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, 2024

☐ **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 60,796,458 shares of the registrant's Common Stock outstanding as of May 6, 2024.

Table of Contents to Second Quarter 2024 Form 10-Q

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.

Any statements herein 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, and our recent acquisitions and divestitures, 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 ability to successfully compete, 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 U.S. government 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 our technology systems and otherwise protect confidential or protected information;
- our discovery of additional information related to the previously disclosed cybersecurity incident and any potential legal, business, reputational, or financial consequences resulting from the incident;
- our ability to attract and retain executive officers, senior managers, and other qualified personnel to execute our business;
- the effect of union activity and organizing efforts at our U.S. locations;
- 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;
- our ability to manage third parties upon whom we depend to provide services to our customers;
- 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;
- our ability to manage emerging artificial intelligence and machine learning technologies;
- 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 16, 2023.

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, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(in thousands, except per share amounts)			
Revenue	$ 1,348,357	$ 1,206,852	$ 2,675,398	$ 2,456,098
Cost of revenue	1,030,768	978,249	2,057,755	1,982,748
Gross profit	317,589	228,603	617,643	473,350
Selling, general, and administrative expenses	168,454	142,448	337,649	288,900
Amortization of intangible assets	21,641	23,650	44,990	47,168
Operating income	127,494	62,505	235,004	137,282
Interest expense	20,366	20,999	41,873	42,605
Other expense/(income), net	(822)	(818)	(334)	(1,084)
Income before income taxes	107,950	42,324	193,465	95,761
Provision for income taxes	27,440	10,536	48,807	23,978
Net income	$ 80,510	$ 31,788	$ 144,658	$ 71,783
Earnings per share:				
Basic	$ 1.31	$ 0.52	$ 2.36	$ 1.17
Diluted	$ 1.31	$ 0.52	$ 2.35	$ 1.17
Weighted average shares outstanding:				
Basic	61,371	61,120	61,330	61,119
Diluted	61,622	61,383	61,573	61,265
Dividends declared per share	$ 0.30	$ 0.28	$ 0.60	$ 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, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(in thousands)			
Net income	$ 80,510	$ 31,788	$ 144,658	$ 71,783
Other comprehensive (loss)/income, net of tax:				
Foreign currency translation adjustments	(2,245)	965	3,667	9,001
Net gains/(losses) on cash flow hedge, net of tax effect of $957, $(1,630), $(2,212), and $(2,979), respectively	2,684	(4,562)	(6,201)	(8,343)
Other comprehensive income/(loss)	439	(3,597)	(2,534)	658
Comprehensive income	$ 80,949	$ 28,191	$ 142,124	$ 72,441

See accompanying notes to consolidated financial statements.

Maximus, Inc.

Consolidated Balance Sheets

	March 31, 2024	September 30, 2023
	(unaudited)	
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 77,370	$ 65,405
Accounts receivable, net	916,004	826,873
Income taxes receivable	14,167	16,556
Prepaid expenses and other current assets	110,912	146,632
Total current assets	1,118,453	1,055,466
Property and equipment, net	35,371	38,831
Capitalized software, net	141,943	107,811
Operating lease right-of-use assets	148,413	163,929
Goodwill	1,780,158	1,779,215
Intangible assets, net	676,909	703,648
Deferred contract costs, net	49,102	45,372
Deferred compensation plan assets	51,786	42,919
Deferred income taxes	2,129	2,459
Other assets	36,880	46,147
Total assets	$ 4,041,144	$ 3,985,797
Liabilities and Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 276,199	$ 282,081
Accrued compensation and benefits	172,601	194,251
Deferred revenue, current portion	76,574	60,477
Income taxes payable	15,792	451
Long-term debt, current portion	88,517	86,844
Operating lease liabilities, current portion	48,470	49,852
Other current liabilities	50,563	49,058
Total current liabilities	728,716	723,014
Deferred revenue, non-current portion	33,374	38,849
Deferred income taxes	192,890	203,898
Long-term debt, non-current portion	1,121,337	1,163,149
Deferred compensation plan liabilities, non-current portion	53,539	46,432
Operating lease liabilities, non-current portion	112,780	129,367
Other liabilities	9,365	13,253
Total liabilities	2,252,001	2,317,962
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 61,037 and 60,998 shares issued and outstanding as of March 31, 2024, and September 30, 2023, respectively	594,387	577,898
Accumulated other comprehensive loss	(30,149)	(27,615)
Retained earnings	1,224,905	1,117,552
Total shareholders' equity	1,789,143	1,667,835
Total liabilities and shareholders' equity	$ 4,041,144	$ 3,985,797

See accompanying notes to consolidated financial statements.

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

	For the Six Months Ended	
	March 31, 2024	March 31, 2023
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 144,658	$ 71,783
Adjustments to reconcile net income to cash flows from operations:		
Depreciation and amortization of property, equipment, and capitalized software	16,616	26,321
Amortization of intangible assets	44,990	47,168
Amortization of debt issuance costs and debt discount	1,202	1,635
Deferred income taxes	(8,315)	(1,368)
Stock compensation expense	18,124	13,943
Loss on sale of businesses	1,018	883
Change in assets and liabilities, net of effects of business combinations:		
Accounts receivable	(92,385)	62,529
Prepaid expenses and other current assets	19,932	13,412
Deferred contract costs	(3,600)	583
Accounts payable and accrued liabilities	(6,301)	(6,361)
Accrued compensation and benefits	(10,556)	(14,222)
Deferred revenue	10,705	(18,347)
Income taxes	13,310	(6,578)
Operating lease right-of-use assets and liabilities	(385)	(2,072)
Other assets and liabilities	3,083	(14,272)
Net cash provided by operating activities	152,096	175,037
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software	(47,547)	(33,751)
Asset acquisition	(18,006)	—
Proceeds from divestitures	3,078	9,124
Net cash used in investing activities	(62,475)	(24,627)
Cash flows from financing activities:		
Cash dividends paid to Maximus shareholders	(36,608)	(34,033)
Tax withholding related to RSU vesting	(13,455)	(8,475)
Payments for contingent consideration	(8,168)	(4,041)
Proceeds from borrowings	423,409	462,398
Principal payments for debt	(464,787)	(530,460)
Cash-collateralized escrow liabilities	5,122	(57,060)
Net cash used in financing activities	(94,487)	(171,671)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,115	3,186
Net change in cash, cash equivalents, and restricted cash	(3,751)	(18,075)
Cash, cash equivalents, and restricted cash, beginning of period	122,091	136,795
Cash, cash equivalents, and restricted cash, end of period	$ 118,340	$ 118,720

