,659)
Purchases of Maximus common stock	—	(25,843)
Tax withholding related to RSU vesting	(8,475)	(9,673)
Payments for contingent consideration	(4,041)	—
Proceeds from borrowings	462,398	240,000
Principal payments for debt	(530,460)	(303,708)
Restricted cash movements	(57,060)	—
Net cash used in financing activities	(171,671)	(133,883)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	3,186	324
Net change in cash, cash equivalents, and restricted cash	(18,075)	(44,602)
Cash, cash equivalents and restricted cash, beginning of period	136,795	156,570
Cash, cash equivalents and restricted cash, end of period	$ 118,720	$ 111,968

See accompanying notes to consolidated financial statements.

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

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

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount			
			(in thousands)		
Balance at September 30, 2021	61,954	$ 532,411	$ (39,908)	$ 987,826	$ 1,480,329
Net income	—	—	—	53,330	53,330
Foreign currency translation	—	—	459	—	459
Cash flow hedge, net of tax	—	—	2,685	—	2,685
Cash dividends	—	—	—	(17,347)	(17,347)
Dividends on RSUs	—	272	—	(272)	—
Purchases of Maximus common stock	(18)	—	—	(1,379)	(1,379)
Stock compensation expense	—	8,248	—	—	8,248
Tax withholding adjustment related to RSU vesting	—	2,101	—	—	2,101
Balance as of December 31, 2021	61,936	$ 543,032	$ (36,764)	$ 1,022,158	$ 1,528,426
Net income	—	—	—	50,096	50,096
Foreign currency translation	—	—	(23)	—	(23)
Cash flow hedge, net of tax	—	—	10,689	—	10,689
Cash dividends	—	—	—	(17,312)	(17,312)
Dividends on RSUs	—	392	—	(392)	—
Purchases of Maximus common stock	(330)	—	—	(24,464)	(24,464)
Stock compensation expense	—	6,804	—	—	6,804
RSUs vested	4	—	—	—	—
Balance as of March 31, 2022	61,610	$ 550,228	$ (26,098)	$ 1,030,086	$ 1,554,216

See accompanying notes to consolidated financial statements.

Maximus, Inc.

Notes to the Consolidated Financial Statements

1. ORGANIZATION

Maximus, a Virginia corporation established in 1975, is a leading operator of government health and human services programs and provider of technology solutions to governments. Under our mission of *Moving People Forward*, we offer industry-leading expertise, including citizen engagement, eligibility and program integrity, independent clinical assessments, case management, and technology modernization services to enable citizens around the globe to successfully engage with their governments at all levels. We are a proud partner to government agencies in the United States, Australia, Canada, Italy, Saudi Arabia, Singapore, South Korea, United Arab Emirates, and the United Kingdom.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Presentation for Interim Periods

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

The results of operations for the interim periods presented are not necessarily indicative of results that may be expected for the year or future periods. The financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended September 30, 2022 included in our Annual Report on Form 10-K for the fiscal year then ended (the "2022 10-K"). We have continued to follow the accounting policies set forth in those financial statements.

Use of Estimates

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

In May 2021, we acquired VES Group, Inc. As part of the acquisition, we allocated a valuation of $ 27 million to certain technology assets used by the business, which we elected to amortize over twelve years, which was our best estimate of asset life at that time. In fiscal year 2023, we have taken the opportunity to improve our technology portfolio, including the development of technology, which will eventually replace much of the acquired technology. Accordingly, we have revised the asset life on the existing technology assuming the assets will cease being used by September 2026. This change in estimated useful life will result in additional annual amortization expense of $3.8 million per year. In the three and six months ended March 31, 2023, this change reduced our diluted earnings per share by approximately $0.01 and $0.02, respectively.

3. BUSINESS SEGMENTS

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

U.S. Federal Services

Our U.S. Federal Services Segment delivers end-to-end solutions that help various U.S. federal government agencies better deliver on their mission, including program operations and management, clinical services, and technology solutions. This also includes appeals and assessments services, system and application development, IT modernization, and maintenance services. The segment also contains certain state-based assessments and appeals work that is part of the segment's heritage which continues to be managed within this segment. Benefiting from the 2021 acquisition of the Attain Federal business, now managed as Technology Consulting Services, the segment executes on its digital strategy to deliver technology solutions that advance agency missions, including the challenge to modernize, provide better customer experience, and drive process efficiencies. The segment continues to expand its clinical solutions with the acquisition of VES Group, Inc., which manages the clinical evaluation process for U.S. veterans and service members on behalf of the U.S. Department of Veterans Affairs.

U.S. Services

Our U.S. Services Segment provides a variety of business process services ("BPS"), such as program administration, assessments, and related consulting work for U.S. state and local government programs. These services support a variety of programs, including the Affordable Care Act ("ACA"), Medicaid, the Children's Health Insurance Program ("CHIP"), Temporary Assistance to Needy Families ("TANF"), and child support programs. As part of the government's COVID-19 response efforts, the segment supported contact tracing, disease investigation, and vaccine distribution support services during the peak of the pandemic. The segment also successfully expanded into the unemployment insurance market where longer term opportunities have materialized. As part of the broader strategy to evolve clinically and address societal macro trends such as aging populations and rising costs, the segment continues to expand its offerings in public health with new work in in-person assessments.

Outside the U.S.

Our Outside the U.S. Segment provides BPS for international governments and commercial clients, transforming the lives of people around the world. Helping people find employment, access vital support, and remain healthy, these services include health and disability assessments, program administration for employment services, wellbeing solutions, and other job seeker-related services. We support programs and deliver services in the U.K., including the Health Assessment Advisory Service ("HAAS") and Restart; Australia, including Workforce Australia and the Disability Employment Service; Canada, including the Employment Program of British Columbia; in addition to Italy, Saudi Arabia, Singapore, South Korea, and UAE where we predominantly provide employment support and job seeker services.

