



PROVIDENCE SERVICE CORPORATION

(prāv'e dens) - the exercise of foresight and care for the future

Human Services Without Walls

INVESTOR FACT SHEET - JUNE 2008

Providence Service Corporation, founded in 1996, is dedicated to providing and managing government sponsored social services within a highly fragmented industry. Benefiting from the growing trend for government privatization, Providence provides human services and non-emergency transportation management services directly to children, adolescents, young adults and families who are eligible for government assistance due to income level, emotional/educational disabilities or court order. Providence is unique in that it provides these services (welfare management, Medicaid client supervision, counseling, foster care and corrections) in the client's home or in community based settings versus institutional care. These services all typically generate significant savings for state and local government, a better quality of life for clients and an attractive return on investment for the Company. At March 31, 2008, the Company provided a range of services to over 80,000 clients, with an estimated 7 million individuals eligible to receive services related to its LogistiCare operations. Providence maintains 1,030 contracts in 36 states, the District of Columbia and British Columbia and is estimated to have a nearly \$1 billion book of business with managed entities.

Nasdaq: PRSC

Website: www.provcorp.com

Common Stock Price (06/04/08): \$26.93

52 Week Price Range: \$25.09 - \$33.50

Market Capitalization: \$328 Million

Shares Outstanding: 12.45 Million*

Price/Sales: 0.8x (according to Yahoo)

Diluted EPS 2007: \$1.19

Est. EPS and P/E 2008: \$1.45-1.50, 18.3x

LT Debt/Equity: 1.3x

information as of 3/31/08 except price data

* excluding treasury stock.

INVESTMENT SUMMARY

Privatization represents a growing portion of the multi-billion dollar market for government sponsored social services. In addition, more and more states are foregoing costly institutional facilities and moving the growing number of eligible recipients into the community where care is not only cheaper, but also more effective. With both a 100% contract retention rate and a successful hit rate with government purchasers, Providence has experienced strong double-digit growth. Through Providence's ability to create alternatives to institutional care and its acquisition of LogistiCare, revenues are anticipated to more than double in 2008 after growing 47% on a compound annual basis since 2002. The Company has also generated operating profits since 2001. Positive annual cash flow coupled with low capital requirements continues to generate an attractive return on investment. The recession resistant characteristics of the business and predictability of revenue round out the Company's investment appeals.

SIGNIFICANT MARKET OPPORTUNITY

Billions of dollars are budgeted to be spent annually by federal, state and local governments in the U.S. to provide social services. With the number of persons eligible for government funded social services increasing, due to income level, court order, or emotional/educational disability, states often find themselves struggling to fund these mandated services. As a result, more and more states are turning to non-institutional settings for the delivery of social services and moving patients into the community where care is not only cheaper but often more effective. State governments have also increased their privatization activities for the delivery of social services. Florida has mandated the privatization of its entire child welfare program. In California, it is estimated that \$800 million in new money will be generated to help fund mental health service programs from a tax on personal income levels in excess of \$1.0 million. Other states, including Texas, Pennsylvania, North Carolina and Massachusetts offer opportunities for growth as well.

INVESTMENT CONSIDERATIONS:

- ⇒ **Significant Market Opportunity for the Privatization and De-Institutionalization of Social Services.**
- ⇒ **Revenue Visibility as a Result of Customer Retention and Organic Sales Growth.**
- ⇒ **Economically Insulated.**
- ⇒ **Attractive Return on Investment Driven by Low Capital Requirements.**
- ⇒ **Experienced Management Team with Strong Government Agency Relationships and Proven Track Record.**

FOR ADDITIONAL INFORMATION CONTACT:

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Market Drivers (2006/2004 Data)*(Providence has less than 1% penetration)*

Eligible due to Income	38 Million
Eligible for Medicaid	50 Million
Adults on Parole	4.9 Million
Children Referred to CPS	4.5 Million
<i>(Child Protective Services)</i>	
Kids in Foster Care	550,000
Kids of High School Age	12 Million
<i>(35% fail to gain diploma)</i>	

