

MAXIMUS INC
Form 8-K
August 05, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: August 5, 2008

Date of Earliest Event Reported: August 5, 2008

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-12997
(Commission
File Number)

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

11419 Sunset Hills Road,
Reston, Virginia
(Address of principal executive offices)

20190-5207
(Zip Code)

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

Not Applicable

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01 Other Events.

On April 30, 2008, the Company completed the divestiture of its Security Solutions division which was previously reported as part of its Systems Segment. On May 2, 2008, the Company completed the sale of its Unison MAXIMUS, Inc. subsidiary which was previously reported as part of its Consulting Segment. Beginning in the third quarter of fiscal 2008, the Company will classify the results of operations of these business units as discontinued operations.

We are filing this Current Report on Form 8-K on August 5, 2008, to reclassify prior periods financial information to conform to discontinued operations reporting. The reclassifications have no impact on the previously reported consolidated net income or cash flows of the Company. This information is being provided for informational purposes only.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAXIMUS, Inc.

Date: August 5, 2008

By:

/s/ David R. Francis
David R. Francis
General Counsel and Secretary

MAXIMUS, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

| | FISCAL YEAR 2007 | | | | FISCAL YEAR 2008 | |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Dec. 31, 2006 | Mar. 31, 2007 | Jun. 30, 2007 | Sept. 30, 2007 | Dec. 31, 2007 | Mar. 31, 2008 |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 21,964 | \$ 42,871 | \$ 91,105 | \$ 70,472 | \$ 62,279 | \$ 63,420 |
| Marketable securities | 141,811 | 134,409 | 123,737 | 126,210 | 50 | |
| Restricted cash | 312 | 324 | 323 | 325 | 325 | 327 |
| Accounts receivable billed | 122,672 | 122,179 | 116,397 | 127,288 | 114,489 | 118,344 |
| Accounts receivable unbilled | 38,583 | 37,999 | 38,967 | 40,912 | 48,729 | 51,126 |
| Income taxes receivable | 11,018 | 3,678 | 3,598 | | | 6,307 |
| Deferred income taxes | 10,690 | 13,704 | 13,932 | 17,409 | 11,267 | 9,490 |
| Prepaid expenses and other current assets | 8,415 | 8,512 | 6,827 | 9,067 | 7,600 | 9,328 |
| Current assets of discontinued operations | 5,689 | 5,669 | 5,465 | 7,054 | 5,908 | 5,620 |
| Total current assets | 361,154 | 369,345 | 400,351 | 398,737 | 250,647 | 263,962 |
| Property and equipment, at cost | 71,000 | 73,314 | 76,462 | 82,248 | 84,755 | 86,129 |
| Less accumulated depreciation and amortization | (38,334) | (40,792) | (43,569) | (46,592) | (49,436) | (52,068) |
| Property and equipment, net | 32,666 | 32,522 | 32,893 | 35,656 | 35,319 | 34,061 |
| Capitalized software | 57,083 | 58,265 | 59,728 | 61,191 | 62,741 | 64,399 |
| Less accumulated amortization | (25,387) | (27,441) | (29,633) | (31,651) | (33,435) | (35,216) |
| Capitalized software, net | 31,696 | 30,824 | 30,095 | 29,540 | 29,306 | 29,183 |
| Deferred contract costs, net | 9,758 | 8,482 | 8,368 | 8,116 | 7,712 | 6,273 |
| Goodwill | 83,509 | 83,509 | 83,576 | 83,576 | 83,576 | 83,576 |
| Intangible assets, net | 4,892 | 4,444 | 3,994 | 3,603 | 3,201 | 2,827 |
| Other assets, net | 3,304 | 3,037 | 2,628 | 2,418 | 3,483 | 3,540 |
| Noncurrent assets of discontinued operations | 2,434 | 2,636 | 2,741 | 2,818 | 2,834 | 2,847 |
| Total assets | \$ 529,413 | \$ 534,799 | \$ 564,646 | \$ 564,464 | \$ 416,078 | \$ 426,269 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 41,675 | \$ 48,667 | \$ 47,701 | \$ 50,870 | \$ 49,264 | \$ 50,145 |
| Accrued compensation and benefits | 21,559 | 23,367 | 26,968 | 28,360 | 25,217 | 27,797 |
| Current portion of deferred revenue | 48,032 | 41,269 | 44,843 | 38,404 | 37,361 | 33,078 |
| Current portion of income taxes payable | | | | 5,487 | 1,422 | |
| Current portion of capital lease obligations | 1,707 | 1,594 | 1,742 | 1,627 | 1,643 | 1,238 |
| Other accrued liabilities | 1,071 | 796 | 31,786 | 1,387 | 983 | 996 |
| Current liabilities of discontinued operations | 3,571 | 4,434 | 4,020 | 5,457 | 4,101 | 3,914 |
| Total current liabilities | 117,615 | 120,127 | 157,060 | 131,592 | 119,991 | 117,168 |
| Capital lease obligations, less current portion | 1,643 | 1,239 | 698 | 417 | | |
| Deferred revenue, less current portion | | | | 10,143 | 10,213 | 9,361 |
| Income taxes payable, less current portion | | | | | 2,106 | 2,109 |
| Deferred income taxes | 13,692 | 13,874 | 11,754 | 12,912 | 11,202 | 12,752 |

