Fiscal 2014 First Quarter Earnings

David N. Walker
Chief Financial Officer and Treasurer
February 6, 2014
Forward-looking Statements & Non-GAAP Information

These slides should be read in conjunction with the Company’s most recent quarterly earnings press release, along with listening to or reading a transcript of the comments of Company management from the Company’s most recent quarterly earnings conference call.

This document may contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. For a reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document, see the Company’s most recent quarterly earnings press release.

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

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY14 Actual</th>
<th>Q1 FY13 Actual*</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Services</td>
<td>$299.2</td>
<td>$176.0</td>
<td>70%</td>
</tr>
<tr>
<td>Human Services</td>
<td>107.4</td>
<td>110.3</td>
<td>(3%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$406.6</strong></td>
<td><strong>$286.3</strong></td>
<td>42%</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Services</td>
<td>$41.6</td>
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<td>Human Services</td>
<td>11.8</td>
<td>13.7</td>
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<tr>
<td><strong>Segment Operating Income</strong></td>
<td>53.3</td>
<td>34.3</td>
<td>27%</td>
</tr>
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*Operating Margin % excluding legal, settlement, and acquisition-related expenses:

- **13.1%**
- **12.0%**

|                      |                |                 |          |
| Legal, settlement and acquisition-related expenses, net | -              | (0.3)           | nm       |
| Interest and Other Income, net                          | 0.7            | 1.1             | nm       |
| **Income Before Taxes - Continuing Ops**                | 54.0           | 35.1            | 54%      |
| Provision for Income Taxes                              | 20.2           | 13.3            | 52%      |
| **Net Income - Continuing Operations**                  | **$33.8**      | **$21.8**       | 55%      |
| Diluted EPS - Continuing Ops                            | $0.48          | $0.31           | 55%      |
| Adj. Diluted EPS - Continuing Ops                       | **$0.48**      | **$0.31**       | 55%      |

*FY 13 actuals reflect 2-for-1 stock split

### Q1 FY14 Results

- **Revenue** grew 42%, driven by the forecasted growth in domestic health business, much of which was tied to new contracts related to the Affordable Care Act (ACA).
  - Revenue grew 37% organically.
  - Total segment operating income totaled $53.3 million (operating margin of 13.1%).
  - Income from continuing operations, net of taxes, totaled $33.8 million, or $0.48 per diluted share.
  - Earnings were ahead of our expectations, driven principally by an increase in the Health Segment.
## Health Services Segment

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<td>13.9%</td>
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### Revenue
- Top-line increases fueled principally by organic growth resulting from new work and expansion of existing contracts, including those related to the Affordable Care Act (ACA).
- Revenue was stronger-than-expected, delivering strong transactional volumes. MAXIMUS also provided high-value support to existing and new clients for business process diagnostics and re-engineering, as part of the ACA rollout.

### Operating Income & Margins
- Q1 operating margins outpaced our expectations, resulting from the higher-than-expected accretive revenue.

#### Two Factors to the Segment’s Over Delivery in Q1 2014
1. A higher level of activity in our HIX customer contact centers, in late November and through December; volume growth due, in part, to ongoing technology challenges that led to more consumers seeking assistance through the contact centers.
   - Expect this financial benefit will continue into Q2 for ongoing work as part of open enrollment.
   - In addition, a handful of change orders are in the works that will benefit Q2.
2. Stronger-than-expected results in health appeals work due to higher-than-forecasted caseloads coupled with greater cost efficiencies.
Human Services Segment

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Revenue
- Q1 revenue decreased 3% to $107.4 million; on a constant currency basis, revenue would have increased 2%
- The prior-year period benefitted from highly accretive performance-based payments in our domestic welfare to work business that bolstered both revenue and profit in Q1 of FY 13

Operating Income & Margins
- Q1 operating income totaled $11.8 million, with an operating margin of 10.9%
- Overall outlook for the Human Services Segment remains unchanged for remainder of fiscal 2014
Balance Sheet and Cash Flows

Cash Flows
• Strong Q1 cash flow driven by increased earnings and receivables collections
• DSOs improved on a sequential basis to 67 days in the quarter (target range of 65-80 days in place since Q4 FY08)

### Reconciliation to Free Cash Flow

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<th>Q1 FY14</th>
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<td>Cash provided by operating activities from continuing operations</td>
<td>$42.0</td>
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<tr>
<td>Cash paid for property, equipment and capitalized software</td>
<td>($8.0)</td>
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<td><strong>Free cash flow</strong></td>
<td><strong>$34.0</strong></td>
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Share Buybacks
• In Q1, purchased 505,738 shares of MMS common stock for $22.5 million
• At December 31, 2013, $74.9 million available for future purchases
• Subsequent to quarter close (through January 31), purchased 214,200 shares for approximately $9.2 million.
• Buyback program is opportunistic in nature