Table 3: Results of Operation by Business Segment

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2023		March 31, 2022		March 31, 2023		March 31, 2022	
	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)
	(dollars in thousands)							
Revenue:								
U.S. Federal Services	$ 584,075		$ 573,288		$ 1,202,242		$ 1,155,159	
U.S. Services	449,703		398,077		889,181		784,494	
Outside the U.S.	173,074		205,961		364,675		388,549	
Revenue	$ 1,206,852		$ 1,177,326		$ 2,456,098		$ 2,328,202	
Gross profit:								
U.S. Federal Services	$ 122,874	21.0 %	$ 115,153	20.1 %	$ 245,568	20.4 %	$ 241,729	20.9 %
U.S. Services	86,016	19.1 %	84,971	21.3 %	169,614	19.1 %	174,670	22.3 %
Outside the U.S.	19,713	11.4 %	28,327	13.8 %	58,168	16.0 %	40,207	10.3 %
Gross profit	$ 228,603	18.9 %	$ 228,451	19.4 %	$ 473,350	19.3 %	$ 456,606	19.6 %
Selling, general, and administrative expenses:								
U.S. Federal Services	$ 75,050	12.8 %	$ 68,949	12.0 %	$ 146,699	12.2 %	$ 133,874	11.6 %
U.S. Services	43,415	9.7 %	38,273	9.6 %	89,257	10.0 %	73,375	9.4 %
Outside the U.S.	23,425	13.5 %	24,011	11.7 %	51,814	14.2 %	45,351	11.7 %
Loss on sale of businesses (2)	883	NM	—	NM	883	NM	—	NM
Other (3)	(325)	NM	(926)	NM	247	NM	1,928	NM
Selling, general, and administrative expenses	$ 142,448	11.8 %	$ 130,307	11.1 %	$ 288,900	11.8 %	$ 254,528	10.9 %
Operating income/(loss):								
U.S. Federal Services	$ 47,824	8.2 %	$ 46,204	8.1 %	$ 98,869	8.2 %	$ 107,855	9.3 %
U.S. Services	42,601	9.5 %	46,698	11.7 %	80,357	9.0 %	101,295	12.9 %
Outside the U.S.	(3,712)	(2.1)%	4,316	2.1 %	6,354	1.7 %	(5,144)	(1.3)%
Amortization of intangible assets	(23,650)	NM	(22,856)	NM	(47,168)	NM	(45,261)	NM
Loss on sale of businesses (2)	(883)	NM	—	NM	(883)	NM	—	NM
Other (3)	325	NM	926	NM	(247)	NM	(1,928)	NM
Operating income	$ 62,505	5.2 %	$ 75,288	6.4 %	$ 137,282	5.6 %	$ 156,817	6.7 %

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

(2) During the second quarter of fiscal year 2023, we sold a small commercial practice in the United Kingdom and our employment operations business in Sweden, both subsidiaries within our Outside the U.S. Segment, resulting in a loss. Refer to "Note 7. Divestitures" for more details.

(3) Other includes credits and costs that are not allocated to a particular segment.

4. REVENUE RECOGNITION

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

Disaggregation of Revenue

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

Table 4.1: Revenue by Contract Type

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2023		March 31, 2022		March 31, 2023		March 31, 2022	
	(dollars in thousands)							
Performance-based	$ 574,747	47.6 %	$ 516,210	43.9 %	$ 1,143,964	46.6 %	$ 1,007,166	43.3 %
Cost-plus	312,176	25.9 %	322,823	27.4 %	659,495	26.9 %	662,904	28.5 %
Fixed price	180,674	15.0 %	158,867	13.5 %	355,747	14.5 %	310,372	13.3 %
Time and materials	139,255	11.5 %	179,426	15.2 %	296,892	12.1 %	347,760	14.9 %
Total revenue	$ 1,206,852		$ 1,177,326		$ 2,456,098		$ 2,328,202	

Table 4.2: Revenue by Customer Type

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2023		March 31, 2022		March 31, 2023		March 31, 2022	
	(dollars in thousands)							
U.S. federal government agencies	$ 569,897	47.2 %	$ 553,707	47.0 %	$ 1,173,815	47.8 %	$ 1,117,801	48.0 %
U.S. state government agencies	446,549	37.0 %	411,287	34.9 %	883,911	36.0 %	782,834	33.7 %
International government agencies	161,359	13.4 %	194,800	16.5 %	343,119	14.0 %	366,175	15.7 %
Other, including local municipalities and commercial customers	29,047	2.4 %	17,532	1.5 %	55,253	2.2 %	61,392	2.6 %
Total revenue	$ 1,206,852		$ 1,177,326		$ 2,456,098		$ 2,328,202	

Contract balances

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

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

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

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

- Certain contracts include retainage balances, whereby revenue is earned, but some portion of cash payments are held back by the customer for a period of time, typically to allow the customer to confirm the objective criteria laid out by the contract have been met. This balance is classified as accounts receivable - unbilled until restrictions on billing are lifted. As of March 31, 2023 and September 30, 2022, $11.7 million and $13.1 million, respectively, of our unbilled receivables related to amounts pursuant to contractual retainage provisions.
- In certain contracts, we may receive funds from our customers prior to performing operations. These funds are typically referred to as "set-up costs" and reflect the need for us to make investments in infrastructure prior to providing a service. This investment in infrastructure is not a performance obligation that is distinct from the service that is subsequently provided and, as a result, revenue is not recognized based upon the establishment of this infrastructure, but rather over the course of the contractual relationship. The funds are initially recorded as deferred revenue and recognized over the term of the contract. Other contracts may not include set-up fees but will provide higher fees in earlier periods of the contract. The premium on these fees is deferred.
- Some of our contracts, notably our employment services contracts in the Outside the U.S. Segment, include payments for desired outcomes, such as job placement and job retention, and these outcome payments occur over several months. We are required to estimate these outcome fees ahead of their realization and recognize this estimated fee over the period of delivery.

During the three and six months ended March 31, 2023, we recognized revenue of $ 34.8 million and $85.9 million, respectively, included in our deferred revenue balances at September 30, 2022. During the three and six months ended March 31, 2022, we recognized revenue of $20.6 million and $61.8 million, respectively, included in our deferred revenue balances at September 30, 2021.

Contract estimates

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

Some of our performance-based contract revenue is recognized based upon future milestones defined in each contract. This is the case in many of our employment services contracts in the Outside the U.S. Segment, where we are paid as individuals attain employment milestones, which may take many months to achieve. We recognize revenue over the period of performance. Our estimates vary from contract to contract but may include the number of participants within a portfolio reaching employment milestones and the service delivery periods for participants reaching the employment milestone. We estimate the total variable fees we will receive using the expected value method. We recognize the fees over the expected period of performance. At each reporting period, we update our estimates of the variable fees to represent the circumstances present at the end of the reporting period. We are required to constrain our estimates to the extent that it is probable that there will not be a significant reversal of cumulative revenue when the uncertainty is resolved. We do not have a history of significant constraints on these contracts.

