
**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 (Date of Earliest Event Reported): November 10, 2003

The Providence Service Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50364
(Commission
File Number)

86-0845127
(I.R.S. Employer
Identification No.)

5524 East Fourth Street, Tucson, Arizona
(Address of principal executive offices)

85711
(Zip Code)

Registrant's telephone number, including area code: (520) 747-6600

N/A
(Former name, former address, and former fiscal year, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits:

99.1 Earnings release issued by The Providence Service Corporation on November 10, 2003.

ITEM 9. OTHER EVENTS AND REGULATION FD DISCLOSURE AND**ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following information is being provided pursuant to Item 9 – Other Events and Regulation FD Disclosure and Item 12 – Results of Operations and Financial Condition. Such information, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

On November 10, 2003, The Providence Service Corporation (“Providence”) issued an earnings release reporting its results for the three and nine months ended September 30, 2003. A copy of this earnings release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The earnings release contains non-GAAP financial measures. For purposes of SEC Regulation G, a non-GAAP financial measure is a numerical measure of a registrant’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the registrant; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States of America. Pursuant to the requirements of Regulation G, Providence has provided reconciliations within the earnings release of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The non-GAAP financial measures used by Providence are:

- net income available to common stockholders, excluding expenses related to Providence’s initial public offering (“IPO”);
- diluted earnings per share, excluding IPO related expenses;
- projected net income available to common stockholders, excluding IPO related expenses; and
- projected diluted earnings per share, excluding IPO related expenses.

These non-GAAP financial measures are most directly comparable to the following GAAP financial measures, respectively:

- net loss available to common stockholders;
- diluted loss per share;
- projected net loss available to common stockholders; and
- projected diluted loss per share.

Providence has provided these non-GAAP measurements, which present its earnings on a pro forma basis excluding certain expenses related to its IPO, because these expenses had a significant effect on its financial performance for the periods presented in this document as a result of its IPO. Providence has provided this supplemental non-GAAP information because it believes this information provides useful information to investors and meaningful comparisons of the results of its operations for the periods presented in this document. The non-GAAP measures do not replace the presentation of its GAAP financial results. The items excluded in the non-GAAP measures pertain to certain items that are considered to be material so that exclusion of the items would, in management’s belief, enhance a reader’s ability to compare the results of its business after excluding these items. The non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from pro forma measures used by other companies.

SIGNATURES

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

THE PROVIDENCE SERVICE CORPORATION

Date: November 10, 2003

By: /s/ Michael N. Deitch

Michael N. Deitch
Chief Financial Officer

[LOGO]

PROVIDENCE SERVICE CORPORATION

AT THE COMPANY

Fletcher McCusker – Chairman and CEO
Kate Blute – Director of Investor and Public Relations
520/747-6600

AT FRB|Weber Shandwick

Alison Ziegler – General Information
Susan Garland – Analyst Information
212/445-8300

FOR IMMEDIATE RELEASE

**Providence Service Corporation Reports
Third Quarter Financial Results**

Highlights:

- Revenue grew by 33% over same quarter last year
- Client census grew to 12,756 from 10,680 a year ago, a 19% increase
- Total direct contracts and contracts of managed entities increased by 28% from 150 to 192 over same quarter last year

TUCSON, ARIZONA – November 10, 2003 – The Providence Service Corporation (Nasdaq: PRSC) today announced financial results for the third quarter and nine months ended September 30, 2003.

For the third quarter of 2003, including IPO related expenses, the net loss available to common stockholders was \$3.4 million, or (\$0.70) per diluted share. Excluding IPO related expenses (see reconciliation), net income available to common stockholders was \$1.0 million, or \$0.16 per diluted share for the current quarter. Net income available to common stockholders, excluding IPO related expenses, grew to \$1.0 million from \$313,000 for the third quarter in 2002 and earnings per diluted share, excluding IPO related expenses, rose to \$0.16 from \$0.08 for the comparable period last year. Revenue was \$14.8 million for the quarter, an increase of 33% from \$11.1 million for the comparable period in 2002.

For the first nine months of 2003, including IPO related expenses, the net loss available to common stockholders was \$2.2 million, or (\$0.73) per diluted share. Excluding IPO related expenses (see reconciliation), net income available to common stockholders for the nine month period was \$2.1 million, or \$0.42 per diluted share. Net income available to common stockholders, excluding IPO related expenses, grew to \$2.1 million from \$908,000 for the same period last year and earnings per diluted share, excluding IPO related expenses, increased to \$0.42 from \$0.27 for the first nine months of 2002. Revenue increased 42% to \$42.9 million from \$30.2 million for the prior-year period.