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, 2023	60,998	$ 577,898	$ (27,615)	$ 1,117,552	$ 1,667,835
Net income	—	—	—	64,148	64,148
Foreign currency translation	—	—	5,912	—	5,912
Cash flow hedge, net of tax	—	—	(8,885)	—	(8,885)
Cash dividends	—	—	—	(18,299)	(18,299)
Dividends on RSUs	—	285	—	(285)	—
Stock compensation expense	—	9,427	—	—	9,427
Tax withholding adjustment related to RSU vesting	—	(2,332)	—	—	(2,332)
RSUs vested	33	—	—	—	—
Balance as of December 31, 2023	61,031	$ 585,278	$ (30,588)	$ 1,163,116	$ 1,717,806
Net income	—	—	—	80,510	80,510
Foreign currency translation	—	—	(2,245)	—	(2,245)
Cash flow hedge, net of tax	—	—	2,684	—	2,684
Cash dividends	—	—	—	(18,309)	(18,309)
Dividends on RSUs	—	412	—	(412)	—
Stock compensation expense	—	8,697	—	—	8,697
RSUs vested	6	—	—	—	—
Balance as of March 31, 2024	61,037	$ 594,387	$ (30,149)	$ 1,224,905	$ 1,789,143

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

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 provider of government services worldwide. Under our mission of *Moving People Forward*, we help millions of people access the vital government services they need. With over 45 years of experience working with local, state, federal, and international government clients, we proudly design, develop, and deliver innovative and impactful programs that change lives. We are driven to strengthen communities and improve the lives of those we serve. We are a proud partner to government agencies in the United States ("U.S.") and worldwide.

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 to be 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 accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. 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 long-lived assets, including goodwill, and amounts related to income taxes, certain accrued liabilities, and contingencies and litigation.

At March 31, 2024, our capitalized software balance includes $28.5 million related to technology for new services within our U.S. Services Segment. We continue to evaluate these assets by comparing their carrying value to their estimated future cash flows. At this time, our probability-weighted undiscounted cash flows continue to show that we will recover the costs of these assets through our contract pipeline. It is possible that our estimates of future cash flows related to these assets may change and result in the need to adjust the value of these assets.

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 segment also includes appeals and assessments services, system and application development, Information Technology ("IT") modernization, and maintenance services. Certain state-based assessments and appeals work that is part of the segment's heritage continues to be managed within this segment. Under Technology Consulting Services ("TCS"), 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 through Veteran's Evaluation Services ("VES"), a Maximus company, that manages the clinical evaluation process for U.S. veterans and service members on behalf of the U.S. Department of Veterans Affairs ("VA").

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. Previously, this segment suffered from reduced operating leverage resulting from the pause in Medicaid redeterminations during the COVID-19 pandemic, which resumed in fiscal year 2023.

Outside the U.S.

Our Outside the U.S. Segment provides BPS for international governments, 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 United Kingdom, including the Health Assessment Advisory Service and the recently awarded replacement contract to start in 2024, Functional Assessment Services, and Restart; and Australia, including Workforce Australia, and other employment support and job seeker services worldwide.

Table 3: Results of Operation by Business Segment

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2024		March 31, 2023		March 31, 2024		March 31, 2023	
	Amount	% (1)	Amount	% (1)	Amount	% (1)	Amount	% (1)
	(dollars in thousands)							
Revenue:								
U.S. Federal Services	$ 701,702		$ 584,075		$ 1,378,780		$ 1,202,242	
U.S. Services	486,115		449,703		975,960		889,181	
Outside the U.S.	160,540		173,074		320,658		364,675	
Revenue	$ 1,348,357		$ 1,206,852		$ 2,675,398		$ 2,456,098	
Gross profit:								
U.S. Federal Services	$ 163,337	23.3 %	$ 122,874	21.0 %	$ 319,999	23.2 %	$ 245,568	20.4 %
U.S. Services	130,122	26.8 %	86,016	19.1 %	248,485	25.5 %	169,614	19.1 %
Outside the U.S.	24,130	15.0 %	19,713	11.4 %	49,159	15.3 %	58,168	16.0 %
Gross profit	$ 317,589	23.6 %	$ 228,603	18.9 %	$ 617,643	23.1 %	$ 473,350	19.3 %
Selling, general, and administrative expenses:								
U.S. Federal Services	$ 79,867	11.4 %	$ 75,050	12.8 %	$ 167,722	12.2 %	$ 146,699	12.2 %
U.S. Services	62,201	12.8 %	43,415	9.7 %	114,501	11.7 %	89,257	10.0 %
Outside the U.S.	23,460	14.6 %	23,425	13.5 %	48,601	15.2 %	51,814	14.2 %
Divestiture-related charges (2)	—	NM	883	NM	1,018	NM	883	NM
Other (3)	2,926	NM	(325)	NM	5,807	NM	247	NM
Selling, general, and administrative expenses	$ 168,454	12.5 %	$ 142,448	11.8 %	$ 337,649	12.6 %	$ 288,900	11.8 %
Operating income/(loss):								
U.S. Federal Services	$ 83,470	11.9 %	$ 47,824	8.2 %	$ 152,277	11.0 %	$ 98,869	8.2 %
U.S. Services	67,921	14.0 %	42,601	9.5 %	133,984	13.7 %	80,357	9.0 %
Outside the U.S.	670	0.4 %	(3,712)	(2.1)%	558	0.2 %	6,354	1.7 %
Amortization of intangible assets	(21,641)	NM	(23,650)	NM	(44,990)	NM	(47,168)	NM
Divestiture-related charges (2)	—	NM	(883)	NM	(1,018)	NM	(883)	NM
Other (3)	(2,926)	NM	325	NM	(5,807)	NM	(247)	NM
Operating income	$ 127,494	9.5 %	$ 62,505	5.2 %	$ 235,004	8.8 %	$ 137,282	5.6 %

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

(2) We have sold businesses in both fiscal years 2023 and 2024. Refer to "Note 7. Acquisitions and Divestitures" for more details.

