

MAXIMUS INC
Form 10-Q
August 09, 2013
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**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 June 30, 2013

Commission File Number: 1-12997

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1000588
(I.R.S. Employer
Identification No.)

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

20190
(Zip Code)

(703) 251-8500

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(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
(Do not check if smaller reporting company)

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 July 31, 2013, there were 68,192,354 shares of the registrant's common stock (no par value) outstanding.

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MAXIMUS, Inc.

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2013

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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 our company, 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, and similar expressions 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 on our part to comply with federal, state or local laws governing our business, which might result in us being subject to fines, penalties and other sanctions;
- a failure to meet performance requirements in our contracts, which might lead to contract termination and liquidated damages;
- the outcome of reviews or audits by federal, state and local governments, which might result in financial penalties and reduce our ability to respond to invitations for new work;
- matters related to businesses we have disposed of, discontinued or divested;
- other factors set forth in Exhibit 99.1 of our Annual Report on Form 10-K for the year ended September 30, 2012, filed with the Securities and Exchange Commission on November 16, 2012.

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.

Table of Contents**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 June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 334,323	\$ 266,353	\$ 946,940	\$ 749,408
Cost of revenue	239,763	187,652	678,406	546,094
Gross profit	94,560	78,701	268,534	203,314
Selling, general and administrative expenses	49,181	43,877	138,096	114,592
Acquisition-related expenses	1,174	1,877	1,500	2,110
Legal and settlement expenses/(recoveries), net	(182)	(352)	(202)	(990)
Operating income from continuing operations	44,387	33,299	129,140	87,602
Interest and other income, net	701	1,164	2,444	3,092
Income from continuing operations before income taxes	45,088	34,463	131,584	90,694
Provision for income taxes	17,052	13,987	50,051	38,349
Income from continuing operations	28,036	20,476	81,533	52,345
Discontinued operations, net of income taxes:				
Loss from discontinued operations	(3)		(597)	
Gain on disposal	67	9	169	117
Income (loss) from discontinued operations	64	9	(428)	117
Net income	\$ 28,100	\$ 20,485	\$ 81,105	\$ 52,462
Basic earnings (loss) per share:				
Income from continuing operations	\$ 0.41	\$ 0.30	\$ 1.20	\$ 0.77
Income (loss) from discontinued operations			(0.01)	0.01
Basic earnings per share	\$ 0.41	\$ 0.30	\$ 1.19	\$ 0.78
Diluted earnings (loss) per share:				
Income from continuing operations	\$ 0.40	\$ 0.29	\$ 1.17	\$ 0.75
Income (loss) from discontinued operations			(0.01)	0.01
Diluted earnings per share	\$ 0.40	\$ 0.29	\$ 1.16	\$ 0.76
Dividends paid per share	\$ 0.045	\$ 0.045	\$ 0.135	\$ 0.135
Weighted average shares outstanding:				
Basic	68,162	67,946	68,168	67,615

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Diluted	69,867	69,736	69,864	69,440
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See accompanying notes to unaudited consolidated financial statements.

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MAXIMUS, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	Three months Ended June 30,		Nine months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 28,100	\$ 20,485	\$ 81,105	\$ 52,462
Foreign currency translation adjustments	(18,454)	(4,120)	(20,022)	3,469
Comprehensive income	\$ 9,646	\$ 16,365	\$ 61,083	\$ 55,931

See accompanying notes to unaudited consolidated financial statements.

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MAXIMUS, Inc.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	June 30, 2013 (unaudited)	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 187,911	\$ 189,312
Restricted cash	12,313	11,593
Accounts receivable billed, net of reserves of \$3,293 and \$3,975	221,319	172,705
Accounts receivable unbilled	16,329	10,539
Prepaid income taxes	3,359	3,800
Deferred income taxes	25,183	22,207
Prepaid expenses and other current assets	36,466	38,528
Total current assets	502,880	448,684
Property and equipment, net	63,371	58,798
Capitalized software, net	36,106	27,390
Goodwill	109,295	112,032
Intangible assets, net	21,596	25,330
Deferred contract costs, net	11,695	9,284
Deferred income taxes	1,167	1,369
Deferred compensation plan assets	9,768	9,220
Other assets, net	3,180	3,186
Total assets	\$ 759,058	\$ 695,293
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 87,689	\$ 73,128
Accrued compensation and benefits	55,052	56,105
Deferred revenue	66,009	60,026
Current portion of long-term debt	167	178
Income taxes payable	8,537	3,100
Other liabilities	8,715	6,599
Total current liabilities	226,169	199,136
Deferred revenue, less current portion	7,939	19,550
Long-term debt	1,333	1,558
Acquisition-related contingent consideration, less current portion	380	406
Income taxes payable, less current portion	1,460	1,412
Deferred income taxes	16,711	10,384
Deferred compensation plan liabilities, less current portion	14,093	11,741
Total liabilities	268,085	244,187
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized; 67,981 and 67,970 shares issued and outstanding at June 30, 2013 and September 30, 2012, at stated amount, respectively	411,444	395,967
Accumulated other comprehensive income	218	20,240
Retained earnings	79,311	34,899
Total shareholders' equity	490,973	451,106
Total liabilities and shareholders' equity	\$ 759,058	\$ 695,293

See accompanying notes to unaudited consolidated financial statements.

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MAXIMUS, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 81,105	\$ 52,462
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations	428	(117)
Depreciation and amortization	25,763	18,513
Deferred income taxes	3,030	(4,628)
Non-cash equity based compensation	10,708	8,841
Change in assets and liabilities:		
Accounts receivable billed	(50,072)	7,084
Accounts receivable unbilled	(5,921)	