Changes to our estimates are recognized on a cumulative catch-up basis. For the three and six months ended March 31, 2023, we reported a reduction in revenue and diluted earnings per share of $6.5 million and $0.08 and $6.1 million and $0.07, respectively from changes in estimates. The corresponding change for the three and six months ended March 31, 2022 was a reduction to revenue and diluted earnings per share of $1.4 million and $0.02 and $4.2 million and $0.05, respectively.

Remaining performance obligations

As of March 31, 2023, we had approximately $ 400 million of remaining performance obligations. We anticipate that we will recognize revenue on approximately 60% of this balance within the next 12 months. This balance excludes contracts with an original duration of twelve months or less, including contracts with a penalty-free termination for convenience clause, and any variable consideration which is allocated entirely to future performance obligations, including variable transaction fees or fees tied directly to costs incurred.

5. EARNINGS PER SHARE

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(in thousands)			
Basic weighted average shares outstanding	61,120	62,227	61,119	62,256
Dilutive effect of unvested RSUs and PSUs	263	154	146	153
Denominator for diluted earnings per share	61,383	62,381	61,265	62,409

The diluted earnings per share calculation for the three and six months ended March 31, 2023 excludes approximately 99,000 and 300,000 unvested anti-dilutive restricted stock units, respectively. For the three and six months ended March 31, 2022, approximately 173,000 and 192,000 unvested anti-dilutive restricted stock units were excluded from the diluted earnings per share calculation, respectively.

6. DEBT AND DERIVATIVES

Table 6.1: Details of Debt

	March 31, 2023	September 30, 2022
	(in thousands)	
Term Loan A, due 2026	$ 943,750	$ 971,250
Term Loan B, due 2028	346,721	395,000
Subsidiary loan agreements	7,785	64
Funded Debt	1,298,256	1,366,314
Less: Unamortized debt-issuance costs and discounts	(8,738)	(10,373)
Total debt	1,289,518	1,355,941
Less: Current portion of long-term debt	(84,490)	(63,458)
Long-term debt	$ 1,205,028	$ 1,292,483

We entered into a credit agreement with JPMorgan Chase Bank, N.A. in May 2021 comprised of Term Loan A, Term Loan B, and a $ 600.0 million revolving credit facility ("Revolver"). During the first quarter of fiscal year 2023, we converted our interest rate index from the London Interbank Overnight Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR").

The Credit Agreement requires us to comply with a number of covenants, including leverage and interest coverage ratios. At March 31, 2023, we are in compliance with all covenants. We do not believe that the covenants represent a significant restriction on our ability to successfully operate the business or to pay dividends.

In addition to the corporate Credit Agreement, we hold smaller credit facilities in Australia, Canada, and the United Kingdom. These allow our businesses to borrow funds to meet any short-term working capital needs.

The following table sets forth future minimum principal payments due under our debt obligations as of March 31, 2023 for the remainder of fiscal year 2023 through fiscal year 2027 and thereafter:

Table 6.2: Details of Future Minimum Principal Payments Due

	Amount Due
	(in thousands)
April 1, 2023 through September 30, 2023	$ 43,900
Year ended September 30, 2024	85,985
Year ended September 30, 2025	92,860
Year ended September 30, 2026	740,985
Year ended September 30, 2027	3,485
Thereafter	331,041
Total Payments	$ 1,298,256

Interest Rate Derivative Instruments

To reduce our interest rate risk, we entered into interest-rate swap agreements covering our Term Loan A, effectively setting a fixed rate for a portion of our debt. At March 31, 2023, we have arrangements in place that fix our interest rate of $500 million through May 2026 and a further arrangement to fix $ 150 million through September 2024. The balance of the debt pays interest based upon an index. The floating interest rate on these instruments was converted from LIBOR to SOFR in December 2022, concurrent with our debt agreements. In converting our debt and interest-rate swaps, we utilized the practical expedients allowed under ASU No. 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* , which allowed us to treat these amendments as though the modification was not substantial. At March 31, 2023, our effective interest rate, including the original issuance costs and discount rate, was 5.9%.

Our interest-rate swap agreements are valued quarterly and recorded on our balance sheet. As of March 31, 2023, we had an asset of $ 24.6 million and a liability of $4.5 million, compared to an asset of $ 31.4 million as of September 30, 2022. These balances were recorded in "other assets" and "other liabilities", respectively, on our consolidated balance sheet. As these hedges are considered effective, all gains and losses are reported within other comprehensive income on our consolidated statement of comprehensive income.

7. DIVESTITURES

On March 6, 2023, we sold a small commercial practice in the United Kingdom, part of our Outside the U.S. Segment, resulting in a pre-tax loss of $ 0.6 million. The cash consideration will be received in installments, with a fair value of $16.0 million. The installment payments are unconditional.

On March 30, 2023, we sold our Swedish subsidiary for cash consideration of $ 0.4 million, resulting in a small loss.

8. FAIR VALUE MEASUREMENTS

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

- We hold mutual fund assets within a Rabbi Trust to cover liabilities in our deferred compensation plan. These assets have prices quoted within active markets and, accordingly, are classified as level 1 within the fair value hierarchy.
- We have three interest rate swap agreements, serving to reduce our interest rate risk on our debt. These assets and liabilities can be valued using observable data and, accordingly, are classified as level 2 within the fair value hierarchy.
- We anticipate paying additional consideration for certain acquisitions based upon the subsequent performance of the businesses acquired. This liability is based upon our internal assumptions over revenues, margins, volumes, and contract terms. Accordingly, these inputs are not observable and are classified as level 3 within the fair value hierarchy.
- We will receive payments from the sale of a small commercial practice in the United Kingdom over the next three years. We have discounted the asset based upon our cost of capital, which is not an observable input. The balance at the sale of the business was $6.8 million. These assets are held in "Prepaid expenses and other current assets" and "Other assets" on our consolidated balance sheet.

The tables below present assets and liabilities measured and recorded at fair value in our consolidated balance sheets on a recurring basis and their corresponding level within the fair value hierarchy. No transfers between Level 1, Level 2, and Level 3 fair value measurements occurred for the three months ended March 31, 2023.