(3) Other expenses includes credits and costs that are not allocated to a particular segment. This includes expenses incurred as part of our acquisitions, as well as potential acquisitions which have not been or may not be completed.

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, 2024		March 31, 2023		March 31, 2024		March 31, 2023	
	(dollars in thousands)							
Performance-based	$ 738,888	54.8 %	$ 574,747	47.6 %	$ 1,443,599	54.0 %	$ 1,143,964	46.6 %
Cost-plus	334,498	24.8 %	312,176	25.9 %	676,513	25.3 %	659,495	26.9 %
Fixed price	166,816	12.4 %	180,674	15.0 %	343,493	12.8 %	355,747	14.5 %
Time and materials	108,155	8.0 %	139,255	11.5 %	211,793	7.9 %	296,892	12.1 %
Total revenue	$ 1,348,357		$ 1,206,852		$ 2,675,398		$ 2,456,098	

Table 4.2: Revenue by Customer Type

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2024		March 31, 2023		March 31, 2024		March 31, 2023	
	(dollars in thousands)							
U.S. federal government agencies	$ 685,939	50.9 %	$ 569,897	47.2 %	$ 1,348,885	50.4 %	$ 1,173,815	47.8 %
U.S. state government agencies	483,147	35.8 %	446,549	37.0 %	970,090	36.3 %	883,911	36.0 %
International government agencies	156,796	11.6 %	161,359	13.4 %	312,408	11.7 %	343,119	14.0 %
Other, including local municipalities and commercial customers	22,475	1.7 %	29,047	2.4 %	44,015	1.6 %	55,253	2.2 %
Total revenue	$ 1,348,357		$ 1,206,852		$ 2,675,398		$ 2,456,098	

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, 2024, and September 30, 2023, $24.1 million and $20.7 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, 2024, we recognized revenue of $ 7.6 million and $45.3 million, respectively, included in our deferred revenue balances at September 30, 2023. 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.

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.

Table 4.3: Effect of Changes in Contract Estimates

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(in thousands, except per share data)			
Benefit to/(reduction of) revenue recognized due to changes in contract estimates	$ (3,098)	$ (6,496)	$ (9,196)	$ (6,137)
Benefit to/(reduction of) diluted earnings per share recognized due to changes in contract estimates	$ (0.04)	$ (0.08)	$ (0.11)	$ (0.07)

Remaining performance obligations

As of March 31, 2024, we had approximately $ 275 million of remaining performance obligations. We anticipate that we will recognize revenue on approximately 75% 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 that 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, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(in thousands)			
Basic weighted average shares outstanding	61,371	61,120	61,330	61,119
Dilutive effect of unvested RSUs and PSUs	251	263	243	146
Denominator for diluted earnings per share	61,622	61,383	61,573	61,265

The diluted earnings per share calculation for the three and six months ended March 31, 2024, excludes approximately 202,000 and 227,000 unvested anti-dilutive restricted stock units, respectively. For the three and six months ended March 31, 2023, approximately 99,000 and 300,000 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, 2024	September 30, 2023
	(in thousands)	
Term Loan A, due 2026	$ 868,125	$ 909,375
Term Loan B, due 2028	343,170	344,934
Subsidiary loan agreements	4,892	3,220
Total debt principal	1,216,187	1,257,529
Less: Unamortized debt-issuance costs and discounts	(6,333)	(7,536)
Total debt	1,209,854	1,249,993
Less: Current portion of long-term debt	(88,517)	(86,844)
Long-term debt	$ 1,121,337	$ 1,163,149

Our credit agreements require us to comply with a number of covenants, including leverage and interest coverage ratios. At March 31, 2024, 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.

The following table sets forth future minimum principal payments due under our debt obligations as of March 31, 2024, for the remainder of fiscal year 2024 through fiscal year 2028:

Table 6.2: Details of Future Minimum Principal Payments Due

	Amount Due
	(in thousands)
April 1, 2024 through September 30, 2024	$ 47,906
Year ended September 30, 2025	92,903
Year ended September 30, 2026	741,028
Year ended September 30, 2027	3,528
Year ended September 30, 2028	330,822
Total Payments	$ 1,216,187

Interest Rate Derivative Instruments

To reduce our interest rate credit risk, we entered into interest-rate swap agreements covering $ 650 million of our Term Loan A, effectively setting a fixed rate for a portion of our debt. The balance of the debt pays interest based upon a floating index. At March 31, 2024, our effective interest rate, including the original issuance costs and discount rate, was 5.9%.

At March 31, 2024, we recorded an asset of $22.6 million to reflect the fair value of these interest rate swap agreements, compared to an asset of $ 31.0 million at September 30, 2023. The asset is recorded as "other assets" within our consolidated balance sheet.

Our interest rate agreement for a notional amount of $ 150 million expires in September 2024; the remaining balance of our swap agreements expires in May 2026, concurrent with the maturity of Term Loan A.

7. ACQUISITIONS AND DIVESTITURES

On February 14, 2024, we acquired part of a vendor who has performed IT services for us over several years for cash consideration of $ 18.0 million. Almost all of the consideration was allocated directly to the most significant asset, the acquired workforce. The value of this asset will be amortized over eight years. This asset is anticipated to provide support across all three of our operating segments.

We have sold a number of components of our Outside the U.S. Segment:

- In November 2023, we sold our businesses in Italy and Singapore, as well as our employment services business in Canada, recording a loss on sale of $1.0 million. During the fourth quarter of fiscal year 2023, we recorded an impairment charge of $ 2.9 million related to these assets.
- In March 2023, we sold our commercial practice in the United Kingdom, resulting in a pre-tax loss of $ 0.6 million. The cash consideration had a fair value of $16 million, to be received in installments. At March 31, 2024, we have collected $ 12.2 million.
- In March 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 interest rate swap agreements serving to reduce our interest rate risk on our debt. These agreements 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 regarding revenues, margins, volumes, and contract terms. Accordingly, these inputs are not observable and are classified as level 3 within the fair value hierarchy.

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, 2024.