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5524 E. Fourth Street ☒ Tucson, Arizona 85711 ☒ Tel 520-747-6600 ☒ Fax 520/747-6605 ☒ www.provcorp.com

Providence's direct client census grew to 5,171 at September 30, 2003, a 28% increase from 4,040 at September 30, 2002. Managed client census grew 14% to 7,585 at September 30, 2003 as compared to 6,640 at September 30, 2002. The number of direct contracts increased from 105 at September 30, 2002 to 126 at September 30, 2003. Contracts of managed entities grew from 45 to 66 over the same period. Managed revenue, which represents revenue of the not-for-profit social services organizations the Company manages in return for a negotiated management fee, increased to \$15.5 million for the three months ended September 30, 2003 from \$12.6 million for the same period one year ago. For the nine months ended September 30, 2003, managed revenue increased to \$45.8 million from \$33.9 in the year ago period. Managed revenue is presented to provide investors with an additional measure of the size and depth of the operations under Providence's direction and can help investors understand trends in management fee revenue.

Reflected in the current quarter's diluted earnings (loss) per share amount was a reduction in the Company's valuation allowance for certain deferred tax assets that resulted in a benefit in the Company's tax provision equal to \$0.04 per share.

Fletcher McCusker, Chairman and Chief Executive Officer of Providence, commented, "The successful completion of our IPO on August 22, 2003 represented a major milestone in our Company's history. As a result, we have a stronger balance sheet and with our unique community-based delivery model, we are well positioned to benefit from the growing trend toward the privatization of social services."

"Our ability to provide creative alternatives to institutional care and generate savings to state governments led to continued strong year-over-year revenue growth and solid profitability for the third quarter excluding IPO related expenses," continued Mr. McCusker. "Our growth was primarily driven by volume increases related to new contracts as well as our focused effort to pursue referrals in strategic geographic areas. During the quarter, we successfully negotiated for a 46% increase in our annual contract rate with the Community Partnership of Southern Arizona and since the quarter end, Providence or its managed entities were selected by three districts as part of the privatization of Florida's child welfare program under the state's Community-Based Care Initiative."

"Based on September 2003 revenue of \$5.1 million, we currently expect fourth quarter 2003 revenue to be in a range of \$15.0 to \$15.4 million, which translates to full year 2003 revenues of \$58.0 to \$58.4 million. We also anticipate a net loss available to common stockholders of between (\$0.25) to (\$0.24) per diluted share for 2003, which includes the IPO related expenses incurred in the third quarter. Excluding these expenses, we anticipate net income available to common stockholders of \$0.54 to \$0.55 cents per diluted share for 2003. Looking out to 2004, while certain positive events have occurred that could potentially benefit our results, including the Ft. Myers contract recently awarded to Camelot Community Care, one of the not-for-profit entities we manage, we are still negotiating approximately \$10 million of potential new business on behalf of Camelot Community Care in three other Florida cities, as well as approximately \$12 million of potential new contracts on our own behalf in other states. As a result, since these potential contracts are still in the negotiation stage and there is no assurance that we or any of our managed entities will ultimately be awarded any of these potential contracts, we have determined to postpone providing our guidance for 2004 until the results of these negotiations are known and the details of our 2004 pipeline activity become clearer," concluded Mr. McCusker.

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Providence will hold a conference call at 11:00 a.m. ET on Tuesday, November 11 to discuss its financial results and corporate developments. Interested parties are invited to listen to the call live over the Internet at www.provcorp.com or www.fulldisclosure.com or by dialing (800) 240-2430. International callers should dial (303) 205-1500. A replay of the teleconference will be available on www.provcorp.com and www.fulldisclosure.com. A replay will also be available until November 18, 2003 by dialing (800) 405-2236 or (303) 590-3000, and using passcode 556329.

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 192 government contracts in 17 states located along the eastern seaboard, and in the Midwest and Sunbelt regions.

In addition to the financial results prepared in accordance with generally accepted accounting principles (GAAP) provided throughout this document, we have provided certain non-GAAP measurements, which present our earnings on a pro forma basis excluding certain expenses related to our Initial Public Offering (IPO). Details of the excluded items and a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures are presented in the table below. The non-GAAP measures do not replace the presentation of our GAAP financial results. We have provided this supplemental non-GAAP information because we believe it provides meaningful comparisons of the results of our operations for the periods presented in this press release. The non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from pro forma measures used by other companies. The items excluded in the non-GAAP measures pertain to certain items that are considered to be material so that exclusion of the items would, in management's belief, enhance a reader's ability to compare the results of our business after excluding these items.

Certain statements herein, such as any statements about Providence's confidence or strategies or its expectations about revenues, results of operations, profitability, contracts 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

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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 other 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.