Table 8.1: Fair Value Measurements

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Balance
	(in thousands)			
Assets:				
Deferred compensation assets - Rabbi Trust	$ 25,820	$ —	$ —	$ 25,820
Interest rate swap - $300 million notional value	—	24,636	—	24,636
Notes receivable	—	—	7,055	7,055
Total assets	$ 25,820	$ 24,636	$ 7,055	$ 57,511
Liabilities:				
Interest rate swaps - $350 million notional value	$ —	$ 4,548	$ —	$ 4,548
Contingent consideration	—	—	13,654	13,654
Total liabilities	$ —	$ 4,548	$ 13,654	$ 18,202

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

Accumulated Other Comprehensive Loss

All amounts recorded in accumulated other comprehensive loss are related to our foreign currency translations and interest rate swap, net of tax. The following table shows changes in accumulated other comprehensive loss:

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

	Foreign currency translation adjustment	Net unrealized gain on derivatives, net of tax	Total
	(in thousands)		
Balance as of September 30, 2022	$ (57,109)	$ 23,148	$ (33,961)
Other comprehensive income before reclassifications	8,885	(5,012)	3,873
Amounts reclassified from accumulated other comprehensive loss	116	(3,331)	(3,215)
Net current period other comprehensive losses	9,001	(8,343)	658
Balance as of March 31, 2023	$ (48,108)	$ 14,805	$ (33,303)

Contingent Consideration

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

Our contingent consideration relates to the businesses below:

- In October 2021, we acquired the student loan servicing business from Navient, rebranded as Aidvantage. Future payments are based upon volumes, up to a maximum payment of $65.0 million. At March 31, 2023 and September 30, 2022, the Aidvantage contingent consideration was $ 11.2 million and $13.8 million, respectively.
- In January 2022, we acquired BZ Bodies Limited. Future payments are based upon the performance of the business through December 2023, up to a maximum payment of $2.5 million (£2.0 million British Pounds). At March 31, 2023 and September 30, 2022, we recorded a contingent consideration liability for the maximum payment, which we anticipate making in fiscal year 2024.
- In December 2015, we acquired companies doing business as Assessments Australia. Future payments were based upon future revenue earnings. The deadline for the payment expired on December 31, 2022, with no payment being required.

Movement in our contingent consideration balance is as follows:

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

	Contingent Consideration
	(in thousands)
Opening contingent consideration as of September 30, 2022	$ 16,236
Adjustments to fair value recorded in the period	1,202
Cash payments	(4,041)
Foreign currency translations	257
Closing contingent consideration as of March 31, 2023	$ 13,654

9. EQUITY

Stock Compensation

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

During the six months ended March 31, 2023, we issued approximately 333,000 RSUs, which will vest ratably over three to four years, and approximately 137,000 PSUs, which will vest after three years.

10. OTHER BALANCE SHEET ITEMS

Cash, Cash Equivalents, and Restricted Cash

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

	March 31, 2023	September 30, 2022
	(in thousands)	
Cash and cash equivalents	$ 56,344	$ 40,658
Restricted cash (1)	62,376	96,137
Cash, cash equivalents, and restricted cash	$ 118,720	$ 136,795

(1) Restricted cash is recorded within "Prepaid expenses and other current assets" on the Consolidated Balance Sheets. At September 30, 2022, this balance included $60.7 million of funds received from a customer which had previously been sold under our Receivables Purchase Agreement; this is offset by a corresponding liability in "Other current liabilities". No similar arrangements existed at March 31, 2023. The remaining balance includes funds held in trust on behalf of certain clients, offset with a corresponding liability in "Other current liabilities", and certain collateral obligations on contracts.

Table 10.2: Supplemental Disclosures of Cash Flow Information

	For the Six Months Ended	
	March 31, 2023	March 31, 2022
	(in thousands)	
Interest payments	$ 19,262	$ 17,755
Income tax payments	$ 31,926	$ 50,531

Accounts Receivable, Net

Table 10.3: Details of Accounts Receivable, Net

	March 31, 2023	September 30, 2022
	(in thousands)	
Billed and billable receivables	$ 614,907	$ 723,979
Unbilled receivables	134,695	91,404
Allowance for credit losses	(7,215)	(8,273)
Accounts receivable, net	$ 742,387	$ 807,110

In September 2022, we entered into a Receivables Purchase Agreement with Wells Fargo Bank N.A., under which we may sell certain U.S.-originated accounts receivable balances up to a maximum amount of $110.0 million at any given time. In return for these sales, we receive a cash payment equal to the face value of the receivables less a financing charge.

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

For the six months ended March 31, 2023, the gross fair value of accounts receivables transferred to Wells Fargo and derecognized from our balance sheet was $292.8 million. In exchange for these sales, we received $ 291.1 million in cash. The balance, representing a loss on sale from these transfers, is included within our selling, general and administrative expenses. We have recorded these transactions within our operating cash flows. The effective annual interest rate under this program was 5.04%.

11. COMMITMENTS AND CONTINGENCIES

Litigation

We are subject to audits, investigations, and reviews relating to compliance with the laws and regulations that govern our role as a contractor to agencies and departments of federal, state, local, and foreign governments, 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.

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

12. SUBSEQUENT EVENT

On April 6, 2023, 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 May 31, 2023, to shareholders of record on May 15, 2023. Based upon the number of shares outstanding, we anticipate a cash payment of approximately $17.0 million.

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

The following discussion is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our financial statements and related notes in Item 1 and in the 'Special Note Regarding Forward-Looking Statements' in this Quarterly Report on Form 10-Q and the audited financial statements and related notes, risk factors and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for fiscal year 2022 filed with the Securities and Exchange Commission on November 22, 2022.

Business Overview

We are a global company with approximately 39,500 employees and 12,550 contingent workers dedicated to helping governments on four continents to administer their citizen-facing programs. Under our mission of *Moving People Forward*, we offer industry-leading expertise, including citizen engagement, eligibility and program integrity, independent clinical assessments and case management, and technology modernization services to enable citizens around the globe to successfully engage with their governments at all levels. We are instrumental in helping people who need governmental support get it.

Over the past five years, we have executed a three-pronged growth strategy: we have evolved through our digital transformation to meet the modernization needs of our clients; we have expanded our clinical assessment capabilities to meet growing demand for independent and conflict-free clinical services; and we have expanded our markets, both organically and through acquisitions.