Not Applicable

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| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Total liabilities | 132,950 | 135,240 | 169,512 | 155,064 | 143,512 | 141,390 |
| Shareholders' equity: | | | | | | |
| Common stock | 283,887 | 286,566 | 298,122 | 299,846 | 305,398 | 309,450 |
| Treasury stock | (124,637) | (124,637) | (124,637) | (124,637) | (275,025) | (275,025) |
| Accumulated other comprehensive income | 300 | 528 | 1,138 | 1,730 | 1,603 | 2,089 |
| Retained earnings | 236,913 | 237,102 | 220,511 | 232,461 | 240,590 | 248,365 |
| Total shareholders' equity | 396,463 | 399,559 | 395,134 | 409,400 | 272,566 | 284,879 |
| Total liabilities and shareholders' equity | \$ 529,413 | \$ 534,799 | \$ 564,646 | \$ 564,464 | \$ 416,078 | \$ 426,269 |

MAXIMUS, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

(Unaudited)

| | Dec. 31, 2006 | Quarter Ended Mar. 31, 2007 | Quarter Ended Jun. 30, 2007 | Sept. 30, 2007 | Year Ended Sept. 30, 2007 | Quarter Ended Dec. 31, 2007 | Quarter Ended Mar. 31, 2008 | Six Months Ended Mar. 31, 2008 |
|---|------------------|-----------------------------------|-----------------------------------|-------------------|------------------------------------|-----------------------------------|-----------------------------------|---|
| Revenue | \$ 154,585 | \$ 172,600 | \$ 189,673 | \$ 194,805 | \$ 711,663 | \$ 196,586 | \$ 204,410 | \$ 400,996 |
| Cost of revenue | 136,862 | 131,789 | 133,190 | 141,764 | 543,605 | 145,541 | 152,224 | 297,765 |
| Gross profit | 17,723 | 40,811 | 56,483 | 53,041 | 168,058 | 51,045 | 52,186 | 103,231 |
| Selling, general and administrative expenses | 33,199 | 33,072 | 34,127 | 30,008 | 130,406 | 35,141 | 36,001 | 71,142 |
| Gain on sale of building | | | | | | | | |
| Gain (gain adjustment) on sale of Corrections Services business | 684 | | (233) | | 451 | | | |
| Legal and settlement expense | 3,000 | 6,104 | 33,010 | 2,524 | 44,638 | | 931 | 931 |
| Income (loss) from operations | (17,792) | 1,635 | (10,887) | 20,509 | (6,535) | 15,904 | 15,254 | 31,158 |