Table 8.1: Fair Value Measurements

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Balance
	(in thousands)			
Assets:				
Deferred compensation assets - Rabbi Trust	$ 31,969	$ —	$ —	$ 31,969
Interest rate swaps - $650 million notional value	—	22,614	—	22,614
Total assets	$ 31,969	$ 22,614	$ —	$ 54,583
Liabilities:				
Contingent consideration	—	—	2,795	2,795
Total liabilities	$ —	$ —	$ 2,795	$ 2,795

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 swaps, net of tax. The following table shows changes in accumulated other comprehensive loss. Amounts reclassified from other comprehensive income were recorded within our selling, general and administrative expenses (for foreign currency translation adjustments) and within interest expense (for gains on derivatives).

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, 2023	$ (50,484)	$ 22,869	$ (27,615)
Other comprehensive income before reclassifications	3,534	(54)	3,480
Amounts reclassified from accumulated other comprehensive loss	133	(6,147)	(6,014)
Net current period other comprehensive losses	3,667	(6,201)	(2,534)
Balance as of March 31, 2024	$ (46,817)	$ 16,668	$ (30,149)

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, 2024, and September 30, 2023, the Aidvantage contingent consideration was $ 2.8 million and $7.5 million, respectively.
- In January 2022, we acquired BZ Bodies Limited. Future payments were 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 September 30, 2023, we recorded a contingent consideration liability for the maximum payment, which we made in the second quarter of fiscal year 2024.

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, 2023	$ 9,903
Adjustments to fair value recorded in the period	971
Cash payments	(8,168)
Foreign currency translations	89
Closing contingent consideration as of March 31, 2024	$ 2,795

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 over 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, 2024, we issued approximately 335,000 RSUs, which will vest ratably over one to four years, and approximately 128,000 PSUs, which will vest after three years.

Share Purchase Program

Under a resolution adopted in March 2020, the Board of Directors authorized the purchase, at management's discretion, of up to $ 200 million of our common stock. No purchases were made during the first six months of fiscal year 2024; since March 31, 2024, we have purchased approximately 242,000 common shares at a cost of $19.3 million.

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, 2024	September 30, 2023
	(in thousands)	
Cash and cash equivalents	$ 77,370	$ 65,405
Restricted cash	40,970	56,686
Cash, cash equivalents, and restricted cash	$ 118,340	$ 122,091

Restricted cash is recorded within "Prepaid expenses and other current assets" on the Consolidated Balance Sheets.

Table 10.2: Supplemental Disclosures of Cash Flow Information

	For the Six Months Ended	
	March 31, 2024	March 31, 2023
	(in thousands)	
Interest payments	$ 39,946	$ 19,262
Income tax payments	$ 43,794	$ 31,926

Accounts Receivable, Net

Table 10.3: Details of Accounts Receivable, Net

	March 31, 2024	September 30, 2023
	(in thousands)	
Billed and billable receivables	$ 776,877	$ 692,707
Unbilled receivables	150,956	137,885
Allowance for credit losses	(11,829)	(3,719)
Accounts receivable, net	$ 916,004	$ 826,873

On September 21, 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 $200.0 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, 2024, the gross fair value of accounts receivables transferred to Wells Fargo and derecognized from our balance sheet was $133.0 million. In exchange for these sales, we received $ 132.2 million of 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.

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. 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 potential liability will be disclosed but not accrued, if material. 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.

MOVEit Cybersecurity Incident Litigation

As the Company has previously disclosed, on May 31, 2023, Progress Software Corporation, the developer of MOVEit (“MOVEit”), a file transfer application used by many organizations to transfer data, announced a critical zero-day vulnerability in the application that allowed unauthorized third parties to access its customers’ MOVEit environments. Maximus uses MOVEit for internal and external file sharing purposes, including to share data with government customers related to Maximus's services in support of certain government programs. Based on its review of the impacted files to date, the Company has provided notices to individuals whose personal information, including social security numbers, protected health information, and/or other personal information, may have been included in the impacted files.

On August 1, 2023, a purported class action was filed against Maximus Federal Services, Inc. (a wholly-owned subsidiary of Maximus, Inc.) in the U.S. District Court for the Eastern District of Virginia arising out of the MOVEit cybersecurity incident – Bishop v. Maximus Federal Services, Case No. 1:23-cv-01019 (U.S. Dist. Ct. E. D. VA). The plaintiff, who purports to represent a nationwide class of individuals, alleges, among other things, that the Company's negligence resulted in the compromise of the plaintiff's personally identifiable information and protected health information.

Since August 1, 2023, approximately ten additional cases arising out of the MOVEit cybersecurity incident have been filed in federal courts against Maximus, Inc. and its subsidiaries. The most recent case, Forsyth ex rel. S.F. v. Maximus, Inc., et al., No. 1:24-cv-10218-ADB was filed January 26, 2024. These cases each allege substantially similar allegations on behalf of putative nationwide classes and on behalf of various putative state subclasses.

On October 4, 2023, the United States Judicial Panel on Multidistrict Litigation granted a Motion to Transfer that created a Multidistrict Litigation ("MDL") in the District of Massachusetts for all cases in federal court related to the MOVEit cybersecurity incident, including cases filed against Maximus and other defendants, including Progress Software Corporation, the creator of MOVEit. All of the cases against Maximus, Inc. and its subsidiaries initially filed in federal courts outside of the District of Massachusetts that are related to the MOVEit cybersecurity incident have now been transferred to the MDL under the caption *In re: MOVEit Customer Data Security Breach Litigation* and are currently stayed pending the filing of consolidated amended compliant(s). The plaintiffs in Bishop and the other cases against the company in the MDL seek damages to be proved at trial. The Company is not able to determine or predict the ultimate outcome of these proceedings or reasonably provide an estimate or range of the possible outcome or loss, if any.

On September 6, 2023, an individual action was filed in state court in the Florida Circuit Court for the 7th Judicial Circuit, Volusia County: Taylor v. Maximus Federal Services, Case No. 2023-12349 (Fla. Cir. Ct., 7th Jud. Cir., Volusia Cnty.), also arising out of the MOVEit cybersecurity incident. The plaintiff alleges, among other things, that the Company's negligence resulted in the compromise of the plaintiff's personally identifiable information and protected health information. Since September 6, 2023, approximately eight additional individual actions have been filed against Maximus, Inc. and its subsidiaries in Florida state courts, one of which has been dismissed. The Taylor matter pending in Volusia County, Florida has been stayed. The remaining seven matters pending in Florida's state courts are pending in Miami-Dade County court. Each of the actions pending in Florida courts raise substantially similar allegations and legal claims. The plaintiffs in these individual actions seek damages to be proved at trial. The Company is not able to determine or predict the ultimate outcome of these proceedings or reasonably provide an estimate or range of the possible outcome or loss, if any.

