

# MAXIMUS Reports Fourth Quarter and Full Year Results for Fiscal Year 2016

**Release Date:**

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**Terms:**

[Earnings and Dividends](#)

**Dateline City:**

RESTON, Va.

## *- Establishes Guidance for Fiscal Year 2017 -*

RESTON, Va.--([BUSINESS WIRE](#))--MAXIMUS (NYSE: MMS), a leading provider of government services worldwide, today reported financial results for the three months and year ended September 30, 2016.

Highlights for the fourth quarter and fiscal year 2016 include:

- Fourth quarter revenue growth of 8% to a record \$623.1 million and GAAP diluted earnings per share growth of 45% to \$0.77
- Fiscal year 2016 revenue growth of 14.5% to a record \$2.4 billion and GAAP diluted earnings per share growth of 14% to a record \$2.69
- Cash and cash equivalents that totaled \$66.2 million at September 30, 2016
- Signed year-to-date contract awards of \$2.1 billion, new contracts pending of \$150 million, and a record sales pipeline of \$4.3 billion at September 30, 2016

For the fourth quarter of fiscal year 2016, revenue increased 8% (10% on a constant currency basis) to \$623.1 million, compared to \$578.7 million reported for the same period last year. The increase in revenue was driven by organic growth of 9% and acquired growth of 1%, which were partially offset by a 2% decline related to unfavorable foreign currency translation. For the fourth quarter of fiscal 2016, net income attributable to MAXIMUS totaled \$50.7 million, or \$0.77 of diluted earnings per share, which was better than expected due to favorability in the Company's appeals and assessments business. This compares to diluted earnings per share of \$0.53 for the fourth quarter of fiscal 2015.

Revenue for fiscal year 2016 increased 14.5% (17% on a constant currency basis) to \$2.4 billion, compared to \$2.1 billion reported for fiscal 2015. The increase in revenue was driven by organic growth of 9% and acquired growth of 8%, which was partially offset by a 2% decline from unfavorable foreign currency translation. For fiscal year 2016, net income attributable to MAXIMUS totaled \$178.4 million, or \$2.69 of diluted earnings per share, which included a net benefit of \$0.03 that was comprised of a \$0.06 gain on the sale of the K-12 Education business, \$0.01 of acquisition-related expenses, and \$0.02 of cost related to a legal matter.

**Health Services Segment**

Health Services Segment revenue for the fourth quarter of fiscal 2016 increased 16% (19% on a constant currency basis) to \$342.1 million, compared to \$296.2 million reported for the same period last year. Operating income for the fourth quarter of fiscal 2016 totaled \$50.9 million (14.9% operating margin), compared to \$30.5 million (10.3% operating margin) for the same period last year.

For the full fiscal year, Health Services Segment revenue increased 17% (20% on a constant currency basis) to \$1.3 billion, compared to \$1.1 billion for the same period last year. Fiscal 2016 operating income totaled \$185.0 million (14.3% operating margin), compared to operating income of \$154.3 million (13.9% operating margin) for fiscal 2015.

The increases in revenue for the fourth quarter and the full fiscal year were driven by new work, the expansion of existing contracts and, to a lesser extent, the acquisition of Ascend. Growth for both the quarter and the full year was partially offset by unfavorable currency translation. Operating margin expansion in the fourth quarter of fiscal 2016 compared to the same period last year was principally due to improvements on the Health Assessment Advisory Service contract in the United Kingdom. In addition, operating margin for fiscal 2016 benefited from solid revenue growth that outpaced growth in the administrative cost base.

**U.S. Federal Services Segment**

U.S. Federal Services Segment revenue for the fourth quarter of fiscal 2016 decreased 5% to \$146.7 million, compared to \$154.3 million reported for the same period last year, principally due to lower volumes on a large health care contract. Operating income for the fourth quarter totaled \$18.6 million (12.7% operating margin), compared to \$20.9 million (13.5% operating margin) for the same period last year.