—financial tables to follow—

The Providence Service Corporation
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues: | | | | |
| Home and community based services | \$ 10,872 | \$ 8,202 | \$ 30,958 | \$ 23,332 |
| Foster care services | 2,425 | 2,282 | 7,574 | 4,927 |
| Management fees | 1,537 | 653 | 4,396 | 1,906 |
| | <u>14,834</u> | <u>11,137</u> | <u>42,928</u> | <u>30,165</u> |
| Operating expenses: | | | | |
| Client service expense | 11,394 | 9,248 | 33,015 | 24,944 |
| General and administration expense | 1,548 | 838 | 4,384 | 2,662 |
| Depreciation and amortization | 202 | 190 | 688 | 533 |
| | <u>13,144</u> | <u>10,276</u> | <u>38,087</u> | <u>28,139</u> |
| Total operating expenses | 13,144 | 10,276 | 38,087 | 28,139 |
| Operating income | 1,690 | 861 | 4,841 | 2,026 |
| Other (income) expense: | | | | |
| Interest expense, net | 381 | 417 | 1,487 | 1,039 |
| Write-off of deferred financing costs | 412 | — | 412 | — |
| Put warrant accretion | 631 | — | 631 | — |
| Equity in earnings of unconsolidated affiliate | (23) | (66) | (156) | (184) |
| | <u>289</u> | <u>510</u> | <u>2,467</u> | <u>1,171</u> |
| Income before income taxes | 289 | 510 | 2,467 | 1,171 |
| (Benefit) provision for income taxes | 122 | 100 | 962 | (27) |
| | <u>167</u> | <u>410</u> | <u>1,505</u> | <u>1,198</u> |
| Net income | 167 | 410 | 1,505 | 1,198 |
| Preferred stock dividends | 3,556 | 97 | 3,749 | 290 |
| | <u>3,389</u> | <u>313</u> | <u>2,244</u> | <u>908</u> |
| Net income (loss) available to common stockholders | \$ (3,389) | \$ 313 | \$ (2,244) | \$ 908 |
| Earnings (loss) per common share: | | | | |
| Basic | \$ (0.70) | \$ 0.15 | \$ (0.73) | \$ 0.46 |
| Diluted | \$ (0.70) | \$ 0.08 | \$ (0.73) | \$ 0.27 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 4,856 | 2,029 | 3,082 | 1,950 |
| Diluted | 4,856 | 4,581 | 3,082 | 4,113 |

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The Providence Service Corporation
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share information)

| | September 30, 2003 | December 31, 2002 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,168 | \$ 1,019 |
| Accounts receivable, net | 8,875 | 6,227 |
| Held-to-maturity investments | 3,960 | — |
| Management fees receivable | 3,244 | 1,455 |
| Prepaid expenses and other | 684 | 250 |
| Deferred tax asset | 628 | 628 |
| Total current assets | 33,559 | 9,579 |
| Property and equipment, net | 1,801 | 1,119 |
| Note receivable from not-for-profit affiliate | 461 | 461 |
| Intangible assets, net | 1,048 | 348 |
| Goodwill | 15,777 | 12,188 |
| Other assets | 807 | 1,099 |
| Total Assets | \$ 53,453 | \$ 24,794 |
| Liabilities and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,475 | \$ 1,614 |
| Accrued expenses | 5,314 | 4,085 |
| Current portion of capital lease obligations | 98 | 114 |
| Current portion of long-term obligations | 715 | 3,571 |
| Total current liabilities | 7,602 | 9,384 |
| Capital lease obligations, less current portion | 193 | 87 |
| Long-term obligations, less current portion | 3,032 | 10,744 |
| Put warrant obligation | — | 3,569 |
| Mandatory redeemable convertible preferred stock | — | 5,652 |
| Stockholders' equity (deficit) | | |
| Common stock | 8 | 2 |
| Additional paid-in capital | 51,807 | 2,301 |
| Accumulated deficit | (9,071) | (6,827) |
| | 42,744 | (4,524) |
| Less—treasury shares, at cost | 118 | 118 |
| Total stockholders' equity (deficit) | 42,626 | (4,642) |
| Total liabilities and stockholders' equity (deficit) | \$ 53,453 | \$ 24,794 |