On October 27, 2023, a purported class action was filed in state court in Marion Superior Court in Marion County, Indiana, against Maximus Health Services, Inc. (a wholly owned subsidiary of Maximus, Inc.): Solis Garcia v. Maximus Health Services, Inc., Case No. 49D12-2310-CT-042115 (Ind. Super. Ct., Marion Cnty.), again arising out of the MOVEit cybersecurity incident. The plaintiff, who purports to represent a class comprised of Indiana residents, alleges, among other things, that the Company's negligence resulted in the compromise of the plaintiff's personally identifiable information and protected health information. The plaintiff seeks damages to be proved at trial. The Company has removed this case to federal court in the Southern District of Indiana and it has been transferred to the MDL. The Company is not able to determine or predict the ultimate outcome of any of these proceedings or reasonably provide an estimate or range of the possible outcome or loss, if any.

The Company is not able to determine or predict the ultimate outcome of any of these proceedings or reasonably provide an estimate or range of the possible outcome or loss, if any.

Census Project – Civil Investigation Demand ("CID")

In 2021, Maximus received a CID from the U.S. Department of Justice ("DOJ") pursuant to the False Claims Act seeking records pertaining to the Census project. The CID requested the production of documents related to the Company's compliance with telephone call quality assurance scoring and reporting requirements. The Company is cooperating with the DOJ in its investigation and providing responses and information on an ongoing basis. As of March 31, 2024, the Company has reserved $3.5 million in connection with this matter. While it is reasonably possible that losses exceeding the amount accrued may be incurred, it is not possible at this time to estimate the additional possible loss in excess of the amount already accrued.

12. SUBSEQUENT EVENT

On April 5, 2024, our Board of Directors declared a quarterly cash dividend of $ 0.30 for each share of our common stock outstanding. The dividend is payable on May 31, 2024, to shareholders of record on May 15, 2024. Based on the number of shares outstanding, we anticipate a cash payment of approximately $18.3 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 "Risk Factors," "Special Note Regarding Forward-Looking Statements," and our financial statements and related notes included in our Annual Report on Form 10-K for fiscal year 2023 filed with the Securities and Exchange Commission on November 16, 2023 (the "2023 Form 10-K") and elsewhere in this Quarterly Report on Form 10-Q, as applicable.

Business Overview

Maximus, under its mission of Moving People Forward, helps millions of people access the vital government services they need. With over 45 years of experience working with local, state, federal, and international government clients, we proudly design, develop, and deliver innovative and impactful programs that change lives. We are driven to strengthen communities and improve the lives of those we serve.

We create value for our customers through our ability to translate health and human services public policy into operating models that achieve outcomes for governments at scale. Our work covers a broad array of services, including the operation of large health insurance eligibility and enrollment programs; clinical services, including assessments, appeals, and independent medical reviews; and technology services. These services benefit from a market with increasing demographic demand, constrained government budgets, and an increased focus on technology. We have also shown the ability to move quickly, most notably with the swift establishment of public health and safety initiatives during the recent COVID-19 pandemic, such as vaccine information hotlines and unemployment insurance services. Our organic growth through increased contract scope and entry into new markets has been supplemented by strategic acquisitions. Most notably, our acquisitions of VES Group, Inc. ("VES"), a leading provider of medical disability examinations ("MDE") to the United States ("U.S.") Department of Veterans Affairs ("VA"); the Federal business of Attain, LLC ("Attain"), a provider of technology consulting and systems integration services; and a service contract with the U.S. Department of Education, rebranded as "Aidvantage," have supplemented our organic growth and allowed expansion into new markets.

In fiscal year 2022, we introduced our refreshed three-to-five-year strategic plan, which we believe will further expand our business. Having moved past the major impacts of the COVID-19 pandemic, we believe we are in a strong position to capitalize on organic growth opportunities in our core business, as reflected in the following three pillars of our refreshed strategy.

- Customer Services, Digitally Enabled. Elevate the customer experience to achieve higher levels of satisfaction, performance, and outcomes through intelligent automation and cognitive computing.
- Future of Health. Help governments meet the rising demand for health services by growing our clinical capabilities to improve the health of people and their communities.
- Advanced Technologies for Modernization. Further our credibility as a technology leader, enabling the transformation of government programs to be resilient, dynamic, integrated, and equitable.

Financial Overview

A number of factors have affected our results for the three and six months ended March 31, 2024. More detail on these changes is presented below within our "Results of Operations" section.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the three and six months ended March 31, 2024, and March 31, 2023.

Table MD&A 1: Consolidated Results of Operations

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(dollars in thousands, except per share data)			
Revenue	$ 1,348,357	$ 1,206,852	$ 2,675,398	$ 2,456,098
Cost of revenue	1,030,768	978,249	2,057,755	1,982,748
Gross profit	317,589	228,603	617,643	473,350
Gross profit percentage	***23.6 %***	***18.9 %***	***23.1 %***	***19.3 %***
Selling, general, and administrative expenses	168,454	142,448	337,649	288,900
Selling, general, and administrative expenses as a percentage of revenue	***12.5 %***	***11.8 %***	***12.6 %***	***11.8 %***
Amortization of intangible assets	21,641	23,650	44,990	47,168
Operating income	127,494	62,505	235,004	137,282
Operating margin	***9.5 %***	***5.2 %***	***8.8 %***	***5.6 %***
Interest expense	20,366	20,999	41,873	42,605
Other expense/(income), net	(822)	(818)	(334)	(1,084)
Income before income taxes	107,950	42,324	193,465	95,761
Provision for income taxes	27,440	10,536	48,807	23,978
Effective tax rate	***25.4 %***	***24.9 %***	***25.2 %***	***25.0 %***
Net income	$ 80,510	$ 31,788	$ 144,658	$ 71,783
Earnings per share:				
Basic	$ 1.31	$ 0.52	$ 2.36	$ 1.17
Diluted	$ 1.31	$ 0.52	$ 2.35	$ 1.17