For the full fiscal year, U.S. Federal Services Segment revenue increased 18% to \$591.7 million, compared to \$502.5 million for the same period last year. The revenue growth was driven by the acquisition of Acentia, which was partially offset by organic revenue declines of \$15 million, net. This included \$49 million tied to the expected closure of a customer contact center for the Federal Marketplace under the Affordable Care Act. Fiscal 2016 operating income totaled \$63.4 million (10.7% operating margin), compared to operating income of \$59.4 million (11.8% operating margin) for fiscal 2015.

Operating margins for the fourth quarter and the full fiscal year were lower compared to the same periods in fiscal 2015, principally due to contracts acquired as part of the Acentia acquisition that are predominantly cost reimbursable or time and materials. These types of contracts are lower risk and, therefore, carry a lower margin. As part of the segment's long-term growth initiatives, MAXIMUS has made further investments in business development, as well as incurred additional operating expenses in support of its IT infrastructure refresh, which have increased our SG&A expense, particularly within this segment.

### **Human Services Segment**

Human Services Segment revenue for the fourth quarter of fiscal 2016 increased 5% (6% on a constant currency basis) to \$134.3 million, compared to \$128.2 million for the same period last year. Operating income for the fourth quarter totaled \$14.5 million (10.8% operating margin), compared to \$13.4 million (10.4% operating margin) for the same period last year.

For the full fiscal year, Human Services Segment revenue increased 5% (9% on a constant currency basis) to \$513.3 million, compared to \$488.1 million for the same period last year. Fiscal 2016 operating income totaled \$47.7 million (9.3% operating margin), compared to operating income of \$60.2 million (12.3% operating margin) for fiscal 2015.

The increase in revenue for the fourth quarter and the full year was principally driven by organic growth from the jobactive contract and acquired revenue, which was partially offset by unfavorable foreign currency translation. As expected operating margins for the fourth quarter improved over the same period last year due to the expected ramp-up on the jobactive contract which commenced on July 1, 2015 and was unprofitable in the fourth quarter of 2015. For full fiscal year 2016, operating margins were lower compared to fiscal year 2015 principally due to start-up costs related to the aforementioned ramp-up of the jobactive contract.

### **Backlog, Sales and Pipeline**

Backlog was \$4.0 billion at September 30, 2016 and reflects the expected lower backlog from certain large performance-based contracts such as the Health Assessment Advisory Service. Year-to-date signed contract awards at September 30, 2016 totaled \$2.1 billion. New contracts pending (awarded but unsigned) totaled \$150 million.

The sales pipeline at September 30, 2016 was \$4.3 billion (comprising approximately \$2.0 billion in proposals pending, \$150 million in proposals in preparation, and \$2.1 billion in opportunities tracking). The Company's sales pipeline only reflects those opportunities where MAXIMUS expects the request for proposal will be released within the next six months. This compares to a pipeline of \$3.2 billion for the same period last year.

### **Balance Sheet and Cash Flows**

Cash and cash equivalents at September 30, 2016 totaled \$66.2 million. For the fourth quarter of fiscal year 2016, cash provided by operating activities totaled \$71.9 million, with free cash flow of \$59.6 million. For the fiscal year 2016, cash provided by operating activities totaled \$180.0 million, with free cash flow of \$133.6 million.

At September 30, 2016, days sales outstanding (DSO) were within the Company's expected range at 70, compared to 67 for the third quarter of fiscal year 2016. DSO increased on a sequential basis due to a payment delay from a large contract. This delay accounted for five DSO and subsequent to quarter close, MAXIMUS collected the outstanding receivables.

On August 31, 2016, MAXIMUS paid a quarterly cash dividend of \$0.045 per share. On October 19, 2016, the Company announced a \$0.045 per share cash dividend, payable on November 30, 2016 to shareholders of record on November 15, 2016.

For the full fiscal year, MAXIMUS repurchased approximately 587,000 shares for \$31.3 million (a weighted average price of \$53.39). Subsequent to September 30, 2016 through November 8, the Company repurchased approximately 243,000 additional shares of stock for \$12.8 million (a weighted average price of \$52.84). As of November 8, 2016, the Company estimates that it has \$124 million available for repurchases under its Board-authorized share repurchase program.

