



# Human Services Without Walls

(prōv'ē dens) - the exercise of foresight and care for the future

## PROVIDENCE SERVICE CORPORATION

### Investor Relations

[Overview](#)
[Management and Directors](#)
[Stock information](#)
[Estimates](#)
[SEC filings](#)
[Annual & Quarterly Reports](#)
[Analyst Coverage](#)
[Press Releases](#)
[Investor FAQs](#)
[Event Calendar](#)
[E-mail alerts](#)
[Information Request](#)

### Corporate Policies and Procedures

[Corporate Governance](#)
[Corporate Ethics Program](#)
[Code of Conduct and Ethics](#)
[Whistleblower Policy](#)
[Home](#)

### Press Release

[<< Back](#)

#### Providence Service Corporation Signs Definitive Agreement to Acquire LogistiCare, the Nation's Leading Case Management Provider Coordinating Non-Emergency Transportation Services for the Medicaid Population

**Acquisition Highlights: - Compelling strategic rationale that allows the combined company to better serve beneficiaries and state payor customers - LogistiCare LTM September 2007 revenue of \$319 million - 75 contracts in 18 states; 8,310,000 eligible members - Strong and growing 2008 contract pipeline of \$165 million - Accretive to EPS in 2008 by approximately \$0.06 to \$0.10 before synergies - Forecast 2008 revenue of \$363 million for a combined revenue of \$673 million**

TUCSON, Ariz., Nov 06, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- The Providence Service Corporation (Nasdaq: PRSC) today announced that it has signed a definitive merger agreement to acquire 100% of the outstanding stock of Charter LCI Corporation, the holding company of LogistiCare, Inc., from Charterhouse Group Inc., Summit Partners and AlpInvest Partners, Inc. Based in Atlanta, Georgia, LogistiCare is the nation's largest case management provider coordinating non-emergency transportation (NET) services primarily to Medicaid recipients. The transaction is expected to close prior to the end of the calendar year, subject to the satisfaction of customary closing conditions, including Hart-Scott-Rodino clearance.

#### Financial Considerations

The purchase price of approximately \$220 million is roughly 9x estimated 2007 EBITDA. The \$220 million purchase price consists primarily of cash with approximately \$13.9 million in LogistiCare employee stock options that are being cancelled and exchanged into Providence Service Corporation common stock. In addition, Providence may make an earn out payment of up to \$40 million in 2009, based on LogistiCare's financial performance through fiscal year December 31, 2008. Over the trailing 12 months ended September 30, 2007, LogistiCare had revenue of \$319 million. The transaction is expected to be accretive to Providence's 2008 earnings per share by approximately \$0.06 to \$0.10 after \$22 million of debt service and before any anticipated benefits of combining operating activities.

The purchase price is expected to be paid with funds drawn down on new credit facilities and proceeds received from the private placement of 6.5% per annum Convertible Senior Subordinated Notes due 2014. Funding for the acquisition has been committed to by CIT Capital Securities LLC

through \$253 million in senior secured credit facilities that include a \$40 million revolver, a \$173 million senior secured first lien term loan and a \$40 million delayed draw term loan made available to settle the earn out if needed.

Projections call for the combined company to generate significant free cash flow to rapidly deleverage the balance sheet and grow earnings per share.

In accordance with NASDAQ Marketplace rule 4350(i)(1)(D), Providence intends to seek stockholder approval to settle up to half of the earn out in shares of Providence common stock if the sellers elect to receive a portion of the earn out in shares of Providence common stock. At the same time Providence intends to seek stockholder approval to increase the number of shares under its 2006 Long Term Incentive Plan since the shares under the Plan will be exhausted to satisfy the cancellation of options of LogistiCare employees.

#### Strategic Fit

The combined company is estimated to have revenue of approximately \$673 million in 2008, with contribution of \$363 million from LogistiCare and \$310 million from Providence. These 2008 projections are before any unannounced contract wins or additional acquisitions. The combined company will provide a range of services to approximately 210,000 clients through approximately 900 contracts and will have a nearly \$1 billion book of business with managed entities with the potential to serve over 8 million eligible members. LogistiCare's top six executives have all committed to Providence employment and lock up agreements.

"Transportation has always been a critical issue for our clients," said Fletcher McCusker, Chairman and CEO of Providence. "In order for our clients to manage their way out of welfare they need access to various resources within the community. LogistiCare already serves the medical transportation needs of many of our clients as we share much of the same geographic coverage area. Both companies are non-asset intensive solution providers with unique understandings of the challenges faced by the Medicaid population and we see significant synergies between the two companies to provide a greater continuum of care. We also see an opportunity to expand Providence's services through the use of LogistiCare's call centers and to share IT and accounting systems."

John Shermyen, CEO of LogistiCare commented, "We are the leader in providing the non-emergency transportation benefit to Medicaid clients, with opportunities to expand into Medicare. As a service business, our investments are in technology, training and employees, not transportation assets. Currently we arrange for over one million trips per month to medically necessary services and our credentialed network of transportation providers contract with us to provide a full range of transportation alternatives. Our business model provides budget predictability to our payers and enhanced quality and access for our clients."

Mr. McCusker added, "We view the combined company as a powerful and effective solution provider to Medicaid beneficiaries. Mobility management and in home intervention are two key drivers to keeping clients active, to improve clinical outcomes and contain costs. This is an extremely exciting

opportunity for both companies to expand our respective services to our core populations."

Under the Medicaid NET benefit, recipients who meet certain criteria are entitled to free transportation to covered medical services. Current spending on Medicaid NET services is approximately \$2.8 billion annually and spending is projected to increase by 10% per year.