In fiscal year 2022, we refreshed our strategy and updated the three pillars on which we will focus growth efforts for the next three to five years:

- Customer Services, Digitally Enabled. We apply proven technologies, data, and best practices to make government programs more customer-focused, effective, and deserving of the public's trust. We make it easier for people to connect to government services based on their individual preferences and abilities. We are elevating the customer experience to achieve higher levels of satisfaction, performance, and outcomes through intelligent automation and cognitive computing.

- Future of Health. We are expanding our clinical-related services and are experienced in delivering clinical BPS services at scale. We have established an extensive set of services that frequently requires a network of healthcare professionals who can complete clinical assessments, provide occupational health and independent medical review services, and adjudicate complicated benefits appeals. With the formation of Maximus Public Health ("MPH"), we are able to serve as a resource to governments as they respond to public health threats and address lessons learned from the global pandemic.

- Advanced Technologies for Modernization. We are furthering our credibility as a technology leader, enabling the transformation of government programs to be resilient, dynamic, integrated, and equitable. Leveraging our deep relationships and program knowledge, we are delivering technology-driven business transformation of government missions with a strategic near-term focus on hybrid cloud solutions, information intelligence, and hyper-automation.

Financial Overview

A number of factors have affected our results for the second quarter of fiscal year 2023, the most significant of which we have listed below. More detail on these changes is presented below within our "Results of Operations" section.

- Our business has grown, with new and expanded work replacing short-term COVID-19 work in prior years.
- Our SG&A cost base has expanded with the growth of the business, including investments in our workforce and business infrastructure.
- Our international business results have been tempered by the strength of the U.S. Dollar against the other currencies in which we operate.
- The cost of financing our debt has increased year-over-year as interest rates have increased.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the three months and six months ended March 31, 2023 and March 31, 2022.

Table MD&A 1: Consolidated Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(dollars in thousands, except per share data)			
Revenue	$ 1,206,852	$ 1,177,326	$ 2,456,098	$ 2,328,202
Cost of revenue	978,249	948,875	1,982,748	1,871,596
Gross profit	228,603	228,451	473,350	456,606
Gross profit percentage	***18.9 %***	***19.4 %***	***19.3 %***	***19.6 %***
Selling, general, and administrative expenses	142,448	130,307	288,900	254,528
Selling, general, and administrative expenses as a percentage of revenue	***11.8 %***	***11.1 %***	***11.8 %***	***10.9 %***
Amortization of intangible assets	23,650	22,856	47,168	45,261
Operating income	62,505	75,288	137,282	156,817
Operating margin	***5.2 %***	***6.4 %***	***5.6 %***	***6.7 %***
Interest expense	20,999	9,438	42,605	19,076
Other income, net	818	715	1,084	404
Income before income taxes	42,324	66,565	95,761	138,145
Provision for income taxes	10,536	16,469	23,978	34,719
Effective tax rate	***24.9 %***	***24.7 %***	***25.0 %***	***25.1 %***
Net income	$ 31,788	$ 50,096	$ 71,783	$ 103,426
Earnings per share:				
Basic	$ 0.52	$ 0.81	$ 1.17	$ 1.66
Diluted	$ 0.52	$ 0.80	$ 1.17	$ 1.66

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

Table MD&A 2: Changes in Revenue, Cost of Revenue, and Gross Profit for the Three Months Ended March 31, 2023

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Three Months Ended March 31, 2022	$ 1,177,326		$ 948,875		$ 228,451	
Organic effect	46,020	3.9 %	44,646	4.7 %	1,374	0.6 %
Disposal of businesses	(3,456)	(0.3) %	(3,343)	(0.4) %	(113)	— %
Acquired growth	1,335	0.1 %	687	0.1 %	648	0.3 %
Currency effect compared to the prior period	(14,373)	(1.2) %	(12,616)	(1.3) %	(1,757)	(0.8) %
Three Months Ended March 31, 2023	$ 1,206,852	2.5 %	$ 978,249	3.1 %	$ 228,603	0.1 %

Table MD&A 3: Changes in Revenue, Cost of Revenue, and Gross Profit for the Six Months Ended March 31, 2023

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Six Months Ended March 31, 2022	$ 2,328,202		$ 1,871,596		$ 456,606	
Organic effect	164,664	7.1 %	143,569	7.7 %	21,095	4.6 %
Disposal of businesses	(3,456)	(0.1) %	(3,343)	(0.2) %	(113)	— %
Acquired growth	3,448	0.1 %	1,943	0.1 %	1,505	0.3 %
Currency effect compared to the prior period	(36,760)	(1.6) %	(31,017)	(1.7) %	(5,743)	(1.3) %
Six Months Ended March 31, 2023	$ 2,456,098	5.5 %	$ 1,982,748	5.9 %	$ 473,350	3.7 %

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

Selling, general, and administrative expenses ("SG&A") consist 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 U.S. federal government and many states, we allocate these costs using a methodology driven by the U.S. Federal Cost Accounting Standards.

Our SG&A expense has increased with growth in our business and investments made in our workforce and infrastructure. Our SG&A expense also includes losses relating to the sale of two small businesses in 2023.

Interest Expense

Interest expense for the three months ended March 31, 2022 and March 31, 2023, increased from $9.4 million to $21.0 million. Interest expense for the six months ended March 31, 2022 and March 31, 2023 increased from $19.1 million to $42.6 million. These increases are principally due to market rate increases.

Our effective interest rate was 5.9% at March 31, 2023, compared to 2.4% at March 31, 2022. We have mitigated our risk by fixing interest rates on $650 million of our debt and our near term capital allocation plan continues to prioritize reducing our debt using our free cash flow. At our current debt balances, a 100 basis point change in SOFR would result in an increased annual interest expense of $6.4 million.

Provision for Income Taxes

Our effective income tax rate for the three and six months ended March 31, 2023, was 24.9% and 25.0%, respectively, compared to 24.7% and 25.1% for the three and six months ended March 31, 2022. For fiscal year 2023, we expect the effective tax rate to be between 24.5% and 25.5%.