### **Outlook**

MAXIMUS is establishing fiscal year 2017 guidance. The Company expects fiscal year 2017 revenue to range between \$2.475 billion and \$2.550 billion. This revenue guidance includes unfavorable impacts of approximately \$110 million, comprised of approximately \$50 million related to the weakening of the British Pound, approximately \$20 million related to a certain contract that the Company opted not to rebid, and approximately \$40 million tied to a large health care contract in the Federal Services Segment where volumes are lower as the client evaluates the long-term plans for the future program.

For fiscal year 2017, The Company expects GAAP diluted earnings per share guidance to range between \$2.90 and \$3.10. Approximately 93% of the Company's fiscal year 2017 forecasted revenue is in the form of backlog, option periods or extensions.

Richard Montoni, Chief Executive Officer of MAXIMUS, commented, "We are pleased to deliver double-digit revenue and earnings growth for fiscal 2016, and we look for fiscal 2017 to be another year of growth, top and bottom line. With a robust pipeline of \$4.3 billion, of which approximately 60% is new work, our business development teams are keenly focused on winning new business and cultivating new longer-term opportunities. With aging populations, rising caseloads and the need for governments to do more with less, we firmly believe that macro demand trends will remain in our favor for years to come."

### **Accounting Standards Update to be Adopted in Fiscal Year 2017**

The Company will adopt ASU No. 2016-09, *Stock Compensation, Improvements to Employee Share-Based Payment Accounting* in fiscal year 2017. This standard requires companies to record the income tax benefit or expense related to the exercising of stock options and the vesting of restricted stock units (RSUs) as a reduction to the provision for income taxes. The amount of the benefit depends on the Company's stock price on the exercise or vesting date. The benefit to MAXIMUS will be recorded principally in the fourth quarter of the fiscal year. During fiscal year 2016, this was directly recorded as an increase to stockholders' equity as required by the current rules in effect.

### Website Presentation, Conference Call and Webcast Information

MAXIMUS will host a conference call this morning, November 10, 2016, at 9:00 a.m. (ET). The call is open to the public and can be accessed under the Investor Relations page of the Company's website at <http://investor.maximus.com> or by calling:

877.407.8289 (Domestic)/+1.201.689.8341 (International)

For those unable to listen to the live call, a replay will be available through November 24, 2016 by calling:

877.660.6853 (Domestic)/+1.201.612.7415 (International)

Replay conference ID number: 13623294

### About MAXIMUS

Since 1975, MAXIMUS has operated under its founding mission of *Helping Government Serve the People*<sup>®</sup>, enabling citizens around the globe to successfully engage with their governments at all levels and across a variety of health and human services programs. MAXIMUS delivers innovative business process management and technology solutions that contribute to improved outcomes for citizens and higher levels of productivity, accuracy, accountability and efficiency of government-sponsored programs. With more than 18,000 employees worldwide, MAXIMUS is a proud partner to government agencies in the United States, Australia, Canada, Saudi Arabia and the United Kingdom. For more information, visit [maximus.com](http://maximus.com).

### Non-GAAP and Other Measures

This release refers to non-GAAP financial measures, including adjusted diluted earnings per share, free cash flow, constant currency and days sales outstanding.

We have provided a reconciliation of free cash flow to cash provided by operating activities. We believe that free cash flow is a useful basis for investors to compare our performance across periods or against our competitors. Free cash flow shows the effects of the Company's operations and routine capital expenditure and excludes the cash flow effects of acquisitions, share repurchases, dividend payments and other financing transactions.

To provide constant currency information, we calculate fiscal year 2016 revenue for all international businesses using the exchange rates used in the comparative period in fiscal year 2015. We believe constant currency provides a useful basis for assessing the performance of the business excluding the unpredictable effects of foreign exchange fluctuations.