Cash and Use of Cash
• At December 31, 2013, had cash and cash equivalents of $120.6 million (approximately 65% is held overseas)
• Continue to execute buybacks, pay a quarterly cash dividend, make investments into the business to drive organic growth, and manage a strategic acquisition program
### Increasing FY 14 Guidance

<table>
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<tr>
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<th>New FY14 Guidance</th>
<th>Prior FY14 Guidance</th>
</tr>
</thead>
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<tr>
<td>Revenue</td>
<td>$1.60B - $1.68B</td>
<td>$1.555B - $1.650B</td>
</tr>
<tr>
<td>Adjusted Diluted EPS</td>
<td>$1.95 - $2.05</td>
<td>$1.75 - $1.85</td>
</tr>
<tr>
<td>Cash from Continuing Ops</td>
<td>$180M - $205M</td>
<td>$145M - $170M</td>
</tr>
<tr>
<td>Free Cash Flow from Cont Ops</td>
<td>$140M - $165M</td>
<td>$95M - $120M</td>
</tr>
</tbody>
</table>

- Seasonal revenue and earnings pattern for MAXIMUS has changed; based on what we know today, expect to experience stronger results in the first half of each fiscal year associated with the open enrollment period for the HIX under the ACA.

- Several changes uplifting our guidance numbers in fiscal 2014:
  1. New guidance bakes in the over-delivery in the first quarter
  2. Increased scope of work on a number of contracts in support of our clients rollout of ACA; in addition, some scope increases included change orders expected to occur in Q2 and will further increase revenue and earnings in that quarter
  3. Readjusted forecasts to reflect current volume levels in federal appeals work

- As a result, now expect that revenue and earnings in Q2 will be bolstered by ongoing scope increases in ACA work and change orders.
Fiscal 2014 First Quarter Earnings

Richard A. Montoni
President and Chief Executive Officer
February 6, 2014
Achieving a Solid Start to Fiscal 2014

- Solid start to fiscal 2014 with top- and bottom-line results that beat expectations; raising outlook for FY 14

- Even more impressive results within a demanding market environment for private-sector government partners that operate highly visible health and human services programs

- Continued success is based on our ability to understand client needs; we add value through scalable, flexible and responsive operations
Helping Clients Address ACA Challenges

- As governments faced problems with the exchange technology, our health team found opportunities to provide alternatives and implement comprehensive contingency plans for existing and new clients.

- Our solutions allowed exchange workflow to continue while our clients and their systems vendors addressed technology “speed bumps” that created the immediate need for direct consumer contact.

- Some states did not anticipate the volume of paper applications or the additional effort required to assist consumers in completing online applications; in response, we ramped up staffing and training, bridging the gaps in the HIX workflows and helping enrollments to continue.
Seeing Increased Activity in HIX Contact Centers

- Volumes in many of our HIX contact centers came on strong the last six weeks of calendar 2013
  - Added 1,300+ staff
  - Surge in calls from consumers unable to enroll into health plans online and needed assistance over the phone
  - Many consumers trying to meet the December deadlines to get insurance coverage effective January 1, 2014

- December’s incoming calls 30%-plus higher-than-forecast across state customer contact centers

- Flexible staffing model responsive to clients’ forecasts and changing call volumes

- First open enrollment period presently scheduled to end on March 31; we will continue to staff to the ebb and flow of volumes and activities that are part of the cyclical nature of HIX operations
Improving HIX Workflow for Cover Oregon

• Provided operational review of business processes that led to us providing call center and other overflow capacity to assist consumers in completing enrollments

• Operational assistance eased workload from exchange workers overwhelmed by high volumes of paper applications

• Cover Oregon asked us to handle calls to help consumers complete health plan shopping and selection, all leveraging an existing contact center

• Allowed for a vastly improved workflow; Cover Oregon could offload tasks for plan selection, so exchange workers could focus efforts on eligibility determinations

• This model, in which MAXIMUS employees act as “sous chefs” to state or county eligibility workers, is a demonstration of the partnership model we seek and through which our clients derive value
Overcoming an Influx of Applications in Colorado

• Helped Colorado overcome an influx of applications through our existing contract vehicle and business process re-engineering; consumers must be deemed ineligible for Medicaid before being considered for a subsidy; state experienced a surge in consumer applications; incorrect and inaccurate applications were not able to get a real-time Medicaid eligibility determination online

• The state asked us to increase our level of commitment to process applications; at the same time, we faced a daily average intake of new cases significantly higher than what normal staff levels could handle

• Worked collaboratively with client to produce and implement a very aggressive plan to clear the applications and maintain the daily inventory of new cases; the goal was to ensure that everyone who applied online received appropriate outcome within 24 hours so that they can receive benefits January 1