*Source: The Providence Service Corp***REVENUE VISIBILITY AS A RESULT OF CUSTOMER RETENTION AND ORGANIC-SALES GROWTH**

Providence has 1,030 contracts serving over 80,000 clients (excluding LogistiCare) in 36 states, D.C. and British Columbia, both directly and through its managed entities as of March 31, 2008. The Company has an impressive contract retention rate of 100% as well as double-digit organic growth. By offering services across jurisdictional lines, it has been successful at expanding its range of services with its existing client base. This has meant stability and visibility with regard to revenue levels. Providence is also further driving revenue growth by expanding into select geographic markets, including Canada and by adding transportation services management.

ECONOMICALLY INSULATED

Importantly, social services are mandated by federal law and cannot be eliminated by states that receive federal funding, even during tough economic times. In fact, in an economic downturn, the number of eligible people qualifying for social services typically rises, putting additional pressure on already financially strained state governments. Since outsourcing to companies like Providence typically saves money, privatization of social services often increases when state budgets are tight. In addition, Providence has an advantage in that it does not need to own “beds” or “vehicles”. Therefore it is typically able to serve more clients at a lower cost. In one Texas county, by avoiding institutional care and providing services in the home and community for 30 families, Providence saved the county \$100 per person per day, or over \$1.0 million annually, in 1999. LogistiCare has provided cost savings that averaged 25% in the first year of a contract.

ATTRACTIVE RETURN ON INVESTMENT DRIVEN BY LOW CAPITAL REQUIREMENTS

By providing services in home and community-based settings versus institutions, Providence’s capital costs are much lower than many of its competitors, historically less than 1% of revenues annually. Start-up costs are also variable and include leasing office space, purchasing office equipment, and hiring personnel. This makes it easy to tailor costs and introduce services based on specific government initiatives without large capital

expenditures. Projects are easy to start up (or wind down) without the huge overhead, facility costs and occupancy issues that are associated with institutional care.

Providence’s overall EBIT margins are expected to run around 9% annually and should remain fairly consistent. Without the depreciation and amortization expenses of companies that have facilities, a start-up contract’s break-even typically occurs in as few as three to six months after commencement of services.

ATTRACTIVE FINANCIAL CHARACTERISTICS

Providence successfully completed its IPO on August 18, 2003, with an initial offering price of \$12.00. In April 2004 the Company completed a follow-on offering, raising an additional \$12.2 million, net of underwriting discounts and costs. In April 2006, the Company raised an additional \$59.6 million and issued 2.0 million shares in a follow-on offering, allowing it to pay down debt and provide cash for its acquisition strategy. While the December 2007 acquisition of LogistiCare (\$220 million) leveraged its balance sheet, limited capital requirements and the fact that LogistiCare is a negative net working capital business means free cash flow will be used to reduce the debt. Today, with a 10-year history, low capital costs due to its “Human Services without Walls” strategy, solid annual operating cash flow, of which 75% will be utilized to reduce debt, and a growing base of recurring revenue due to the nature of its contracts, Providence has attractive financial characteristics.

EXPERIENCED MANAGEMENT TEAM WITH STRONG GOVERNMENT AGENCY RELATIONSHIPS AND PROVEN TRACK RECORD

The Providence management team is comprised of individuals with significant experience as government executives, state agency officials and public company leaders. The senior management team of five has over 100 years of industry experience collectively. Beyond a lean corporate staff, the Company operates on a decentralized model, which means its network of providers are part of the local community and have extensive relationships with local government agencies – a key competitive advantage. Since its IPO and through 2007, Providence has made 20 strategic acquisitions and has a strong track record of integrating and growing these businesses. Recent acquisitions include LogistiCare, a workforce initiative business in Canada, the correctional services business of MAXIMUS and a home based tutoring company.

Business Strategy

- ⇒ Broaden service offerings through cross selling, including adding foster care home- and school-based services to existing management contracts.
- ⇒ Expand organically into new geographic markets.
- ⇒ Pursue strategic and accretive acquisitions to broaden service offerings, expand client base, gain local relationships and/or expand into new markets.