Days sales outstanding, or DSO, is a measure of how efficiently we manage the billing and collection of our receivable balances. We calculate DSO by dividing billed and unbilled receivable balances at the end of each quarter by revenue per day for the period. Revenue per day for a quarter is determined by dividing total revenue by 91 days.

The presentation of these non-GAAP numbers is not meant to be considered in isolation, nor as alternatives to cash flows from operating activities, revenue growth or net income as measures of performance. These non-GAAP financial measures, as determined and presented by us, may not be comparable to related or similarly titled measures presented by other companies.

*Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report filed with the Securities and Exchange Commission, found on [maximus.com](http://maximus.com).*

## MAXIMUS, Inc.

### CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

|                 | Three Months Ended September 30, |             | Twelve Months Ended September 30, |              |
|-----------------|----------------------------------|-------------|-----------------------------------|--------------|
|                 | 2016                             | 2015        | 2016                              | 2015         |
|                 | (Unaudited)                      | (Unaudited) | (Unaudited)                       | (Unaudited)  |
| Revenue         | \$ 623,091                       | \$ 578,683  | \$ 2,403,360                      | \$ 2,099,821 |
| Cost of revenue | 470,161                          | 453,376     | 1,841,169                         | 1,587,104    |
| Gross profit    | 152,930                          | 125,307     | 562,191                           | 512,717      |

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Less:  |           |           |            |            |
| Selling, general and administrative expenses       | 68,343    | 60,442    | 268,259    | 238,792    |
| Amortization of intangible assets                  | 3,449     | 3,166     | 13,377     | 9,348      |
| Acquisition-related expenses                       | 257       | 172       | 832        | 4,745      |
| Add:   |           |           |            |            |
| Gain on sale of a business                         | 427       | —         | 6,880      | —          |
| Operating income                                   | 81,308    | 61,527    | 286,603    | 259,832    |
| Less:  |           |           |            |            |
| Interest expense                                   | 843       | 709       | 4,134      | 1,398      |
| Add:   |           |           |            |            |
| Other income, net                                  | 97        | 257       | 3,499      | 1,385      |
| Income before income taxes                         | 80,562    | 61,075    | 285,968    | 259,819    |
| Provision for income taxes                         | 29,375    | 24,663    | 105,808    | 99,770     |
| Net income   | 51,187    | 36,412    | 180,160    | 160,049    |
| Income attributable to noncontrolling interests    | 444       | 975       | 1,798      | 2,277      |
| Net income attributable to MAXIMUS                 | \$ 50,743 | \$ 35,437 | \$ 178,362 | \$ 157,772 |
| Basic earnings per share attributable to MAXIMUS   | \$ 0.77   | \$ 0.53   | \$ 2.71    | \$ 2.37    |
| Diluted earnings per share attributable to MAXIMUS | \$ 0.77   | \$ 0.53   | \$ 2.69    | \$ 2.35    |
| Dividends paid per share                           | \$ 0.045  | \$ 0.045  | \$ 0.18    | \$ 0.18    |
| Weighted average shares outstanding:               |           |           |            |            |
| Basic  | 65,778    | 66,466    | 65,822     | 66,682     |
| Diluted  | 66,294    | 67,133    | 66,229     | 67,275     |

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

|   | <b>September 30,</b> |                |
|---|----------------------|----------------|
|   | <b>2016</b>          | <b>2015</b>    |
|   | <b>(Unaudited)</b>   |                |
| <b>ASSETS</b>   |                      |                |
| Current assets:   |                      |                |
| Cash and cash equivalents   | \$ 66,199            | \$ 74,672      |
| Accounts receivable — billed and billable, net of reserves of \$4,226 and \$3,385 | 444,357              | 396,177        |
| Accounts receivable — unbilled  | 36,433               | 30,929         |
| Income taxes receivable   | 17,273               | 7,310          |
| Prepaid expenses and other current assets   | 56,718               | 52,819         |
| Total current assets  | <u>620,980</u>       | <u>561,907</u> |
| Property and equipment, net   | 131,569              | 137,830        |
| Capitalized software, net   | 30,139               | 32,483         |
| Goodwill  | 397,558              | 376,302        |
| Intangible assets, net  | 109,027              | 102,358        |