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The Providence Service Corporation
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Nine months ended September 30, | |
|---|------------------------------------|----------|
| | 2003 | 2002 |
| Operating Activities | | |
| Net income | \$ 1,505 | \$ 1,198 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 688 | 533 |
| Amortization of deferred financing costs and discount on investment | 45 | — |
| Stock compensation | 131 | — |
| Write-off of deferred financing upon retirement of debt | 412 | — |
| Put warrant accretion | 631 | — |
| Equity in earnings of unconsolidated affiliate | (157) | (184) |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Trade accounts receivable | (2,648) | (1,279) |
| Management fees receivable | (1,094) | (987) |
| Accounts payable and accrued expenses | 169 | 468 |
| Other assets | (541) | 76 |
| Net cash used in operating activities | \$ (859) | \$ (175) |
| Investing activities | | |
| Acquisition of business, net of cash acquired | (2,149) | (7,928) |
| Purchase of investments | (3,956) | — |
| Increase in property and equipment | (824) | (137) |
| Distributions received from unconsolidated affiliate | 126 | 127 |
| Net cash used in investing activities | (6,803) | (7,938) |
| Financing Activities | | |
| Proceeds from long-term debt | 3,350 | 7,000 |
| Repayments of long-term debt | (12,727) | (132) |
| Net proceeds/(payments) on revolver | (3,289) | 2,068 |
| Payments of capital leases | (131) | (141) |
| Debt financing cost | (137) | (510) |
| Proceeds from common stock offering, net | 36,816 | — |
| Payment of preferred stock dividends | (1,071) | — |
| Net cash provided by financing activities | 22,811 | 8,285 |
| Net increase in cash | 15,149 | 172 |
| Cash at beginning of period | 1,019 | 759 |
| Cash at end of period | \$ 16,168 | \$ 931 |

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The Providence Service Corporation
Reconciliation of Non-GAAP Financial Measures
Diluted Earnings Per Share Excluding IPO Related Expenses
(in thousands, except per share data)

| | Three months ended September 30, 2003 | Nine months ended September 30, 2003 |
|---|---|--|
| Numerator: | | |
| Net loss available to common stockholders | \$ (3,389) | \$ (2,244) |
| Add: | | |
| IPO consent fee to preferred stockholders | 3,500 | 3,500 |
| Settlement of put warrant | 631 | 631 |
| Write-off of deferred financing charges (net of tax) | 251 | 251 |
| Numerator for basic earnings per share—income available to common stockholders excluding IPO related expenses | 993 | 2,138 |
| Effect of dilutive securities: | | |
| Preferred stock dividends and convertible notes | 82 | 365 |
| Numerator for diluted earnings per share—income available to common stockholders excluding IPO related expenses after assumed conversions | \$ 1,075 | \$ 2,503 |
| Denominator: | | |
| Denominator for basic earnings per share—weighted-average shares | 4,856 | 3,082 |
| Effect of dilutive securities: | | |
| Preferred stock conversion | 1,030 | 1,532 |
| Warrants | 411 | 611 |
| Convertible debt | 315 | 468 |
| Common stock options | 277 | 276 |
| Dilutive potential common shares | 2,033 | 2,887 |
| Denominator for diluted earnings per share, excluding IPO related expenses—adjusted weighted-average shares and assumed conversion | 6,889 | 5,969 |
| Diluted earnings per share, excluding IPO related expenses | \$ 0.16 | \$ 0.42 |

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The Providence Service Corporation
Reconciliation of Non-GAAP Financial Measures
Projected Diluted Earnings Per Share Excluding IPO Related Expenses
(in thousands, except per share data)

| | Range | |
|--|----------|----------|
| Numerator: | | |
| Projected net loss available to common stockholders | (1,118) | (1,064) |
| Add: | | |
| IPO consent fee paid to preferred stockholders | 3,500 | 3,500 |
| Settlement of put warrant | 631 | 631 |
| Write-off of deferred financing charges (net of tax) | 251 | 251 |
| | 3,264 | 3,318 |
| Numerator for basic earnings per share—projected income available to common stockholders excluding IPO related expenses | 3,264 | 3,318 |
| Effect of dilutive securities: | | |
| Preferred stock dividends and convertible notes | 365 | 365 |
| | 3,629 | \$ 3,683 |
| Numerator for diluted earnings per share—projected income available to common stockholders excluding IPO related expenses and adjusted for assumed conversions | \$ 3,629 | \$ 3,683 |
| Denominator: | | |
| Denominator for basic earnings per share—weighted-average shares | 4,432 | 4,432 |
| Effect of dilutive securities: | | |
| Preferred stock conversion | 1,149 | 1,149 |
| Warrants | 459 | 459 |
| Convertible debt | 351 | 351 |
| Common stock options | 282 | 282 |
| | 2,241 | 2,241 |
| Dilutive potential common shares | 2,241 | 2,241 |
| | 6,673 | 6,673 |
| Denominator for projected diluted earnings per share—adjusted weighted-average shares and assumed conversion | 6,673 | 6,673 |
| | \$ 0.54 | \$ 0.55 |
| Projected diluted earnings per share excluding IPO related expenses | \$ 0.54 | \$ 0.55 |

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