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, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Three Months Ended March 31, 2023	$ 1,206,852		$ 978,249		$ 228,603	
Organic effect	152,614	12.6 %	65,360	6.7 %	87,254	38.2 %
Disposal of businesses	(14,267)	(1.2) %	(15,442)	(1.6) %	1,175	0.5 %
Currency effect compared to the prior period	3,158	0.3 %	2,601	0.3 %	557	0.2 %
Three Months Ended March 31, 2024	$ 1,348,357	11.7 %	$ 1,030,768	5.4 %	$ 317,589	38.9 %

Table MD&A 3: Changes in Revenue, Cost of Revenue, and Gross Profit for the Six Months Ended March 31, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Dollars	% Change	Dollars	% Change	Dollars	% Change
			(dollars in thousands)			
Six Months Ended March 31, 2023	$ 2,456,098		$ 1,982,748		$ 473,350	
Organic effect	239,413	9.7 %	98,195	5.0 %	141,218	29.8 %
Disposal of businesses	(28,003)	(1.1) %	(30,050)	(1.5) %	2,047	0.4 %
Currency effect compared to the prior period	7,890	0.3 %	6,862	0.3 %	1,028	0.2 %
Six Months Ended March 31, 2024	$ 2,675,398	8.9 %	$ 2,057,755	3.8 %	$ 617,643	30.5 %

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

SG&A expense consists of indirect costs related to general management, marketing, and administration. It is primarily composed of labor costs. These costs may be incurred at a segment level, for dedicated resources that are not client-facing, or at a corporate level. Corporate costs are allocated to segments on a consistent and rational basis. Fluctuations in our SG&A expense 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 increased by $48.7 million for the six months ended March 31, 2024 compared to the same period in fiscal year 2023, primarily driven by growth in our business, including additional spending in anticipation of future work.

Amortization of intangible assets

Our intangible asset amortization for the three and six months ended March 31, 2024 has declined compared to the same period in fiscal year 2023. This decline reflects the amortization in full of intangible assets from our Aidvantage acquisition.

Our balance sheet includes intangible assets of $502 million and $40 million from the 2021 VES and 2019 GDIT acquisitions, respectively. These assets, comprising customer relationships, technology, and a medical provider network, continue to support contracts acquired with these acquisitions. The greater part of these assets are being amortized over the remaining nine and five years, respectively. In the event that our expectations change with respect to these acquired contracts, the value of these assets and the estimated remaining lives of these assets may need to be adjusted.

Interest Expense

Our interest expense has remained consistent year-over-year as declines in our debt balance are offset by increased interest rates. We have sought to mitigate our risk by fixing interest rates on approximately half of our debt, and our near-term capital allocation plan continues to prioritize reducing our debt using our free cash flow.

Provision for Income Taxes

Our effective income tax rate for the three and six months ended March 31, 2024, was 25.4% and 25.2%, respectively, compared to 24.9% and 25.0% for the three and six months ended March 31, 2023. For fiscal year 2024, 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 segment also includes appeals and assessments services, system and application development, Information Technology ("IT") modernization, and maintenance services. Certain state-based assessments and appeals work that is part of the segment's heritage continues to be managed within this segment. Under Technology Consulting Services ("TCS"), 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 through VES, which manages the clinical evaluation process for U.S. veterans and service members on behalf of the VA.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(dollars in thousands)			
Revenue	$ 701,702	$ 584,075	$ 1,378,780	$ 1,202,242
Cost of revenue	538,365	461,201	1,058,781	956,674
Gross profit	163,337	122,874	319,999	245,568
Selling, general, and administrative expenses	79,867	75,050	167,722	146,699
Operating income	83,470	47,824	152,277	98,869
Gross profit percentage	23.3 %	21.0 %	23.2 %	20.4 %
Operating margin percentage	11.9 %	8.2 %	11.0 %	8.2 %

Our revenue and cost of revenue for the three months ended March 31, 2024, increased 20.1% and 16.7%, respectively. For the six months ended March 31, 2024, revenue and cost of revenue growth was 14.7% and 10.7%, respectively. All growth in fiscal year 2024 was organic.

Our revenue and margin growth has principally been driven by volume growth and strong performance on our contracts with the VA relating to MDEs.

We anticipate that our U.S. Federal Services Segment will continue to grow for the remainder of fiscal year 2024, driven primarily by additional volumes anticipated in MDEs. We anticipate that our full-year operating margin will be around 12%.

Recently, unique circumstances have led to potential recompetes of two significant contracts held by Maximus:

- The Centers for Medicare & Medicaid Services (CMS) has taken steps to recompete the Contact Center Operations (CCO) contract awarded to us in 2022 at a value of $6.6 billion over a base plus nine-year period of performance. The earlier-than-expected action is for the express purpose of including a labor harmony agreement requirement. Meanwhile, Maximus has consistently met or exceeded all contractual service levels with uninterrupted operations and driven the highest independently measured customer satisfaction in the history of the program. CMS indicates a formal Request for Proposal (RFP) process is expected to commence on or around May 16, 2024. We anticipate continuing to work on this contract uninterrupted until the recompete process is completed and that, as the incumbent, we have significant operational advantages.
- A majority of the MDE contracts under the VA, which comprise our acquired VES business, had ceilings on claims volumes at the time of award in 2018. Volumes have significantly increased since the passage of the PACT Act, thereby requiring a rebid process. In fiscal year 2023, these contracts together represented between 10% and 15% of total Company revenue. We anticipate continuing to work on these contracts uninterrupted until the recompete process is completed and that, as the incumbent, we have significant operational advantages.

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. Previously, this segment suffered from reduced operating leverage resulting from the pause in Medicaid redeterminations during the COVID-19 pandemic. Redeterminations resumed in late fiscal year 2023, meaning fiscal year 2024 and beyond are demonstrating and should continue to demonstrate recovery of operating leverage and related margin improvement.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(dollars in thousands)			
Revenue	$ 486,115	$ 449,703	$ 975,960	$ 889,181
Cost of revenue	355,993	363,687	727,475	719,567
Gross profit	130,122	86,016	248,485	169,614
Selling, general, and administrative expenses	62,201	43,415	114,501	89,257
Operating income	67,921	42,601	133,984	80,357
Gross profit percentage	26.8 %	19.1 %	25.5 %	19.1 %
Operating margin percentage	14.0 %	9.5 %	13.7 %	9.0 %

Our revenue and cost of revenue for the three months ended March 31, 2024, increased 8.1% and decreased 2.1%, respectively, compared to the three months ended March 31, 2023. For the six months ended March 31, 2024, our revenue and cost of revenue increased 9.8% and 1.1%, respectively, compared to the six months ended March 31, 2023. All growth was organic.

