

**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): December 21, 2018

The Providence Service Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34221
(Commission
File Number)

86-0845127
(IRS Employer
Identification No.)

**700 Canal Street, Third Floor
Stamford, Connecticut**

06902

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (203) 307-2800

(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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01 Other Events.

On December 21, 2018, The Providence Service Corporation (the “Company”) issued a press release announcing that it had completed the previously announced sale of substantially all of the operating subsidiaries of the Company’s WD Services segment to Advanced Personnel Management Global Pty Ltd of Australia, except for the segment’s employment services operations in Saudi Arabia. The Company expects the Saudi Arabian government will assume these operations beginning January 1, 2019.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed consolidated balance sheet of the Company and its subsidiaries as of September 30, 2018 and the unaudited pro forma condensed consolidated statements of income of the Company and its subsidiaries for the nine months ended September 30, 2018 and the years ended December 31, 2017, 2016 and 2015 and the related notes thereto, are presented to give effect to the disposition of substantially all of the Company’s WD Services segment, and are filed as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference.

These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the financial position or results of operations that would have occurred had the disposition been effected on the assumed dates. Future results may vary significantly from the results reflected in the unaudited pro forma condensed consolidated financial statements.

(d) Exhibits.

Exhibit Number	Description
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99.1	Press Release, dated December 21, 2018.
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99.2	The unaudited pro forma condensed consolidated balance sheet as of September 30, 2018 of the Company and its subsidiaries and the unaudited pro forma condensed consolidated statements of income of the Company and its subsidiaries for the nine months ended September 30, 2018 and the years ended December 31, 2017, 2016 and 2015 giving effect to the Company’s disposition of Ross Innovative Employment Solutions Corp., 0798576 B.C. Ltd, Ingeus Europe Limited and Ingeus Australia Holdings Pty Ltd.
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SIGNATURES

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.

THE PROVIDENCE SERVICE CORPORATION

Date: December 21, 2018

By: /s/ Kevin M. Dotts

Name: Kevin M. Dotts

Title: Chief Financial Officer

The Providence Service Corporation completes sale of WD Services

The Providence Service Corporation ("Providence", or the "Company") (Nasdaq: PRSC) today announced that it has completed the previously announced sale of substantially all of the operating subsidiaries of its WD Services segment to Advanced Personnel Management Global Pty Ltd of Australia ("APM") and APM UK Holdings Limited, an affiliate of APM, except for the segment's employment services operations in Saudi Arabia. The Company expects the Saudi Arabian government will assume these operations beginning January 1, 2019.

At closing, the Company received total cash consideration of \$46.5 million from APM, which includes payment for cash retained by WD Services of \$19.5 million. Transaction related closing costs are expected to be approximately \$3.6 million. In addition, as a result of closing the transaction before the year end, the Company expects to realize cash tax benefits of approximately \$51 million from the transaction, including approximately \$32 million in tax refunds by the fourth quarter of 2019 in relation to its 2018 tax returns. The remaining cash tax benefit of \$19 million is expected to be realized as an offset to tax payments over the following three years, based upon the Company's current estimate of taxable income.

"When coupled with the significant tax benefits, the sale of WD Services is a very positive outcome for Providence and marks a significant milestone in our strategy of focusing our resources and capital allocation activities on LogistiCare" said Carter Pate, Interim Chief Executive Officer of Providence.

The Company expects to record an after-tax loss of approximately \$10 million within discontinued operations related to the sale. In addition, even though the Saudi Arabian government is expected to assume the operations in Saudi Arabia beginning January 1, 2019, the Company expects to incur closure costs and reserves, which will be recorded within discontinued operations.

Houlihan Lokey, Inc. acted as financial advisor to The Providence Service Corporation and Debevoise & Plimpton LLP served as its legal advisor.

About Providence

The Providence Service Corporation owns subsidiaries and investments primarily engaged in the provision of healthcare services in the United States. For more information, please visit www.prscholdings.com.