Morgan Stanley and CIT Capital Securities LLC served as co-advisors to Providence on the transaction. RBC Capital Markets acted as Sole Placement Agent for the senior unsecured convertible notes.

#### Guidance

Providence is expected to segment report the NET division, currently estimated to generate \$363 million of revenue, creating approximately an additional \$0.06 to \$0.10 of earnings per share. This is based on a revised share count of 14,800,000 after considering the convertible shares as converted and canceling over approximately 430,000 of LogistiCare management options in exchange for Providence common stock. Combined EPS for 2008 is estimated at \$1.45 to \$1.50 compared to guidance of \$1.38 to \$1.40 without LogistiCare. Including the acquisition of LogistiCare, the combined company is estimated to have revenue of approximately \$673 million in 2008. The acquisition is not expected to materially impact current 2007 EPS guidance of \$1.17-1.19. Providence will provide quarterly guidance early in 2008 after the January contracting cycle.

#### Conference Call

Providence will hold a conference call to discuss the acquisition and its third quarter earnings at 11:00 a.m. EST (9:00 a.m. Arizona and MST, 8:00 a.m. PST) on Wednesday, November 7, 2007. Interested parties are invited to listen to the call live over the Internet at <http://investor.provcorp.com> or <http://www.earnings.com>. The call is also available by dialing (866) 356- 3377, or for international callers (617) 597-5392 and by using the passcode 31969599. A replay of the teleconference will be available on <http://investor.provcorp.com> and <http://www.earnings.com>. A replay will also be available until November 14, 2007 by dialing (888) 286-8010 or (617) 801- 6888, and using passcode 25466512.

#### About LogistiCare

LogistiCare is the nation's leading non-emergency transportation management solution, primarily for Medicaid beneficiaries. Proprietary software, innovative ride authorization strategies and a proven record of creating budget stability and program integrity distinguish LogistiCare as the leader in improving non-emergency transportation programs. From its corporate office in Atlanta and numerous state-based locations nationwide, LogistiCare manages a national network of more than 1,200 transportation companies that provide more than 13 million trips to customers annually. LogistiCare's clients include state Medicaid agencies, school boards, transit authorities, hospital systems and many of the nation's largest managed care organizations. For more information, visit [www.logisticare.com](http://www.logisticare.com).

### About Charterhouse Group

Charterhouse Group, Inc. is a private equity firm based in New York City that has been active for over three decades partnering with entrepreneurial management teams to create leading middle market companies. Established in 1973, Charterhouse has invested over \$2 billion in equity through several limited partnerships. Since its inception, Charterhouse has completed investments in over 100 platform companies with a focus in the Business Services, Healthcare Services and Consumer Products and Services sectors. For more information on Charterhouse, please visit [www.charterhousegroup.com](http://www.charterhousegroup.com).

### About Summit Partners

Summit Partners ([www.summitpartners.com](http://www.summitpartners.com)) is a private equity and venture capital firm with offices in Boston, Palo Alto, and London. Founded in 1984, the firm has raised nearly \$9 billion in capital in its private equity, venture capital, and subordinated debt funds. Summit Partners has provided growth equity, recapitalization, and management buyout financing to more than 290 companies, which have completed nearly 125 public offerings and in excess of 105 strategic mergers or sales. Summit Partners seeks to work with outstanding management teams that have self-financed their companies to profitability and market leadership.

### About AlInvest Partners N.V.

AlInvest Partners is one of the largest private equity investors in the world with approximately EUR 40 billion of assets under management. Approximately 80% of these funds are invested by AlInvest Partners in private equity funds globally through primary commitments and secondary transactions, with the remainder invested directly in companies as a co-investor in Europe, the United States and Asia. AlInvest Partners has over 60 investment professionals based in Amsterdam, London, New York and Hong Kong. Its shareholders are ABP and PGGM, two of the largest pension funds in the world, with respectively EUR 215 billion and EUR 85 billion of assets under management (as per June 2007). To learn more about AlInvest Partners visit [www.alinvest.com](http://www.alinvest.com)

### About Providence

Providence Service Corporation, through its owned and managed entities, provides home and community based social services to government sponsored clients under programs such as welfare, juvenile justice, Medicaid and corrections. Providence operates no beds, treatment facilities, hospitals, or group homes preferring to provide services in the client's own home or other community setting. Through its owned and managed entities, Providence maintains 773 government contracts in 35 states and the District of Columbia as of September 30, 2007.

Certain statements herein, such as any statements about Providence's confidence or strategies or its expectations about revenues, results of operations, profitability, earnings per share, contracts, collections, award of contracts, acquisitions and related growth, growth resulting from initiatives in certain states, effective tax rate or market opportunities, constitute "forward-looking statements" within the meaning of the private Securities Litigation Reform Act of 1995. Such forward-looking statements

involve a number of known and unknown risks, uncertainties and other factors which may cause Providence's actual results or achievements to be materially different from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, reliance on government-funded contracts, risks associated with government contracting, risks involved in managing government business, legislative or policy changes, challenges resulting from growth or acquisitions, adverse media and legal, economic and other risks detailed in Providence's filings with the Securities and Exchange Commission. Words such as "believe," "demonstrate," "expect," "estimate," "anticipate," "should" and "likely" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date the statement was made. Providence undertakes no obligation to update any forward-looking statement contained herein.

SOURCE Providence Service Corporation

<http://investor.provcorp.com>

[Home](#) | [Services Provided](#) | [Service Locations](#) | [Corporate Info](#) | [Investor Info](#) | [Secure Login](#) | [HIPAA Privacy](#)

© 2003 Providence Service Corporation. All rights reserved. [Terms and Conditions](#) [Site Privacy Policy](#)