• Together, we quickly hired and trained additional staff, successfully executed the plan, and met the deadline to get thousands of Coloradans enrolled in health plans through the state’s exchange and through Medicaid and CHP+

• MAXIMUS, in conjunction with the state, processed 32,500+ cases since October; still receiving nearly 300 new cases daily; will continue to process them within 1 business day
• ACA to serve as a multi-year growth driver for MAXIMUS; some states likely to operate their own exchanges over the next several years, as well as enhance public health insurance programs, including expanding Medicaid

• Kaiser Family Foundation predicts 2014 as a “transformative” year for Medicaid with increases in both spending and enrollment

• MAXIMUS is responding to this long-term transformation; seeing material increases to existing Medicaid enrollment broker business through contract amendments and change orders

• Continue to believe more states will expand Medicaid over the long-term, but state legislatures and federal waiver requests often move slowly

• Medicaid expansion remains a long-term, multi-year growth opportunity that doesn’t reach its steady state until 2016 at the earliest
Remaining Engaged with the Duals Market

• Engaged on some dual demonstration projects

• Dozens of governors made this a priority agenda item as they look for real solutions for these “super utilizers” of Medicaid and Medicare

• While not a large financial contribution to MAXIMUS, the duals market is an important plank in our long-term services and supports platform

• Working with five states to address cost, quality and care coordination among the duals population, including California, considered a leader in creating a potential blueprint for duals population
Continuing Medicaid Review Work in Illinois

• Received some very positive news in Illinois where we had been working with the state to help root out Medicaid fraud

• Eligibility and Enrollment Verification project designed to help ensure that only those eligible for Medicaid are actually receiving coverage and services

• Project was slated to end in December

• On December 17th, the state received a supplemental arbitration order allowing MAXIMUS to retain work through June 2015

• Pleased to retain meaningful level of responsibility to support ongoing initiative to reform state’s Medicaid program
Delivering Solid Results in Federal Market

- Federal Services business again delivered solid financial results
- Reflects the team’s ability to deliver on the increased level of appeals
- The MAXIMUS Federal team has done a great job to manage increased volumes, while at the same time winning new work that’s centered on our core capabilities
Expanding Geographic Footprint in Australia

• Recently completely a small tuck-in acquisition to complement our human services business in Australia

• Acquired workforce services assets from Centacare, a provider of welfare-to-work and disability employment services under the Job Services Australia and Disability Employment Services programs

• Expands geographic footprint in Australia while maximizing the utilization of existing operational capacity

• Transaction closed on January 31, 2014 and is expected to contribute approximately $10 million in new annual revenue
Contract Rebids

• 2014 will be a light year for rebids and overall total awards

• Thus far, we’re pleased with our progress

• Of the 15 contracts worth a total of $225 million up for bid, we’ve won 3 for a total contract value of $46 million
## New Awards and Sales Pipeline

### New Awards

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD signed awards</td>
<td>$347 million</td>
</tr>
<tr>
<td>New contracts pending</td>
<td>$50 million</td>
</tr>
</tbody>
</table>

### Sales Opportunities

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pipeline</td>
<td>$2.4 billion</td>
</tr>
</tbody>
</table>

**At December 31, 2013:**

- Signed $347 million in new contract awards
- Additional $50 million of “awarded but unsigned” contracts, pending final signatures
- Sales pipeline was $2.4 billion; as expected, lower compared to same period last year due to record number of awarded contracts in FY13 that converted into new sales awards
- Robust pipeline includes opportunities across both segments and several geographies
Conclusion

• Plans for long-term growth continue to be shaped by our three strategic priorities:
  – Enhancing our U.S. operations by supporting clients through the next phase of the Affordable Care Act
  – Growing our federal business
  – Expanding our international operations with health and human services opportunities

• Underpinning this growth will always be providing the highest level of service for our government clients; they entrust us to operate highly visible programs and we take this responsibility most seriously and strive to provide top-notch customer service for citizens and achieve important program outcomes for our clients

• We are pleased to offer an even brighter outlook for the remainder of the year; for fiscal 2015 and beyond, our long-term outlook remains optimistic
Thank You to CFO David Walker

• Thank you to our Chief Financial Officer, David Walker, for all that he’s done to drive success for MAXIMUS

• In December, David announced his intent to retire, but will remain with the Company to provide support for special projects

• We kicked off the search process in tandem with the announcement in December; have a good stream of qualified candidates, but expect the process to take several months; David has assured us that he will remain in a full-time position until we find the right person

• David leaves big shoes to fill, but we are fortunate that he will remain with the Company in this new, “downshifted” role, providing valuable support for special projects