| Interest and other income, net | 477 | 1,615 | 1,131 | 2,581 | 5,804 | 1,501 | 107 | 1,608 |
| Income (loss) before income taxes | (17,315) | 3,250 | (9,756) | 23,090 | (731) | 17,405 | 15,361 | 32,766 |
| Provision (benefit) for income taxes | (6,254) | 1,302 | 5,074 | 9,731 | 9,853 | 7,159 | 6,056 | 13,215 |
| Income (loss) from continuing operations | (11,061) | 1,948 | (14,830) | 13,359 | (10,584) | 10,246 | 9,305 | 19,551 |
| Discontinued operations, net of income taxes: | | | | | | | | |
| Income from discontinued operations | 666 | 414 | 439 | 810 | 2,329 | 359 | 322 | 681 |
| Gain on disposal | | | | | | | | |
| Income from discontinued operations | 666 | 414 | 439 | 810 | 2,329 | 359 | 322 | 681 |
| Net income (loss) | \$ (10,395) | \$ 2,362 | \$ (14,391) | \$ 14,169 | \$ (8,255) | \$ 10,605 | \$ 9,627 | \$ 20,232 |
| Basic earnings (loss) per share: | | | | | | | | |
| Income (loss) from continuing operations | \$ (0.51) | \$ 0.09 | \$ (0.67) | \$ 0.60 | \$ (0.48) | \$ 0.50 | \$ 0.50 | \$ 1.00 |
| Income from discontinued operations | 0.03 | 0.02 | 0.02 | 0.04 | 0.10 | 0.02 | 0.02 | 0.04 |
| Basic earnings (loss) per share | \$ (0.48) | \$ 0.11 | \$ (0.65) | \$ 0.64 | \$ (0.38) | \$ 0.52 | \$ 0.52 | \$ 1.04 |
| Diluted earnings (loss) per share: | | | | | | | | |
| Income (loss) from continuing operations | \$ (0.51) | \$ 0.09 | \$ (0.67) | \$ 0.59 | \$ (0.48) | \$ 0.49 | \$ 0.50 | \$ 0.99 |
| Income from discontinued operations | 0.03 | 0.02 | 0.02 | 0.04 | 0.10 | 0.02 | 0.01 | 0.03 |
| Diluted earnings (loss) per share | \$ (0.48) | \$ 0.11 | \$ (0.65) | \$ 0.63 | \$ (0.38) | \$ 0.51 | \$ 0.51 | \$ 1.02 |
| Dividends per share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.40 | \$ 0.10 | \$ 0.10 | \$ 0.20 |
| Weighted average shares outstanding: | | | | | | | | |
| Basic | 21,590 | 21,714 | 21,998 | 22,177 | 21,870 | 20,506 | 18,537 | 19,527 |
| Diluted | 21,590 | 21,972 | 21,998 | 22,554 | 21,870 | 20,854 | 18,763 | 19,803 |