About APM

APM is a leading, mission-driven specialist in people related services. It provides services in assessment, allied health, psychology, vocational rehabilitation and employment assistance across key sectors in health, disability, ageing, defense, employment, justice, youth, apprenticeships, skills and training. APM started in 1994 with three consultants based in Perth as a vocational rehabilitation agency. The business then expanded nationally to deliver employment, workplace health, disability, community and assessment services. APM is now Australia's largest Disability Employment Services provider, and in 2017 was the most highly-rated provider in the industry. Outside of Australia, APM makes a positive contribution to New Zealand through the national provision of vocational rehabilitation, employment and community health services and in the United Kingdom, APM offers valuable employment services, youth justice programs and personal development education. Enabling better lives is APM's guiding philosophy, and it's one shared by all APM teams.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "demonstrate," "expect," "estimate," "forecast," "anticipate," "should" and "likely" and similar expressions identify forward-looking statements. In addition, statements that are not historical should also be considered 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. Such forward-looking statements are based on

current expectations that involve a number of known and unknown risks, uncertainties and other factors which may cause actual events to be materially different from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, our ability to realize the expected tax benefits from the sale of the WD Services segment and to timely transfer the segment's Saudi Arabian operations and other risks detailed in Providence's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K. Providence is under no obligation to (and expressly disclaims any such obligation to) update any of the information in this press release if any forward-looking statement later turns out to be inaccurate whether as a result of new information, future events or otherwise.

Investor Relations Contact

Laurence Orton - Interim CAO and SVP of Finance
(203) 307-2800

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements have been derived by the application of pro forma adjustments to the historical consolidated financial information of The Providence Service Corporation (the “Company” or “Providence”), which have been presented to give effect to the disposition of Ross Innovative Employment Solutions Corp., 0798576 B.C. Ltd, Ingeus Europe Limited and certain subsidiaries and Ingeus Australia Holdings Pty Ltd and certain subsidiaries, which represent substantially all of the operating subsidiaries of the Company’s Workforce Development Services (“WD Services”) segment pursuant to the share purchase agreement, dated November 7, 2018 (the “SPA”). The SPA excludes WD Services operations in Saudi Arabia, as well as certain non-operating subsidiaries. The Company has made the decision to discontinue providing services in Saudi Arabia and is working with the Saudi Arabian government on an orderly transition of employees and contracts for the government to provide services, with effect January 1, 2019. The unaudited pro forma condensed consolidated financial statements present the operations of Saudi Arabia as a discontinued operation, with its assets and liabilities presented as discontinued operations. Additionally, the pro forma condensed consolidated statements of income present the Ingeus France operations, which were a part of the WD Services segment that were disposed of effective July 17, 2018, as discontinued operations.

Effective December 21, 2018 (the “Closing”), the Company completed the disposition of substantially all of the operating subsidiaries of its WD Services segment. At the Closing, cash consideration of approximately \$46.5 million was paid by the purchasers.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2018 of the Company is presented as if the disposition had occurred as of September 30, 2018 and presents the Saudi Arabian operations as discontinued operations as of September 30, 2018. The unaudited pro forma condensed consolidated statements of income of the Company for the nine months ended September 30, 2018 and the years ended December 31, 2017, 2016 and 2015 are presented as if the disposition and the closure of Saudi Arabia had occurred on January 1, 2015.

The Company’s historical financial information was derived from its audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 (as filed in its Annual Report on Form 10-K with the Securities and Exchange Commission on March 9, 2018) and the Company’s unaudited condensed consolidated financial statements for the nine months ended September 30, 2018 (as filed in its Quarterly Report on Form 10-Q with the Securities and Exchange Commission on November 8, 2018). The Company’s historical financial statements used in preparing the unaudited pro forma financial data are summarized and should be read in conjunction with its historical financial statements and risk factors, all of which are included in the filings with the Securities and Exchange Commission noted above.

The unaudited pro forma adjustments give effect to events that are (i) directly attributable to the disposition, (ii) factually supportable and (iii) based on estimates, available information and certain assumptions that the Company believes are reasonable given the information currently available. The unaudited pro forma adjustments and primary assumptions are described in the accompanying notes. The unaudited pro forma condensed consolidated balance sheet and statements of income are being provided for illustrative purposes only and do not purport to represent what the Company’s results of operations or financial position would have been if the disposition had occurred on the dates indicated and are not intended to project the Company’s results of operations or financial position for any future period. Any of the factors underlying these estimates and assumptions may change or prove to be materially different and the estimates and assumptions may not be representative of facts that existed upon completion of the disposition.