U.S. Federal Services Segment

Our U.S. Federal Services Segment delivers end-to-end solutions that help various U.S. federal government agencies better deliver on their mission, including program operations and management, clinical services, and technology solutions. This also includes appeals and assessments services, system and application development, IT modernization, and maintenance services. The segment also contains certain state-based assessments and appeals work that is part of the segment's heritage which continues to be managed within this segment. Benefiting from the 2021 acquisition of the Attain Federal business, now managed as Technology Consulting Services, the segment executes on its digital strategy to deliver technology solutions that advance agency missions, including the challenge to modernize, provide better customer experience, and drive process efficiencies. The segment continues to expand its clinical solutions with the acquisition of VES Group, Inc., which manages the clinical evaluation process for U.S. veterans and service members on behalf of the U.S. Department of Veterans Affairs.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(dollars in thousands)			
Revenue	$ 584,075	$ 573,288	$ 1,202,242	$ 1,155,159
Cost of revenue	461,201	458,135	956,674	913,430
Gross profit	122,874	115,153	245,568	241,729
Selling, general, and administrative expenses	75,050	68,949	146,699	133,874
Operating income	47,824	46,204	98,869	107,855
Gross profit percentage	21.0 %	20.1 %	20.4 %	20.9 %
Operating margin percentage	8.2 %	8.1 %	8.2 %	9.3 %

Our revenue and cost of revenue for the three months ended March 31, 2023, increased 1.9% and 0.7%, respectively. For the six months ended March 31, 2023, growth was 4.1% and 4.7%, respectively. All growth in fiscal year 2023 was organic.

Our U.S. Federal Services business grew primarily from volume growth in our VES business. Profit margins were tempered as the business is being scaled up for higher volumes, which we anticipate in future quarters. The three months ended March 31, 2023 received a short-term margin benefit from a contract close-out. Our fiscal year 2022 results included the closing stages of short-term, pandemic related services, which operated at higher margins.

We anticipate that our U.S. Federal Services business will continue to grow in fiscal year 2023, driven primarily by additional volumes anticipated in the VES business. We anticipate full year operating margins will range between 10% and 11%.

U.S. Services Segment

Our U.S. Services Segment provides a variety of business process services ("BPS"), such as program administration, assessments, and related consulting work for U.S. state and local government programs. These services support a variety of programs, including the Affordable Care Act ("ACA"), Medicaid, the Children's Health Insurance Program ("CHIP"), Temporary Assistance to Needy Families ("TANF"), and child support programs. As part of the government's COVID-19 response efforts, the segment supported contact tracing, disease investigation, and vaccine distribution support services during the peak of the pandemic. The segment also successfully expanded into the unemployment insurance market where longer term opportunities have materialized. As part of the broader strategy to evolve clinically and address societal macro trends such as aging populations and rising costs, the segment continues to expand its offerings in public health with new work in in-person assessments.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(dollars in thousands)			
Revenue	$ 449,703	$ 398,077	$ 889,181	$ 784,494
Cost of revenue	363,687	313,106	719,567	609,824
Gross profit	86,016	84,971	169,614	174,670
Selling, general, and administrative expenses	43,415	38,273	89,257	73,375
Operating income	42,601	46,698	80,357	101,295
Gross profit percentage	19.1 %	21.3 %	19.1 %	22.3 %
Operating margin percentage	9.5 %	11.7 %	9.0 %	12.9 %

Our revenue and cost of revenue for the three months ended March 31, 2023, increased 13.0% and 16.2%, respectively, compared to the three months ended March 31, 2022. For the six months ended March 31, 2023, our revenue and cost of revenue increased 13.3% and 18.0%, respectively, compared to the six months ended March 31, 2022. All movement was organic and net of anticipated declines in short-term work related to the pandemic.

Revenue has increased from expanded contracts and new work, but margins remain tempered as the short-term, pandemic-related work from prior years has declined.

This segment is expected to see the greater benefit from the resumption of Medicaid eligibility redeterminations. The nature and timing of the benefit will be dependent upon how the states coordinate the return of these services, but we continue to anticipate that services will commence during our third fiscal quarter, with a greater contribution in the final quarter of the year. We anticipate a full year operating profit margin will be between 9% and 11%.

Outside the U.S. Segment

Our Outside the U.S. Segment provides BPS for international governments and commercial clients, transforming the lives of people around the world. Helping people find employment, access vital support, and remain healthy, these services include health and disability assessments, program administration for employment services, wellbeing solutions, and other job seeker related services. We support programs and deliver services in the U.K., including the Health Assessment Advisory Service ("HAAS") and Restart; Australia, including Workforce Australia (formerly jobactive) and the Disability Employment Service; Canada, including the Employment Program of British Columbia; in addition to Italy, Saudi Arabia, Singapore, South Korea, and UAE, where we predominantly provide employment support and job seeker services.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(dollars in thousands)			
Revenue	$ 173,074	$ 205,961	$ 364,675	$ 388,549
Cost of revenue	153,361	177,634	306,507	348,342
Gross profit	19,713	28,327	58,168	40,207
Selling, general, and administrative expenses	23,425	24,011	51,814	45,351
Operating income/(loss)	(3,712)	4,316	6,354	(5,144)
Gross profit percentage	11.4 %	13.8 %	16.0 %	10.3 %
Operating margin percentage	(2.1) %	2.1 %	1.7 %	(1.3) %

Table MD&A 7: Outside the U.S. Segment - Changes in Revenue, Cost of Revenue, and Gross Profit for the Three Months Ended March 31, 2023

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Three Months Ended March 31, 2022	$ 205,961		$ 177,634		$ 28,327	
Organic effect	(16,393)	(8.0) %	(9,001)	(5.1) %	(7,392)	(26.1) %
Disposal of businesses	(3,456)	(1.7) %	(3,343)	(1.9) %	(113)	(0.4) %
Acquired growth	1,335	0.6 %	687	0.4 %	648	2.3 %
Currency effect compared to the prior period	(14,373)	(7.0) %	(12,616)	(7.1) %	(1,757)	(6.2) %
Three Months Ended March 31, 2023	$ 173,074	(16.0) %	$ 153,361	(13.7) %	$ 19,713	(30.4) %

Table MD&A 8: Outside the U.S. Segment - Changes in Revenue, Cost of Revenue, and Gross Profit for the Six Months Ended March 31, 2023

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Six Months Ended March 31, 2022	$ 388,549		$ 348,342		$ 40,207	
Organic effect	12,894	3.3 %	(9,418)	(2.7)%	22,312	55.5 %
Disposal of businesses	(3,456)	(0.9) %	(3,343)	(1.0)%	(113)	(0.3)%
Acquired growth	3,448	0.9 %	1,943	0.6 %	1,505	3.7 %
Currency effect compared to the prior period	(36,760)	(9.5) %	(31,017)	(8.9)%	(5,743)	(14.3)%
Six Months Ended March 31, 2023	$ 364,675	(6.1) %	$ 306,507	(12.0)%	$ 58,168	44.7 %

Our results for the three months ended March 31, 2023, were impacted by declines in our Australian contract. Following rebid activity in June 2022, these contracts were significantly reduced in scope.