Financial Review

For the three months ended March 31, 2008, total revenue increased 187% to \$173.7 million from \$60.5 million in the prior year period. Home based revenue increased 32%, of which organic growth totaled 10%. Non-emergency transportation revenue was \$95.6 million in the quarter, with foster care and management fees contributing an additional \$12.2 million. Providence reported operating income of \$10.9 million and net income of \$3.7 million, or \$0.29 per diluted share, in the first quarter on 12.5 million shares outstanding. Net income included \$1.6 million attributable to management bonuses and \$350,000 of unanticipated audit costs, totaling \$0.09 per share. In the year ago quarter operating income was \$5.3 million and net income was \$3.3 million, or \$0.28 per diluted share, on 12.0 million shares in the prior year period.

For 2007, total revenue increased 49% to \$285.2 million from \$191.9 million in 2006. Management fees represented \$20.1 million and \$17.9 million of revenue, for 2007 and 2006 respectively, and managed entity revenue, which generated the management fees, was \$225.0 million and \$187.1 million, respectively. Home based revenue increased 42% and overall organic growth totaled 27%. Providence reported net income of \$14.4 million, or \$1.19 per diluted share, in 2007 on 11.9 million shares outstanding compared to \$9.4 million, or \$0.80 per diluted share, on 11.7 million shares in 2006. The Company repurchased 465,121 shares of common stock during the year.

At March 31, 2008, Providence had \$49.2 million of cash and long term debt of \$263 million. Cash from operations was \$13.8 million in the first quarter, after \$2.2 million of debt repayment.

Consolidated Financial Operating Data

(in thousands, except share and per share data)

	Year Ended December 31,			
	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>2007</u> (audited)	<u>2006</u> (audited)
Revenue:				
Home/community based services	\$65,896	\$50,030	\$216,583	\$152,067
Foster care services	6,952	5,641	25,648	21,913
Management fees	5,242	4,784	20,069	17,877
Non-emergency transportation services	<u>95,574</u>	--	<u>22,867</u>	--
Total revenue	173,664	60,455	285,167	191,857
Client service expense	61,483	46,803	223,591	149,516
Cost of non-emergency transportation services	86,248	--		
General and administrative	11,666	7,318	30,875	23,437
Depreciation and amortization	<u>3,320</u>	<u>1,008</u>	4,989	3,463
Total operating expenses	<u>162,717</u>	<u>55,129</u>	<u>259,455</u>	<u>176,416</u>
Operating income	10,947	5,326	25,712	15,441
Other (income) expenses	<u>4,927</u>	<u>(252)</u>	<u>1,601</u>	<u>(601)</u>
Income before taxes	6,020	5,578	24,111	16,042
Provision for income taxes	<u>2,316</u>	<u>2,259</u>	<u>9,722</u>	<u>6,661</u>
Net income	<u>3,704</u>	<u>3,319</u>	<u>14,389</u>	<u>9,381</u>
Net income per share – diluted	<u>\$0.29</u>	<u>\$0.28</u>	<u>\$1.19</u>	<u>\$0.80</u>
Average shares outstanding: diluted	12,452,041	11,983,421	11,926,575	11,676,323
Other data: Managed entity revenue	\$61,562	\$53,320	\$225,018	\$187,110
Direct Contracts/Clients	705/55,000 ⁺	577/51,259	638/52,570	558/48,039
Managed Contracts/Clients	325/25,000 ⁺	328/24,087	320/23,625	310/23,095
BALANCE SHEET DATA:	<u>3/31/08</u>		<u>12/31/07</u>	<u>12/31/06</u>
Cash and cash equivalents	\$49,196		\$35,379	\$40,703
Total assets	\$557,455		\$551,984	\$192,335
Long-term/other obligations	\$262,991		\$267,069	\$4,680
Stockholders' equity	\$184,291		\$180,660	\$159,056

**ANALYST COVERAGE: Kevin Campbell – Avondale Partners; Richard Close – Jefferies & Company;
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