|                                   |                     |                    |
|-----------------------------------|---------------------|--------------------|
| Deferred contract costs, net      | 18,182              | 19,126             |
| Deferred compensation plan assets | 23,307              | 19,310             |
| Deferred income taxes             | 8,644               | 11,058             |
| Other assets                      | 9,413               | 11,184             |
| Total assets                      | <u>\$ 1,348,819</u> | <u>\$1,271,558</u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:

|  |                |                |
|--|----------------|----------------|
| Accounts payable and accrued liabilities                     | \$ 150,711     | \$ 155,411     |
| Accrued compensation and benefits                            | 96,480         | 99,700         |
| Deferred revenue   | 73,692         | 77,642         |
| Income taxes payable   | 7,979          | 11,709         |
| Long-term debt, current portion                              | 277            | 356            |
| Other liabilities  | 11,617         | 11,562         |
| Total current liabilities                                    | <u>340,756</u> | <u>356,380</u> |
| Deferred revenue, less current portion                       | 40,007         | 52,954         |
| Deferred income taxes  | 16,813         | 6,546          |
| Long-term debt   | 165,338        | 210,618        |
| Deferred compensation plan liabilities, less current portion | 24,012         | 20,635         |
| Other liabilities  | 8,753          | 8,726          |
| Total liabilities  | <u>595,679</u> | <u>655,859</u> |

Commitments and contingencies

Shareholders' equity:

|  |                     |                    |
|--|---------------------|--------------------|
| Common stock                           | 461,679             | 446,132            |
| Accumulated other comprehensive income | (36,169)            | (22,365)           |
| Retained earnings                      | 323,571             | 188,611            |
| Total MAXIMUS shareholders' equity     | <u>749,081</u>      | <u>612,378</u>     |
| Noncontrolling interests               | 4,059               | 3,321              |
| Total equity                           | <u>753,140</u>      | <u>615,699</u>     |
| Total liabilities and equity           | <u>\$ 1,348,819</u> | <u>\$1,271,558</u> |

**MAXIMUS, Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

|   | Three Months Ended<br>September 30, |                     | Twelve Months Ended<br>September 30, |                     |
|---|-------------------------------------|---------------------|--------------------------------------|---------------------|
|   | 2016<br>(Unaudited)                 | 2015<br>(Unaudited) | 2016<br>(Unaudited)                  | 2015<br>(Unaudited) |
| <b>Cash flows from operating activities:</b>  |                                     |                     |                                      |                     |
| Net income  | \$ 51,187                           | \$ 36,412           | \$ 180,160                           | \$160,049           |
| Adjustments to reconcile net income to net cash provided<br>by operating activities:    |                                     |                     |                                      |                     |
| Depreciation and amortization of property, plant,<br>equipment and capitalized software | 19,158                              | 9,232               | 58,404                               | 46,849              |
| Amortization of intangible assets   | 3,449                               | 3,166               | 13,377                               | 9,348               |
| Deferred income taxes   | 7,399                               | 9,728               | 5,652                                | 807                 |