Our results for the six months ended March 31, 2023, were affected by the decline in Australian business, but this was offset by significant profitable growth in our expanding Restart program, which ramped up through the first quarter of this fiscal year.

This segment also had revenue and margins tempered by delays in a major new program, as well as challenges in achieving volumes in some of our employment programs as a result of low unemployment in our emerging markets.

In March 2023, we sold a small commercial practice in the United Kingdom and our employment operations in Sweden. Prospectively, we anticipate this will marginally improve our profit margins.

Much of our revenue growth stems from our employment services contracts, where we are paid based upon our ability to place individuals in long-term sustained employment. As a result, changes in our estimates of our ability to place people in work and the time that this will take can have significant effects on our revenue. Our estimates are based upon historical performance, where appropriate and available, and are constantly updated.

We anticipate operating margins will range between 1% and 3% for the full fiscal year.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash from operations, and availability under our revolving credit facilities. As of March 31, 2023, we had $56.3 million in cash and cash equivalents. We believe that our current cash position, access to our revolving debt, and cash flow generated from operations should be not only sufficient for our operating requirements but also to enable us to fund required long-term debt repayments, dividends and any share purchases we might choose to make. See "Note 6. Debt and Derivatives" to the Consolidated Financial Statements for a more detailed discussion of our debt financing arrangements.

During the first half of fiscal year 2023, we entered into a number of debt-related transactions.

- We entered into additional interest rate swaps, to bring the total balance of our credit facility subject to fixed rates to $650 million. This allows us greater opportunity to predict and manage our interest payments.
- We amended both our debt and the corresponding interest rate swaps to use interest rates based upon the Secured Overnight Financing Rate (SOFR), replacing the previous LIBOR basis. This transaction anticipates the phasing out of LIBOR rates in 2023.
- As part of the transition to SOFR, we took the opportunity to redeem some of our Term Loan B debt.

Table MD&A 9: Net Change in Cash and Cash Equivalents and Restricted Cash

	For the Six Months Ended	
	March 31, 2023	March 31, 2022
	(in thousands)	
Operating activities:		
Net cash provided by operating activities	$ 175,037	$ 111,859
Net cash used in investing activities	(24,627)	(22,902)
Net cash used in financing activities	(171,671)	(133,883)
Effect of foreign exchange rates on cash and cash equivalents and restricted cash	3,186	324
Net change in cash and cash equivalents and restricted cash	$ (18,075)	$ (44,602)

Net Cash Provided By Operating Activities

Net cash provided by operating activities was $175.0 million in the first half of fiscal year 2023, an increase of $63.2 million. This increase was principally from our improved cash collections; our Days Sales Outstanding ("DSO") at September 30, 2022 was 62 days; the corresponding DSO at March 31, 2023 was 56 days. This DSO is below our anticipated range and will likely return to a balance between 60-70 days by year end. Increased interest payments on our debt, driven by interest rate increases, were offset by declines in income tax payments.

Net Cash Used In Investing Activities

Investing cash outflows in fiscal years 2023 and 2022 reflect acquisitions of property and equipment and investment in software. In fiscal year 2023, we received payments for the sale of our Swedish business and an installment payment on the sale of a small commercial practice in the United Kingdom.

Net Cash Used In Financing Activities

Net financing cash outflows reflect mandatory and early payments on our debt.

At September 30, 2022, our restricted cash balance was inflated by a large customer receivable of $60.7 million, which was paid to us after we had sold the balance to a third party, resulting in a financing cash inflow. During the period ended March 31, 2023, the payment was made and no similar timing differences existed as of March 31, 2023, resulting in a net cash outflow.

Credit Facilities

Our principal debt agreement is with JPMorgan Chase Bank N.A. (the Credit Agreement). At March 31, 2023, we owed $1.29 billion under the Credit Agreement, with access to an additional $600 million through a revolving credit facility. Mandatory repayments are required under this agreement through May 2028, when the agreement ends, and must be renegotiated or the funds repaid.

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

- Our Consolidated Net Total Leverage Ratio means, for any twelve-month period, the ratio of our Funded Debt, offset by up to $75 million of unrestricted cash (Consolidated Total Leverage), against our Consolidated EBITDA (as defined by the Credit Agreement). To comply with our Credit Agreement, this ratio cannot exceed 4.00:1.00 at the end of each quarter, with a step-up to 4.50:1.00 under certain circumstances. This ratio also determines both our interest rate and the charge we pay on the unused component of our revolving credit facility, with the charge increasing as the leverage ratio increases.
- Our Consolidated Net Interest Coverage Ratio means, for any twelve-month period, the ratio of our Consolidated EBITDA against our Consolidated Net Interest Expense, as defined by the Credit Agreement. To comply with our Credit Agreement, this ratio cannot be less than 3.00:1.00 at the end of each quarter.

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

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

We have summarized below the components of our two financial ratio calculations, including the components of Consolidated EBITDA as defined by the Credit Agreement which are included within our financial statements. At March 31, 2023, we were in compliance with all applicable covenants of our Credit Agreement. We do not believe that these covenants represent a significant restriction in our ability to operate our business or to pay our dividends.