The Providence Service Corporation
Pro Forma Condensed Consolidated Balance Sheet - Unaudited
September 30, 2018
(in thousands)

	Providence Service Corporation Historical	Removal of Historical Operations of WD Services	Pro Forma Adjustments	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	\$ 47,492	\$ (21,337)	\$ 42,824 b	\$ 68,979
Accounts receivable, net	181,155	(47,102)	—	134,053
Other current assets	32,441	(16,075)	31,600 c	47,966
Current assets of discontinued operations	—	16,209 e	—	16,209
Total current assets	261,088	(68,305)	74,424	267,207
Goodwill	160,420	(25,651)	—	134,769
Intangible assets, net	52,668	(24,964)	—	27,704
Other non-current assets	229,783	(13,541)	19,300 c	235,542
Noncurrent assets of discontinued operations	—	513 e	—	513
Total assets	\$ 703,959	\$ (131,948)	\$ 93,724	\$ 665,735
Liabilities and stockholders' equity				
Current liabilities:				
Accrued expenses	\$ 70,071	\$ (26,907)	\$ —	\$ 43,164
Other current liabilities	193,898	(29,398)	—	164,500
Current liabilities of discontinued operations	—	2,837 e	—	2,837
Total current liabilities	263,969	(53,468)	—	210,501
Non-current liabilities	62,755	(5,518)	—	57,237
Total liabilities	326,724	(58,986)	—	267,738
Mezzanine equity				
Convertible preferred stock, net	77,404	—	—	77,404
Stockholders' equity				
Common stock and APIC	331,965	—	—	331,965
Other stockholders' equity	(32,134)	29,911	(9,149) d	(11,372)
Total stockholders' equity	299,831	29,911	(9,149)	320,593
Total liabilities and stockholders' equity	\$ 703,959	\$ (29,075)	\$ (9,149)	\$ 665,735

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

The Providence Service Corporation
Pro Forma Condensed Consolidated Statements of Income
for the nine months ended September 30, 2018
Unaudited

(in thousands, except share and per share data)

	Providence Service Corporation Historical	Removal of Historical Operations of WD Services	Pro Forma Adjustments	Pro Forma
Service revenue, net	\$ 1,239,159	\$ (214,956)	\$ —	\$ 1,024,203
Operating expenses:				
Service expense	1,147,914	(192,390)	—	955,524
General and administrative expense	53,894	(20,151)	(1,568) a	32,175
Asset impairment charge	9,881	(9,202)	—	679
Depreciation and amortization	20,317	(9,210)	—	11,107
Total operating expenses	<u>1,232,006</u>	<u>(230,953)</u>	<u>(1,568)</u>	<u>999,485</u>
Operating income	7,153	15,997	1,568	24,718
Other expenses:				
Other non-operating (income) expense	780	(1,218)	—	(438)
Loss on equity investment	4,026	80	—	4,106
Gain on remeasurement of cost method investment	(6,577)	—	—	(6,577)
Income from continuing operations before income taxes	<u>8,924</u>	<u>17,135</u>	<u>1,568</u>	<u>27,627</u>
Provision for income taxes	7,755	(947)	392	7,200
Income from continuing operations, net of tax	<u>\$ 1,169</u>	<u>\$ 18,082</u>	<u>\$ 1,176</u>	<u>\$ 20,427</u>
Net income (loss) from continuing operations available to common stockholders	\$ (2,424)			\$ 14,823
Income (loss) from continuing operations per common share:				
Basic	\$ (0.19)			\$ 1.14
Diluted	\$ (0.19)			\$ 1.13
Weighted-average number of common shares outstanding:				
Basic	12,992,403			12,992,403
Diluted	12,992,403			13,069,140

