Fiscal 2016 Third Quarter Earnings

Richard J. Nadeau
Chief Financial Officer
August 4, 2016
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.

Throughout this presentation, numbers may not add due to rounding.

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.
Solid Third Quarter with Two Unusual Items

Q3 EPS (GAAP) $0.79

Gain on sale of K-12 (0.06)

Legal costs 0.02

Q3 EPS excluding unusual items $0.75

Solid quarter led by Health Segment. Two unusual items occurred in Q3:

1. Sold K-12 education practice
   - Software-oriented, non-core business part of Human Services Segment
   - Recorded pre-tax gain on sale of $6.5M; after tax, computes to $0.06 diluted EPS

2. Legal Expense
   - Recorded expense of $2.1M (or $0.02) in legal costs in Q3 FY16 that related to a matter that occurred in FY14

Excluding the unusual items, Q3 earnings were better-than-expected due to the timing of revenue and profit from the start-up of a large expansion to an existing contract that was accelerated into Q3. We previously expected the start-up revenue in Q4.
### Total Company Results – Third Quarter of FY 2016

**Q3 Revenue**
- Grew 8% to $617.1M compared to same period last year, comprised of:
  - Organic growth of 8% driven by Health Services Segment
  - Acquired growth of 2% from Ascend and Assessments Australia acquisitions, and
  - A 2% decline (or $9.9M) from FX translation; on a constant currency basis, total company revenue would have grown 10%

**Q3 Operating Margin**
- 13.7% compared to 12.4% in prior year

**Net income attributed to MAXIMUS was $52.2M & GAAP-basis diluted EPS totaled $0.79**

<table>
<thead>
<tr>
<th>($ in millions, except per share data)</th>
<th>Q3 FY16</th>
<th>Q3 FY15</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Segment</td>
<td>$333.7</td>
<td>$298.5</td>
<td>12%</td>
</tr>
<tr>
<td>U.S. Federal Segment</td>
<td>149.6</td>
<td>141.0</td>
<td>6%</td>
</tr>
<tr>
<td>Human Segment</td>
<td>133.8</td>
<td>132.7</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>$617.1</td>
<td>$572.3</td>
<td>8%</td>
</tr>
<tr>
<td>Operating Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Segment</td>
<td>$50.4</td>
<td>$44.5</td>
<td>13%</td>
</tr>
<tr>
<td>U.S. Federal Segment</td>
<td>19.1</td>
<td>15.5</td>
<td>23%</td>
</tr>
<tr>
<td>Human Segment</td>
<td>14.3</td>
<td>16.8</td>
<td>(15)%</td>
</tr>
<tr>
<td>Segment Income</td>
<td>$83.8</td>
<td>$76.8</td>
<td>9%</td>
</tr>
<tr>
<td>Acquisition expenses</td>
<td>—</td>
<td>(2.5)</td>
<td></td>
</tr>
<tr>
<td>Intangibles amortization</td>
<td>(3.5)</td>
<td>(3.3)</td>
<td></td>
</tr>
<tr>
<td>Gain on sale of business</td>
<td>6.5</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(2.1)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$84.6</td>
<td>$71.1</td>
<td>19%</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>13.7%</td>
<td>12.4%</td>
<td></td>
</tr>
<tr>
<td>Net Income attributable to MAXIMUS</td>
<td>$52.2</td>
<td>$41.7</td>
<td>25%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$0.79</td>
<td>$0.62</td>
<td>27%</td>
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Revenue
• Delivered a good quarter with strong results in core business; revenue growth driven by growth on existing contracts, including U.K. HAAS contract
• Nearly all growth in the quarter was organic
• Impacted by unfavorable FX translation of 2%; on a constant currency basis, growth would have been 14%

Expansion Spurs Growth
• Expansion underway for a new location in New York State that accounts for a good portion of the growth in Q3; revenue and profit from the start-up of this expansion to an existing contract was accelerated into Q3; we previously expected the start-up revenue in Q4

Operating Margin
• Handful of large contracts over achieving; operating margin came in strong at 15.1%

Q4 Expectations
• Larger impact to revenues from unfavorable FX translation due to weakening of British Pound following Brexit vote
• Segment to deliver Q4 financial results largely consistent with Q3
Revenue
• All growth in Q3 was organic
• Top-line growth driven principally by ongoing ramp-up of two contracts:
  1. Department of Education contract
  2. Large health contract where MAXIMUS is a subcontractor

Operating Margin
• Q3 operating margin came in as expected, but bolstered by approximately $3.5M of one-time revenue and profit from a handful of contracts, much of which is not expected to repeat in Q4
• On a normalized basis, operating margin would have been 10.7%, which is more in-line with where segment margins are presently running
### Human Services Segment

**Revenue**
- Organic revenue growth in Q3 was 1%, much of which was driven by the jobactive contract in Australia; this was offset by anticipated declines in the U.K. Work Programme contract due to lower volumes.
- Acquired growth of 3% offset entirely by a 3% decline from FX translation; on a constant currency basis, revenue would have grown 4%.