Table MD&A 10: Reconciliation of Net Income to Consolidated EBITDA as defined by our Credit Agreement

	For the Three Months Ended March 31, 2023	For the Trailing Twelve Months Ended March 31, 2023
	(in thousands)	
Net income	$ 31,788	$ 172,185
Adjustments:		
Interest expense	20,999	69,494
Other (income)/expense, net	(818)	2,155
Provision for income taxes	10,536	62,529
Amortization of intangibles	23,650	92,372
Stock compensation expense	9,540	29,367
Acquisition-related expenses	(126)	(635)
Gain on sale of land and building	—	(11,046)
Loss on sale of businesses	883	883
Depreciation and amortization of property, equipment, and capitalized software	14,041	47,452
Pro forma and other adjustments permitted by our credit agreement	(1,481)	37,016
Consolidated EBITDA (as defined by our Credit Agreement)	$ 109,012	$ 501,772

Table MD&A 11: Consolidated Net Total Leverage Ratio

(in thousands, except ratio data)	For the Trailing Twelve Months Ended March 31, 2023
Funded Debt (as defined by our Credit Agreement)	$ 1,298,256
Cash and cash equivalents up to $75 million	56,344
Consolidated Net Total Leverage (as defined by our Credit Agreement)	$ 1,241,912
Consolidated Net Total Leverage Ratio (as defined by our Credit Agreement)	2.48

Table MD&A 12: Consolidated Net Interest Coverage Ratio

(in thousands, except ratio data)	For the Trailing Twelve Months Ended March 31, 2023
Consolidated EBITDA (as defined by our Credit Agreement)	$ 501,772
Interest expense	69,494
Components of other income/expense, net allowed in ratio calculation	(1,084)
Consolidated Net Interest Expense (as defined by our Credit Agreement)	$ 68,410
Consolidated Net Interest Coverage Ratio (as defined by our Credit Agreement)	7.33

Cash in Foreign Locations

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

Free Cash Flow

Table MD&A 13: Free Cash Flow

	For the Six Months Ended	
	March 31, 2023	March 31, 2022
	(in thousands)	
Net cash provided by operating activities	$ 175,037	$ 111,859
Purchases of property and equipment and capitalized software	(33,751)	(22,898)
Free cash flow	$ 141,286	$ 88,961

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates, judgments, and assumptions that affect the amounts reported. Actual results could differ from those estimates. The 2022 Form 10-K, as filed with the SEC on November 22, 2022, includes a summary of critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenues, or expenses during the three or six months ended March 31, 2023.

Non-GAAP and Other Measures

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

For the three months ended March 31, 2023, 14% of our revenue was generated outside the U.S. We believe that users of our financial statements wish to understand the performance of our foreign operations using a methodology that excludes the effect of year-over-year exchange rate fluctuations. To calculate year-over-year currency movement, we determine the current fiscal year's results for all foreign businesses using the exchange rates in the prior fiscal year.

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 or disposed of. We identify acquired revenue and cost of revenue by showing these results for periods for which no comparative results exist within our financial statements. We identify revenue and cost of revenue that has been disposed of in a similar manner. This information is supplemented by our calculations of organic growth. To calculate organic growth, we compare current fiscal year results excluding transactions from acquisitions or disposals, to our prior fiscal year results.

Our recent acquisitions have resulted in significant intangible assets which are amortized over their estimated useful lives. We believe users of our financial statements wish to understand the performance of the business by using a methodology that excludes the amortization of our intangible assets. Accordingly, we have calculated our operating profit, net income, and earnings per share, excluding the effect of the amortization of intangible assets. We have included the following table showing our reconciliation of these income measures to their corresponding U.S. GAAP measures.

Table MD&A 14: Non-GAAP Adjusted Results Excluding Amortization of Intangible Assets

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(dollars in thousands, except per share data)			
Operating income	$ 62,505	$ 75,288	$ 137,282	$ 156,817
Add back: Amortization of intangible assets	23,650	22,856	47,168	45,261
Adjusted operating income excluding amortization of intangible assets (Non-GAAP)	$ 86,155	$ 98,144	$ 184,450	$ 202,078
Adjusted operating income margin excluding amortization of intangible assets (Non-GAAP)	7.1 %	8.3 %	7.5 %	8.7 %
Net income	$ 31,788	$ 50,096	$ 71,783	$ 103,426
Add back: Amortization of intangible assets, net of tax	17,446	16,884	34,806	33,414
Adjusted net income excluding amortization of intangible assets (Non-GAAP)	$ 49,234	$ 66,980	$ 106,589	$ 136,840
Diluted earnings per share	$ 0.52	$ 0.80	$ 1.17	$ 1.66
Add back: Effect of amortization of intangible assets on diluted earnings per share	0.28	0.27	0.57	0.53
Adjusted diluted earnings per share excluding amortization of intangible assets (Non-GAAP)	$ 0.80	$ 1.07	$ 1.74	$ 2.19

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates, and counterparty risk. We use derivative instruments to manage selected interest rate exposures. The Company's market rate risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" on the 2022 Form 10-K, as filed with the SEC on November 22, 2022, have not changed materially during the six month period ended March 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

PART II - Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There were no material changes during the six months ended March 31, 2023, to the risk factors previously disclosed in the 2022 Form 10-K, as filed with the SEC on November 22, 2022.

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

(a) None.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities

(a) None.

(b) None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

Item 6. Exhibits

Exhibit No.		Description of Exhibit
3.2		Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K dated March 15, 2023).
31.1	❖	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	❖	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Φ	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Φ	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS	❖	XBRL Instance Document.
101.SCH	❖	XBRL Taxonomy Extension Schema Document.
101.CAL	❖	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	❖	XBRL Taxonomy Definition Linkbase Document.
101.LAB	❖	XBRL Taxonomy Label Linkbase Document.
101.PRE	❖	XBRL Taxonomy Presentation Linkbase Document.
104	❖	Cover Page Interactive Data File (formatted as Inline XBRL tags and contained in Exhibit 101).

❖ Filed herewith.

Φ Furnished herewith.

SIGNATURES

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

Maximus, Inc.

	/s/ Bruce L. Caswell	May 4, 2023
By:	Bruce L. Caswell President and Chief Executive Officer (Principal Executive Officer)	
	/s/ David W. Mutryn	May 4, 2023
By:	David W. Mutryn Chief Financial Officer (Principal Financial Officer)	

EXHIBIT 31.1

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

I, Bruce L. Caswell, certify that:

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

/s/ Bruce L. Caswell	May 4, 2023

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

EXHIBIT 31.2

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

I, David W. Mutryn, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ David W. Mutryn — May 4, 2023

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

EXHIBIT 32.1

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

In connection with the Quarterly Report of Maximus, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Caswell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Bruce L. Caswell	May 4, 2023

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of Maximus, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Mutryn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ David W. Mutryn	May 4, 2023

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