Growth in the first half of fiscal year 2024 was principally from Medicaid redetermination activities, supplemented by a large, state-based assessment program which has ramped up in recent quarters.

Our margins in the first half of fiscal year 2024 have received the benefit of additional volumes from redetermination activity, that we anticipate returning to normal levels through the second half of the year. We anticipate a full-year operating profit margin of between 11% and 14%.

Outside the U.S. Segment

Our Outside the U.S. Segment provides BPS for international governments, 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 United Kingdom, including the Health Assessment Advisory Service and the recently awarded replacement contract to start in 2024, Functional Assessment Services, and Restart; and Australia, including Workforce Australia, and other employment support and job seeker services worldwide.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(dollars in thousands)			
Revenue	$ 160,540	$ 173,074	$ 320,658	$ 364,675
Cost of revenue	136,410	153,361	271,499	306,507
Gross profit	24,130	19,713	49,159	58,168
Selling, general, and administrative expenses	23,460	23,425	48,601	51,814
Operating income/(loss)	670	(3,712)	558	6,354
Gross profit percentage	15.0 %	11.4 %	15.3 %	16.0 %
Operating margin percentage	0.4 %	(2.1) %	0.2 %	1.7 %

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, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Three Months Ended March 31, 2023	$ 173,074		$ 153,361		$ 19,713	
Organic effect	(1,425)	(0.8) %	(4,110)	(2.7) %	2,685	13.6 %
Disposal of businesses	(14,267)	(8.2) %	(15,442)	(10.1) %	1,175	6.0 %
Currency effect compared to the prior period	3,158	1.8 %	2,601	1.7 %	557	2.8 %
Three Months Ended March 31, 2024	$ 160,540	(7.2) %	$ 136,410	(11.1) %	$ 24,130	22.4 %

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, 2024

	Revenue		Cost of Revenue		Gross Profit	
	Amount	% Change	Amount	% Change	Amount	% Change
			(dollars in thousands)			
Six Months Ended March 31, 2023	$ 364,675		$ 306,507		$ 58,168	
Organic effect	(23,904)	(6.6)%	(11,820)	(3.9)%	(12,084)	(20.8)%
Disposal of businesses	(28,003)	(7.7)%	(30,050)	(9.8)%	2,047	3.5 %
Currency effect compared to the prior period	7,890	2.2 %	6,862	2.2 %	1,028	1.8 %
Six Months Ended March 31, 2024	$ 320,658	(12.1)%	$ 271,499	(11.4)%	$ 49,159	(15.5)%

This segment recorded a break-even margin in the first quarter of fiscal year 2024 as management undertakes steps to improve performance and deliver consistent profitability in this part of our organization. These steps included the divestiture in fiscal year 2024 of our employment services business in Canada and all of our operations in Italy and Singapore. In fiscal year 2023, we disposed of our commercial practice in the United Kingdom and our Swedish operations.

In the first quarter of fiscal year 2023, this segment received a significant benefit from higher employment services volumes, which did not recur in the second quarter. Revenue from our employment services contracts include payments based upon our ability to place individuals in long-term, sustained employment. We recognize this revenue over the period of performance using estimates of these outcomes, which are typically based upon past performance. Changes in these estimates may have a significant effect on our revenue.

The improvement in the valuation of the British Pound provided an additional benefit to revenue and profit in the first six months of fiscal year 2024.

We anticipate our Outside the United States Segment will yield slightly above break-even operating margin for the full 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, 2024, we had $77.4 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 sufficient for our operating requirements for the next 12 months and beyond, including enabling 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.

We have included the following table showing our debt balances as of March 31, 2024, and their effective interest rates.

Table MD&A 9: Balances and interest rates as of March 31, 2024

	March 31, 2024		
	Carrying value	Effective cash interest rate	Interest rate basis
	(dollars in thousands)		
Term Loan A - Unhedged	$ 218,125	6.93%	Term SOFR reset monthly plus margin. (1)
Term Loan A - Hedged though May 2026	500,000	3.91%	Fixed rate of 2.31% plus margin. (1)
Term Loan A - Hedged through September 2024	150,000	5.98%	Fixed rate of 4.38% plus margin. (1)
Term Loan B	343,170	7.43%	Term SOFR (variable reset) plus 2% margin.
Debt held by international subsidiaries	4,892	6.16%	Floating rate, reset quarterly.
Debt Principal	$ 1,216,187		

(1) Applicable margin ranges between 1% and 2%, based on our leverage ratio.

Our effective cash interest rate reflects the drivers of our cash interest payments as of March 31, 2024, which can change based upon the reset of the rates. Including the amortization of the upfront payments, our effective interest rate as of March 31, 2024, is 5.9%.

The below table summarizes our change in cash, cash equivalents, and restricted cash.

Table MD&A 10: Net Change in Cash and Cash Equivalents and Restricted Cash

	For the Six Months Ended	
	March 31, 2024	March 31, 2023
	(in thousands)	
Operating activities:		
Net cash provided by operating activities	$ 152,096	$ 175,037
Net cash used in investing activities	(62,475)	(24,627)
Net cash used in financing activities	(94,487)	(171,671)
Effect of foreign exchange rates on cash and cash equivalents and restricted cash	1,115	3,186
Net change in cash and cash equivalents and restricted cash	$ (3,751)	$ (18,075)

Net Cash Provided By Operating Activities

Our net income for the first six months of fiscal year 2024 increased by $72.9 million compared to the six months ended March 31, 2023; notwithstanding this, our operating cash flows for the same period declined by $22.9 million. The principal reason for the decline was the timing of certain cash collections, with approximately $100 million received during the first week of April 2024.

Our Days Sales Outstanding ("DSO") at March 31, 2024, were 62 days, compared with 60 days at year end.