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Stock compensation expense  | 4,933     | 4,452     | 18,751    | 17,237    |
| Gain on sale of a business  | (427)     | —         | (6,880)   | —         |
| Changes in assets and liabilities, net of effects of business combinations: |           |           |           |           |
| Accounts receivable — billed and billable                                   | (24,517)  | (22,344)  | (51,986)  | (103,774) |
| Accounts receivable — unbilled  | (34)      | (3,120)   | (5,590)   | (911)     |
| Prepaid expenses and other current assets                                   | (6,405)   | (2,979)   | (2,027)   | (6,475)   |
| Deferred contract costs   | (1,354)   | 145       | (398)     | (7,245)   |
| Accounts payable and accrued liabilities                                    | 18,246    | (713)     | (2,371)   | 44,351    |
| Accrued compensation and benefits   | 9,105     | 1,389     | (869)     | (3,157)   |
| Deferred revenue  | 42        | 15,524    | (11,661)  | 47,948    |
| Income taxes  | (12,160)  | (28,342)  | (13,125)  | 9,134     |
| Other assets and liabilities  | 3,272     | 2,687     | (1,411)   | (7,944)   |
| Cash provided by operating activities                                       | 71,894    | 25,237    | 180,026   | 206,217   |
| <b>Cash flows from investing activities:</b>                                |           |           |           |           |
| Acquisition of businesses, net of cash acquired                             | 85        | 400       | (46,651)  | (289,212) |
| Purchases of property and equipment and capitalized software costs          | (12,288)  | (31,982)  | (46,391)  | (105,149) |
| Proceeds from the sale of a business  | —         | —         | 5,515     | —         |
| Other   | 43        | 83        | 424       | 489       |
| Cash used in investing activities   | (12,160)  | (31,499)  | (87,103)  | (393,872) |
| <b>Cash flows from financing activities:</b>                                |           |           |           |           |
| Cash dividends paid   | (2,921)   | (2,961)   | (11,701)  | (11,852)  |
| Repurchases of common stock   | —         | (50,171)  | (33,335)  | (82,787)  |
| Stock compensation tax benefit  | 5,172     | 10,682    | 5,172     | 9,474     |
| Tax withholding related to RSU vesting                                      | (17)      | —         | (11,614)  | (12,451)  |
| Stock option exercises  | 341       | 347       | 546       | 868       |
| Borrowings under credit facility  | 10,000    | 75,000    | 149,823   | 330,993   |
| Repayment under credit facility   | (55,383)  | (31,499)  | (195,200) | (121,611) |
| Other   | —         | —         | (533)     | (75)      |
| Costs for expansion of credit facility                                      | —         | —         | —         | (1,444)   |
| Cash (used in)/provided by financing activities                             | (42,808)  | 1,398     | (96,842)  | 111,115   |
| Effect of exchange rate changes on cash                                     | (1,336)   | (2,341)   | (4,554)   | (6,900)   |
| Net (decrease)/increase in cash and cash equivalents                        | 15,590    | (7,205)   | (8,473)   | (83,440)  |
| Cash and cash equivalents, beginning of period                              | 50,609    | 81,877    | 74,672    | 158,112   |
| Cash and cash equivalents, end of period                                    | \$ 66,199 | \$ 74,672 | \$ 66,199 | \$ 74,672 |

