

MAXIMUS INC
Form 10-Q
February 09, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2016

Commission File Number: 1-12997

MAXIMUS, INC.
(Exact name of registrant as specified in its charter)

Virginia 54-1000588
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1891 Metro Center Drive 20190
Reston, Virginia
(Address of principal executive offices) (Zip Code)

(703) 251-8500
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if smaller reporting company)

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

As of February 6, 2017 there were 64,813,534 shares of the registrant's common stock (no par value) outstanding.

MAXIMUS, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended December 31, 2016

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Throughout this Quarterly Report on Form 10-Q, the terms "Company," "we," "us," "our" and "MAXIMUS" 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 Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements that are not historical facts. Words such as "anticipate," "believe," "could," "expect," "estimate," "intend," "may," "opportunity," "plan," "potential," "project," "should," "will" and similar words are intended to identify forward-looking statements and convey uncertainty of future events or outcomes. These statements are not guarantees and involve risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from such forward-looking statements due to a number of factors, including without limitation:

- a failure to meet performance requirements in our contracts, which might lead to contract termination and liquidated damages;

- the effects of future legislative or government budgetary and spending changes;

- our failure to successfully bid for and accurately price contracts to generate our desired profit;

- difficulties in integrating acquired businesses;

- our ability to maintain technology systems and otherwise protect confidential or protected information;

- our ability to attract and retain executive officers, senior managers and other qualified personnel to execute our business;

- our ability to manage contract expenditures incurred before receiving related contract payments;

- 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;

- the outcome of reviews or audits, which might result in financial penalties and reduce our ability to respond to invitations for new work;

- a failure to comply with laws governing our business, which might result in the Company being subject to fines, penalties and other sanctions;

- the costs and outcome of litigation;

- matters related to business we disposed of or divested; and

- other factors set forth in Exhibit 99.1, under the caption "Special Considerations and Risk Factors," in our

- Annual Report on Form 10-K for the year ended September 30, 2016, which was filed with the Securities and Exchange Commission on November 21, 2016.

As a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. Additionally, we caution investors not to place undue reliance on any forward-looking statements as these statements speak only as of the date when made. Except as otherwise required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether resulting from new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

MAXIMUS, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	December 31,	
	2016	2015
Revenue	\$607,564	\$556,722
Cost of revenue	462,746	446,507
Gross profit	144,818	110,215
Selling, general and administrative expenses	65,398	64,234
Amortization of intangible assets	3,402	3,149
Restructuring costs	2,242	—
Acquisition expenses	—	46
Operating income	73,776	42,786
Interest expense	849	989
Other income, net	263	1,131
Income before income taxes	73,190	42,928
Provision for income taxes	26,861	16,046
Net income	46,329	26,882
(Loss)/income attributable to noncontrolling interests	(335) 273
Net income attributable to MAXIMUS	\$46,664	\$26,609
Basic earnings per share attributable to MAXIMUS	\$0.71	\$0.40
Diluted earnings per share attributable to MAXIMUS	\$0.71	\$0.40
Dividends paid per share	\$0.045	\$0.045
Weighted average shares outstanding:		
Basic	65,770	65,954
Diluted	66,020	66,288

See notes to unaudited consolidated financial statements.

MAXIMUS, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	Three Months Ended December 31,	
	2016	2015
Net income	\$46,329	\$26,882
Foreign currency translation adjustments	(9,694)	(2,159)
Interest rate hedge, net of income taxes of \$8 and \$25	12	37
Comprehensive income	36,647	24,760
Comprehensive (loss)/income attributable to noncontrolling interests	(335)	273
Comprehensive income attributable to MAXIMUS	\$36,982	\$24,487
See notes to unaudited consolidated financial statements.		

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

	December 31, 2016 (unaudited)	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 69,767	\$ 66,199
Accounts receivable — billed and billable, net of reserves of \$4,283 and \$4,226	426,372	444,357
Accounts receivable — unbilled	38,431	36,433
Income taxes receivable	1,759	17,273
Prepaid expenses and other current assets	51,126	56,718
Total current assets	587,455	620,980
Property and equipment, net	121,799	131,569
Capitalized software, net	28,172	30,139
Goodwill	393,480	397,558
Intangible assets, net	104,809	109,027
Deferred contract costs, net	17,805	