Net Cash Used In Investing Activities

We continue to make investments in our capital base, most notably in upgrading technology on our Federal MDE contracts. In addition:

- In the first half of fiscal year 2024, we have invested $18 million in acquiring part of one of our long-term vendors;
- In the first half of fiscal year 2023, we received payment from the sale of our Swedish business and a small commercial practice in the United Kingdom;
- In the first half of fiscal year 2024, we received a further installment payment on the sale of the U.K. business, as well as payment from the sale of our businesses in Italy, Singapore and our Canadian employment business.

Net Cash Used In Financing Activities

Financing activities in the first half of fiscal year 2024 include approximately $40 million of net debt repayment and $50 million related to servicing of stock through dividends or net settlement of RSU and PSU vesting. A further $8 million was incurred in payments for the acquisitions of Aidvantage in the U.S., and BZ Bodies (BZB), in the United Kingdom, which were based upon post-acquisition performance of the businesses.

Our financing cash flows in the first half of fiscal year 2023 included early debt payments. We also made a payment of $60.7 million to the acquirer of some of our accounts receivable balances, relating to funds received on their behalf.

Credit Facilities

Our principal debt agreement is with JPMorgan Chase Bank N.A. (the "Credit Agreement"). At March 31, 2024, we owed $1.21 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 (as defined by our Credit Agreement), offset by up to $75 million of unrestricted cash (Consolidated Net 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, 2024, 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 11: Reconciliation of Net Income to Consolidated EBITDA as defined by our Credit Agreement

	For the Three Months Ended March 31, 2024	For the Trailing Twelve Months Ended March 31, 2024
	(in thousands)	
Net income	$ 80,510	$ 234,667
Adjustments:		
Interest expense	20,366	83,406
Other expense/(income), net	(822)	1,112
Provision for income taxes	27,440	73,330
Amortization of intangibles	21,641	92,413
Stock compensation expense	8,697	33,703
Acquisition-related expenses	226	1,257
Loss on sale of businesses	—	1,018
Depreciation and amortization of property, equipment, and capitalized software	8,205	45,020
Pro forma and other adjustments permitted by our Credit Agreement	19,594	89,692
Consolidated EBITDA (as defined by our Credit Agreement)	$ 185,857	$ 655,618

Table MD&A 12: Consolidated Net Total Leverage Ratio

	For the Trailing Twelve Months Ended March 31, 2024
	(in thousands, except ratio data)
Funded Debt (as defined by our Credit Agreement)	$ 1,216,187
Cash and cash equivalents up to $75 million	75,000
Consolidated Net Total Leverage (as defined by our Credit Agreement)	$ 1,141,187
Consolidated Net Total Leverage Ratio (as defined by our Credit Agreement)	1.74

Table MD&A 13: Consolidated Net Interest Coverage Ratio

	For the Trailing Twelve Months Ended March 31, 2024
	(in thousands, except ratio data)
Consolidated EBITDA (as defined by our Credit Agreement)	$ 655,618
Interest expense	83,406
Components of other income/expense, net allowed in ratio calculation	4,252
Consolidated Net Interest Expense (as defined by our Credit Agreement)	$ 87,658
Consolidated Net Interest Coverage Ratio (as defined by our Credit Agreement)	7.48

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 (Non-GAAP)

Table MD&A 14: Free Cash Flow (Non-GAAP)

	For the Six Months Ended	
	March 31, 2024	March 31, 2023
	(in thousands)	
Net cash provided by operating activities	$ 152,096	$ 175,037
Purchases of property and equipment and capitalized software	(47,547)	(33,751)
Free cash flow (Non-GAAP)	$ 104,549	$ 141,286

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 2023 Form 10-K, as filed with the SEC on November 16, 2023, 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, 2024.

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, 2024, 12% 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 period's results for all foreign businesses using the exchange rates in the prior fiscal period.

In recent years, we have made a number of acquisitions and divestitures. 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 period results excluding transactions from acquisitions or disposals, to our prior fiscal period 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. For the six months ended March 31, 2023 and 2024, we also incurred losses on sales of businesses. We believe that providing supplemental measures that exclude the impact of the items detailed below is useful to investors in evaluating our core operations and results in relation to past periods. Accordingly, we have calculated our operating income, net income, and diluted earnings per share, excluding the effect of the amortization of intangible assets and divestiture-related charges. We have included a table showing our reconciliation of these income measures to their corresponding GAAP measures.

Table MD&A 15: Non-GAAP Adjusted Results Excluding Amortization of Intangible Assets and Divestiture-Related Charges

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(dollars in thousands, except per share data)			
Operating income	$ 127,494	$ 62,505	$ 235,004	$ 137,282
Add back: Amortization of intangible assets	21,641	23,650	44,990	47,168
Add back: Divestiture-related charges	—	883	1,018	883
Adjusted operating income excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 149,135	$ 87,038	$ 281,012	$ 185,333
Adjusted operating income margin excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	11.1 %	7.2 %	10.5 %	7.5 %
Net income	$ 80,510	$ 31,788	$ 144,658	$ 71,783
Add back: Amortization of intangible assets, net of tax	15,949	17,446	33,158	34,806
Add back: Divestiture-related charges	—	883	1,018	883
Adjusted net income excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 96,459	$ 50,117	$ 178,834	$ 107,472
Diluted earnings per share	$ 1.31	$ 0.52	$ 2.35	$ 1.17
Add back: Effect of amortization of intangible assets on diluted earnings per share	0.26	0.28	0.53	0.57
Add back: Effect of divestiture-related charges on diluted earnings per share	—	0.01	0.02	0.01
Adjusted diluted earnings per share excluding amortization of intangible assets and divestiture-related charges (Non-GAAP)	$ 1.57	$ 0.81	$ 2.90	$ 1.75

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 quarter. 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 2023 Form 10-K, as filed with the SEC on November 16, 2023, have not changed materially during the six month period ended March 31, 2024.

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, 2024, to the risk factors previously disclosed in the 2023 Form 10-K, as filed with the SEC on November 16, 2023.

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.

(c) During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.		Description of Exhibit
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	❖	Inline XBRL Instance Document.
101.SCH	❖	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	❖	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF	❖	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB	❖	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE	❖	Inline 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 9, 2024
By: Bruce L. Caswell President and Chief Executive Officer (Principal Executive Officer)	
/s/ David W. Mutryn	May 9, 2024
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 9, 2024

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 9, 2024

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, 2024 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 9, 2024

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, 2024 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 9, 2024

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