**Operating Margin**
- Q3 operating margin was 10.7% and lower compared to prior year.
- Expected reduction in margin was a result of ongoing start-up of new jobactive contract in Australia, which is less profitable than its predecessor contract.

### Human Services Segment ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY16</th>
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<th>% Change</th>
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<tr>
<td><strong>Revenue</strong></td>
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<tr>
<td>Human Services</td>
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<td>1 %</td>
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<td><strong>Operating Income</strong></td>
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<td><strong>Operating Margin %</strong></td>
<td>10.7%</td>
<td>12.7%</td>
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DSOs, Cash Flows & Balance Sheet

DSOs improved on a sequential basis and were 67 days at June 30, 2016 (targeted range of 65 to 80 days)

Cash flow for the quarter:

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by operating activities</td>
<td>$86.3</td>
</tr>
<tr>
<td>Cash paid for property, equipment and capitalized software</td>
<td>$(14.3)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>72.0</td>
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Reconciliation to free cash flow can be found in financial tables in the Q3 FY16 earnings press release.

For remainder of FY16, expect continued solid net income, good collections and benefits from timing of tax and other disbursements to drive increase in cash from operating activities

At June 30, 2016 cash and cash equivalents totaled $50.6M — most of which was held outside the U.S.

During Q3 purchased approximately 43,794 shares for $2.2M; at June 30, 2016 had an estimated $137.5M remaining under our Board-authorized share repurchase program

Maintain an active M&A program and see an increasing number of quality companies coming to market

• Our available line of credit allows us to be nimble and flexible
• During Q3 we paid down our debt by approximately $75M, net of additional borrowing; total debt at June 30, 2016 (including the Credit Facility) of $211.0M
• Management remains focused on most practical uses of cash to strengthen our growth platform and deliver long-term shareholder value
Revised Revenue Guidance

- Reflects unfavorable FX translation of approximately $20M to $25M for FY16; greatest impact occurring in Q4 with weakening of the British Pound
- Reflects previously disclosed changes to three programs in start-up (HAAS and Fit for Work contracts in the U.K. and jobactive in Australia); this compares to our view when we first established guidance in November 2015

FY16 GAAP-Basis Earnings Assumptions

- $0.06 gain on sale of K-12 education business
- YTD legal costs of $0.03 — includes $0.02 of cost from Q3 and $0.01 incurred in Q1
- Unfavorable impact of FX translation of about $0.01

Operating Cash Flows

- Expect operating cash flows to be toward the lower end of the target range. We have a number of large customers where even a brief delay in payment at the end of September could result in us falling short.
1. **Weighted Average Shares Outstanding (WASO)**
   Q3 WASOs were approximately 66.2 million; in the absence of any share buybacks, should expect total share count to increase by about 400,000 shares per year for the effect of outstanding RSU grants.

2. **Interest Expense**
   Related to the interest on borrowings, which is approximately 1.6%.

3. **Other Income**
   Recent one-time, short-term benefit that will not reoccur; looking forward, generally expect that other income will be less than $300,000 annually.

4. **Income Attributable to Noncontrolling Interests**
   - Relates to the portion of net income from certain foreign entities that is tied to the equity interests held by employees or partners.
   - For example, the Remploy employees hold a 30% ownership; while the Remploy results are included in our financial statements, the 30% portion of earnings related to the minority ownership is a reduction to net income.
   - We still control the strategic direction and management of the entities.
   - Expect the amount in future periods to be consistent with recent periods.
Fiscal 2016 Third Quarter Earnings

Richard Montoni
Chief Executive Officer
August 4, 2016
As we move into the home stretch of FY16, our focus today is on two topics:

• New work where we are creating value for existing clients

• Industry trends that complement our core capabilities and serve as markers for long-term growth opportunities
A couple of key contract wins and expansions that have transpired since last quarter

Centers for Medicare & Medicaid Services recently awarded MAXIMUS the Part A West Medicare Appeals work

- $42M contract (one-year base and three one-year options)
- MAXIMUS lost this contract in a competitive rebid in 2014
- Winning this back demonstrates the quality, efficiency and value we bring to our government clients
- As Part A West Qualified Independent Contractor (QIC), MAXIMUS is responsible for all reconsiderations of Part A-related claims in 24 western states and 3 territories
- MAXIMUS has provided independent determinations for Medicare for 25+ years
- With addition of this latest contract, MAXIMUS now holds four of the Medicare QIC contracts, serving Part A East and West, Part C and Part D
U.S. work includes:
• Eligibility appeals for Federal Marketplace
• Independent medical and billing reviews for California’s workers compensation program
• Appeals for state Medicaid programs

Ascend gave us a new set of assessment services, including pre-admission screening and resident review (PASRR). MAXIMUS now:
• Conducts Level II PASRRs for individuals with mental health conditions, intellectual disabilities or other related conditions
• Performs evaluations to help ensure appropriate placements in nursing facilities or community-based settings; also help ensure individuals receive the required services

We won a key rebid contract to provide PASRR services for the State of Tennessee; this contract was the largest from the Ascend portfolio and runs for three years with a total contract value of $28M
We also have brought our assessment capabilities into states where we first established a foothold as the Medicaid enrollment broker.