MAXIMUS, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

| | Dec. 31, 2006 | Quarter Ended | | Sept. 30, 2007 | Year Ended Sept. 30, 2007 | Quarter Ended | | Six Months Ended |
|---|------------------|------------------|------------------|-------------------|------------------------------------|------------------|------------------|---------------------|
| | | Mar. 31, 2007 | Jun. 30, 2007 | | | Dec. 31, 2007 | Mar. 31, 2008 | Mar. 31, 2008 |
| Cash flows from operating activities: | | | | | | | | |
| Net income (loss) | \$ (10,395) | \$ 2,362 | \$ (14,391) | \$ 14,169 | \$ (8,255) | \$ 10,605 | \$ 9,627 | \$ 20,232 |
| Adjust to reconcile net income to net cash provided by operating activities: | | | | | | | | |
| Income from discontinued operations | (666) | (414) | (439) | (810) | (2,329) | (359) | (322) | (681) |
| Depreciation | 2,272 | 2,458 | 2,778 | 3,095 | 10,603 | 2,844 | 2,633 | 5,477 |
| Amortization | 2,769 | 2,502 | 2,641 | 2,410 | 10,322 | 2,185 | 2,156 | 4,341 |
| Deferred income taxes | (5,098) | (2,832) | (2,347) | (2,321) | (12,598) | 4,195 | 3,327 | 7,522 |
| Gain on sale of Corrections Services business | (684) | | 233 | | (451) | | | |
| Non-cash equity based compensation | 1,020 | 381 | 807 | 1,621 | 3,829 | 3,600 | 2,154 | 5,754 |
| Change in assets and liabilities, net of effects from divestitures: | | | | | | | | |
| Accounts receivable billed | 23,686 | (13) | 5,783 | (10,891) | 18,565 | 12,799 | (3,855) | 8,944 |
| Accounts receivable unbilled | 5,884 | 585 | (968) | (1,944) | 3,557 | (7,817) | (2,398) | (10,215) |
| Prepaid expenses and other current assets | (155) | (97) | 1,685 | (2,240) | (807) | 1,467 | (1,728) | (261) |
| Deferred contract costs | 1,407 | 1,276 | 114 | 252 | 3,049 | 404 | 1,439 | 1,843 |
| Other assets | 1,892 | 496 | 1,020 | 960 | 4,368 | 104 | 178 | 282 |
| Accounts payable | (8,378) | 6,992 | (966) | 3,169 | 817 | (1,606) | 882 | (724) |
| Accrued compensation and benefits | (1,839) | 1,808 | 3,601 | 1,392 | 4,962 | (3,144) | 2,580 | (564) |
| Deferred revenue | (5,524) | (6,763) | 3,574 | 3,703 | (5,010) | (972) | (5,136) | (6,108) |
| Income taxes | (2,015) | 7,340 | 80 | 9,085 | 14,490 | (3,141) | (7,966) | (11,107) |
| Other liabilities | 867 | (289) | 30,991 | (30,402) | 1,167 | (530) | 498 | (32) |
| Cash provided by (used in) operating activities continuing operations | 5,043 | 15,792 | 34,196 | (8,752) | 46,279 | 20,634 | 4,069 | 24,703 |
| Cash provided by operating activities discontinued operations | 2,583 | 1,610 | 123 | 595 | 4,911 | 155 | 435 | 590 |
| Cash provided by (used in) operating activities | 7,626 | 17,402 | 34,319 | (8,157) | 51,190 | 20,789 | 4,504 | 25,293 |
| Cash flows from investing activities: | | | | | | | | |
| Proceeds from sale of Corrections Services business, net of transaction costs | 2,171 | | (300) | | 1,871 | | | |
| Purchases of property and equipment | (1,914) | (2,315) | (3,148) | (6,020) | (13,397) | (2,509) | (1,373) | (3,882) |
| Capitalized software costs | (304) | (1,181) | (1,464) | (1,463) | (4,412) | (1,550) | (1,659) | (3,209) |
| (Increase) decrease in marketable securities | (24,496) | 7,402 | 10,672 | (2,473) | (8,895) | 126,160 | 50 | 126,210 |
| Cash provided by (used in) investing activities continuing operations | (24,543) | 3,906 | 5,760 | (9,956) | (24,833) | 122,101 | (2,982) | 119,119 |
| Cash (used in) investing activities discontinued operations | (4) | (9) | | (8) | (21) | (24) | (23) | (47) |
| Cash provided by (used in) investing activities | (24,547) | 3,897 | 5,760 | (9,964) | (24,854) | 122,077 | (3,005) | 119,072 |
| Cash flows from financing activities: | | | | | | | | |
| Employee stock transactions | 1,526 | 1,892 | 8,389 | 1,146 | 12,953 | 1,655 | 1,619 | 3,274 |
| Repurchases of common stock | | | | | | (150,388) | | (150,388) |
| Payments on capital lease obligations | (384) | (517) | (393) | (396) | (1,690) | (401) | (404) | (805) |
| Tax benefit due to option exercises and restricted stock units vesting | 357 | 405 | 2,359 | (1,043) | 2,078 | 297 | 279 | 576 |