**MAXIMUS, Inc.**  
**SEGMENT INFORMATION**  
**(Amounts in thousands)**

|   | Three Months Ended September 30, |       |                     |       | Twelve Months Ended September 30, |       |                     |       |
|---|----------------------------------|-------|---------------------|-------|-----------------------------------|-------|---------------------|-------|
|   | 2016<br>(Unaudited)              | % (1) | 2015<br>(Unaudited) | % (1) | 2016<br>(Unaudited)               | % (1) | 2015<br>(Unaudited) | % (1) |
| <b>Revenue:</b>                                     |                                  |       |                     |       |                                   |       |                     |       |
| Health Services                                     | \$ 342,135                       | 100%  | \$ 296,201          | 100%  | \$ 1,298,304                      | 100%  | \$1,109,238         | 100%  |
| U.S. Federal Services                               | 146,651                          | 100%  | 154,279             | 100%  | 591,728                           | 100%  | 502,484             | 100%  |
| Human Services                                      | 134,305                          | 100%  | 128,203             | 100%  | 513,328                           | 100%  | 488,099             | 100%  |
| Total   | <u>\$ 623,091</u>                | 100%  | <u>\$ 578,683</u>   | 100%  | <u>\$ 2,403,360</u>               | 100%  | <u>\$2,099,821</u>  | 100%  |
| <b>Gross Profit:</b>                                |                                  |       |                     |       |                                   |       |                     |       |
| Health Services                                     | \$ 80,717                        | 23.6% | \$ 54,575           | 18.4% | \$ 292,181                        | 22.5% | \$ 254,108          | 22.9% |
| U.S. Federal Services                               | 37,529                           | 25.6% | 36,284              | 23.5% | 138,168                           | 23.3% | 118,646             | 23.6% |
| Human Services                                      | 34,684                           | 25.8% | 34,448              | 26.9% | 131,842                           | 25.7% | 139,963             | 28.7% |
| Total   | <u>\$ 152,930</u>                | 24.5% | <u>\$ 125,307</u>   | 21.7% | <u>\$ 562,191</u>                 | 23.4% | <u>\$ 512,717</u>   | 24.4% |
| <b>Selling, general and administrative expense:</b> |                                  |       |                     |       |                                   |       |                     |       |
| Health Services                                     | \$ 29,843                        | 8.7%  | \$ 24,068           | 8.1%  | \$ 107,155                        | 8.3%  | \$ 99,815           | 9.0%  |
| U.S. Federal Services                               | 18,971                           | 12.9% | 15,381              | 10.0% | 74,792                            | 12.6% | 59,252              | 11.8% |
| Human Services                                      | 20,151                           | 15.0% | 21,095              | 16.5% | 84,157                            | 16.4% | 79,719              | 16.3% |
| Other   | (622)                            | NM    | (102)               | NM    | 2,155                             | NM    | 6                   | NM    |
| Total   | <u>\$ 68,343</u>                 | 11.0% | <u>\$ 60,442</u>    | 10.4% | <u>\$ 268,259</u>                 | 11.2% | <u>\$ 238,792</u>   | 11.4% |
| <b>Operating income:</b>                            |                                  |       |                     |       |                                   |       |                     |       |
| Health Services                                     | \$ 50,874                        | 14.9% | \$ 30,507           | 10.3% | \$ 185,026                        | 14.3% | \$ 154,293          | 13.9% |
| U.S. Federal Services                               | 18,558                           | 12.7% | 20,903              | 13.5% | 63,376                            | 10.7% | 59,394              | 11.8% |
| Human Services                                      | 14,533                           | 10.8% | 13,353              | 10.4% | 47,685                            | 9.3%  | 60,244              | 12.3% |
| Amortization of intangible assets                   | (3,449)                          | NM    | (3,166)             | NM    | (13,377)                          | NM    | (9,348)             | NM    |
| Acquisition-related expenses (2)                    | (257)                            | NM    | (172)               | NM    | (832)                             | NM    | (4,745)             | NM    |
| Gain on sale of a business                          | 427                              | NM    | —                   | NM    | 6,880                             | NM    | —                   | NM    |
| Other (3)   | 622                              | NM    | 102                 | NM    | (2,155)                           | NM    | (6)                 | NM    |
| Total   | <u>\$ 81,308</u>                 | 13.0% | <u>\$ 61,527</u>    | 10.6% | <u>\$ 286,603</u>                 | 11.9% | <u>\$ 259,832</u>   | 12.4% |

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

(2) Acquisition-related expenses are costs directly incurred from the purchases of Assessments Australia in the first quarter of fiscal year 2016, the purchase of Ascend in the second quarter of fiscal year 2016 and the purchases of Acentia and Remploy in fiscal year 2015, as well as other transaction-related activity.

(3) "Other" relates to a litigation matter from fiscal year 2014.

(Non-GAAP measure)

(Amounts in thousands)

(Unaudited)

|  | Three Months Ended<br>September 30, |            | Twelve Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|--------------------------------------|------------|
|  | 2016                                | 2015       | 2016                                 | 2015       |
| Cash provided by operating activities                              | \$ 71,894                           | \$ 25,237  | \$ 180,026                           | \$ 206,217 |
| Purchases of property and equipment and capitalized software costs | (12,288)                            | (31,982)   | (46,391)                             | (105,149)  |
| Free cash flow   | \$ 59,606                           | \$ (6,745) | \$ 133,635                           | \$ 101,068 |

**Language:**

English

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**Ticker Slug:**

*Ticker:* MMS  
*Exchange:* NYSE

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