MAXIMUS operates New York’s conflict-free assessment center, which helps the state determine eligibility for adults who are seeking home and community-based long-term care services and support, as well as enrollment into a managed long-term care plan.

• Worked closely with client to achieve the goal of timely, professional and independent assessments conducted by skilled nurses in a home-based setting; as needs have increased, we have grown our scope of work to include additional populations

• As populations continue to age and their health care needs become more complicated — coupled with growing complexity of government programs — demand for our services is growing

• States are always looking for ways to bend Medicaid cost curve, while also ensuring high-quality services — particularly for certain high-needs, high-cost populations who may need to be assessed in order to be placed in appropriate setting, receive correct level of services, or move from fee-for-service models into managed care

Future opportunities will take time to fully materialize but MAXIMUS is well-positioned to provide independent, conflict-free assessment services in a cost-effective model for our clients.
New Work – Rochester Expansion

MAXIMUS recently launched hiring efforts for a new customer contact center in Rochester:

- Expansion is tied to an increased level of administrative and contact center services for several health programs that we support throughout the state

- In process of hiring approximately 2,000 new staff positions, but expect it will take several months to achieve full ramp

MAXIMUS has a long history of operating both state and federal government programs out of New York:

- Since 1998, MAXIMUS has provided administrative support services for a variety of programs, including Medicaid, CHIP, physician profile program and state’s health insurance exchange.

- We also provide services for several other state and federal health programs out of New York, including appeals and adjudications services for Medicare.

- With an excellent talent pool, New York serves as an important hub for many MAXIMUS operations and we are pleased to be expanding our footprint.
U.K. Health Assessment Advisory Service Contract Update

- We still expect HAAS contract to be a mid-single-digit margin contributor for FY16
- We are pleased with important improvements we have brought to customer experience
- Working diligently to meet targets
- At the end of the day, it’s a tough contract and a high-profile program — and we have additional progress to achieve
Impact of Brexit Referendum on MAXIMUS

Operational perspective
- Neutral: none of our existing contracts are tied to any European Social Funds
- For now, “steady as she goes” for our current operations

Political perspective
- New Prime Minister introduced a new ministerial team at the Department for Work and Pensions (DWP)
- As the new team ramps up, we are working to inform them about the work we do and the value we add to their programs

Economic perspective
- Effect of Brexit vote on value of the British Pound is expected to impact our FX translation in Q4 of FY16

U.K. remains an important market for MAXIMUS and we remain committed to supporting the government in achieving its goals.
New Awards and Sales Pipeline

Awards
• Year-to-date awards are lower compared to the prior year due to a lower level of rebids in FY16.

Pipeline
• Hearty sales pipeline at June 30th of $4.2B:
  – About $1B related to extensions and option periods
  – Roughly half of the $4.2B is associated with new work across multiple business lines
  – Pipeline contains new opportunities across segments and in all of our existing geographies

FY17 Rebids
• We are working on some contract extensions; if executed, we expect that we will have just under a billion dollars in contract value up for rebid in FY17
  • Two contracts are the biggest drivers and account for more than half of the work that is currently expected to come to rebid next year; rebid process for these will take place in FY17, but we won’t see financial impacts until FY18

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
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<tbody>
<tr>
<td><strong>New Awards</strong></td>
<td></td>
</tr>
<tr>
<td>YTD Signed Contracts</td>
<td>$1.3B</td>
</tr>
<tr>
<td>Additional Unsigned Contracts</td>
<td>$421M</td>
</tr>
<tr>
<td><strong>Sales Opportunities</strong></td>
<td></td>
</tr>
<tr>
<td>Total Pipeline*</td>
<td>$4.2B</td>
</tr>
</tbody>
</table>

* Reported pipeline only reflects short-term opportunities where we believe request for proposals will be released within next six months.

We monitor a much broader pipeline as part of our long-term growth strategy, which includes emerging opportunities expected to develop over next three to five years and that will drive revenue in FY18 and beyond.
Conclusion

- Remain keenly focused on helping our government clients run effective and efficient programs

- Number one goal is high-quality service delivery to ensure satisfaction of our clients

- As part of our quality and risk management strategy, MAXIMUS conducts an annual client satisfaction survey. Customers rank us in areas:
  - Competency of our project staff
  - How accessible and responsive we are to our client’s needs
  - Our ability to provide value to public programs by delivering outcomes that matter

- This year’s survey results showed strong performance across the entire company, with an average score that’s above our goal and more than 50 projects with a perfect score

- Congratulations to the team on another successful year as we remain a trusted partner to governments around the world

- Pleased with results in Q3 and expected results for remainder of FY16; long-term growth drivers for future years remain in place and are strong

- Lots of irons in the fire, so it is still too early to speak to FY17; will issue formal guidance on our year-end call in November