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| | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cash dividends paid | (2,159) | (2,172) | (2,200) | (2,219) | (8,750) | (2,222) | (1,852) | (4,074) |
| Cash provided by (used in) financing activities continuing operations | (660) | (392) | 8,155 | (2,512) | 4,591 | (151,059) | (358) | (151,417) |
| Cash provided by (used in) financing activities discontinued operations | | | | | | | | |
| Cash provided by (used in) financing activities | (660) | (392) | 8,155 | (2,512) | 4,591 | (151,059) | (358) | (151,417) |
| Net increase (decrease) in cash and cash equivalents | (17,581) | 20,907 | 48,234 | (20,633) | 30,927 | (8,193) | 1,141 | (7,052) |
| Cash and cash equivalents, beginning of period | 39,545 | 21,964 | 42,871 | 91,105 | 39,545 | 70,472 | 62,279 | 70,472 |
| Cash and cash equivalents, end of period | \$ 21,964 | \$ 42,871 | \$ 91,105 | \$ 70,472 | \$ 70,472 | \$ 62,279 | \$ 63,420 | \$ 63,420 |

MAXIMUS, Inc.

Segment Information

(Dollars in thousands)

(Unaudited)

| | Dec. 31, 2006 | Quarter Ended | | Sept. 30, 2007 | Year Ended Sept. 30, 2007 | Quarter Ended | | Six Months Ended Mar. 31, 2008 |
|--|--------------------|------------------|--------------------|-------------------|------------------------------------|------------------|------------------|---|
| | | Mar. 31, 2007 | Jun. 30, 2007 | | | Dec. 31, 2007 | Mar. 31, 2008 | |
| Revenue: | | | | | | | | |
| Consulting | \$ 20,800 | \$ 19,606 | \$ 19,218 | \$ 18,678 | \$ 78,302 | \$ 18,628 | \$ 16,882 | \$ 35,510 |
| Systems | 30,955 | 31,603 | 30,178 | 33,139 | 125,875 | 31,151 | 26,546 | 57,697 |
| Operations | 102,830 | 121,391 | 140,277 | 142,988 | 507,486 | 146,807 | 160,982 | 307,789 |
| Total | 154,585 | 172,600 | 189,673 | 194,805 | 711,663 | 196,586 | 204,410 | 400,996 |
| Gross Profit: | | | | | | | | |
| Consulting | 9,305 | 8,194 | 8,916 | 6,030 | 32,445 | 7,295 | 6,001 | 13,296 |
| Systems | 7,373 | 8,716 | 7,207 | 9,431 | 32,727 | 8,193 | 4,019 | 12,212 |
| Operations | 1,045 | 23,901 | 40,360 | 37,580 | 102,886 | 35,557 | 42,166 | 77,723 |
| Total | 17,723 | 40,811 | 56,483 | 53,041 | 168,058 | 51,045 | 52,186 | 103,231 |
| Selling, General, and Administrative expense: | | | | | | | | |
| Consulting | 7,367 | 7,486 | 7,324 | 6,137 | 28,314 | 6,849 | 7,036 | 13,885 |
| Systems | 9,242 | 9,046 | 11,117 | 9,721 | 39,126 | 11,298 | 10,407 | 21,705 |
| Operations | 17,041 | 16,781 | 15,794 | 13,954 | 63,570 | 16,764 | 18,465 | 35,229 |
| Corporate/Other | (451) | (241) | (108) | 196 | (604) | 230 | 93 | 323 |
| Total | 33,199 | 33,072 | 34,127 | 30,008 | 130,406 | 35,141 | 36,001 | 71,142 |
| Income (loss) from Operations: | | | | | | | | |
| Consulting | 1,938 | 708 | 1,592 | (107) | 4,131 | 446 | (1,035) | (589) |
| Systems | (1,869) | (330) | (3,910) | (290) | (6,399) | (3,105) | (6,388) | (9,493) |
| Operations | (15,996) | 7,120 | 24,566 | 23,626 | 39,316 | 18,793 | 23,701 | 42,494 |
| Consolidating adjustments | 451 | 241 | 108 | (196) | 604 | (230) | (93) | (323) |
| Gain (gain adjustment) on sale of Corrections Services business | | | | | | | | |
| | 684 | | (233) | | 451 | | | |
| Legal and settlement expense | (3,000) | (6,104) | (33,010) | (2,524) | (44,638) | | (931) | (931) |
| Total | \$ (17,792) | \$ 1,635 | \$ (10,887) | \$ 20,509 | \$ (6,535) | \$ 15,904 | \$ 15,254 | \$ 31,158 |