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

The Providence Service Corporation
Pro Forma Condensed Consolidated Statements of Income
for the year ended December 31, 2017

Unaudited

(in thousands, except share and per share data)

	<u>Providence Service Corporation Historical</u>	<u>Removal of Historical Operations of WD Services</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Service revenue, net	\$ 1,623,882	\$ (305,662)	\$ —	\$ 1,318,220
Operating expenses:				
Service expense	1,489,044	(265,417)	—	1,223,627
General and administrative expense	72,336	(25,438)	(3,407) ^a	43,491
Depreciation and amortization	26,469	(12,851)	—	13,618
Total operating expenses	<u>1,587,849</u>	<u>(303,706)</u>	<u>(3,407)</u>	<u>1,280,736</u>
Operating income	36,033	(1,956)	3,407	37,484
Other expenses:				
Other non-operating (income) expense	(3,740)	(1,678)	—	(5,418)
Loss on equity investment	(12,054)	(1,391)	—	(13,445)
Gain on sale of equity investment	(12,377)	12,377	—	—
Income from continuing operations before income taxes	64,204	(11,264)	3,407	56,347
Provision for income taxes	4,401	(1,218)	1,300	4,483
Income from continuing operations, net of tax	<u>\$ 59,803</u>	<u>\$ (10,046)</u>	<u>\$ 2,107</u>	<u>\$ 51,864</u>
Net income from continuing operations available to common stockholders	\$ 47,848			\$ 41,326
Income from continuing operations per common share:				
Basic	\$ 3.52			\$ 3.04
Diluted	\$ 3.50			\$ 3.02
Weighted-average number of common shares outstanding:				
Basic	13,602,140			13,602,140
Diluted	13,673,314			13,673,314

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

The Providence Service Corporation
Pro Forma Condensed Consolidated Statements of Income
for the year ended December 31, 2016

Unaudited

(in thousands, except share and per share data)

	<u>Providence Service Corporation Historical</u>	<u>Removal of Historical Operations of WD Services</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Service revenue, net	\$ 1,578,245	\$ (344,403)	\$ —	\$ 1,233,842
Operating expenses:				
Service expense	1,452,110	(320,147)	—	1,131,963
General and administrative expense	69,911	(30,300)	(84) ^a	39,527
Asset impairment charge	21,003	(19,588)	—	1,415
Depreciation and amortization	26,604	(13,824)	—	12,780
Total operating expenses	<u>1,569,628</u>	<u>(383,859)</u>	<u>(84)</u>	<u>1,185,685</u>
Operating income	8,617	39,456	84	48,157
Other expenses:				
Other non-operating expense	208	598	—	806
Loss on equity investment	10,287	(8,498)	—	1,789
Income (loss) from continuing operations before income taxes	(1,878)	47,356	84	45,562
Provision for income taxes	17,036	1,172	31	18,239
Income (loss) from continuing operations, net of tax	<u>\$ (18,914)</u>	<u>\$ 46,184</u>	<u>\$ 53</u>	<u>\$ 27,323</u>
Net income (loss) from continuing operations available to common stockholders	\$ (21,251)			\$ 20,136
Income (loss) from continuing operations per common share:				
Basic	\$ (1.45)			\$ 1.37
Diluted	\$ (1.45)			\$ 1.36
Weighted-average number of common shares outstanding:				
Basic	14,666,896			14,666,896
Diluted	14,666,896			14,779,398

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

The Providence Service Corporation
Pro Forma Condensed Consolidated Statements of Income
for the year ended December 31, 2015

Unaudited

(in thousands, except share and per share data)

	<u>Providence Service Corporation Historical</u>	<u>Removal of Historical Operations of WD Services</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Service revenue, net	\$ 1,478,010	\$ (395,059)	\$ —	\$ 1,082,951
Operating expenses:				
Service expense	1,381,154	(393,803)	—	987,351
General and administrative expense	70,986	(29,846)	(542) ^a	40,598
Depreciation and amortization	23,998	(13,776)	—	10,222
Total operating expenses	<u>1,476,138</u>	<u>(437,425)</u>	<u>(542)</u>	<u>1,038,171</u>
Operating income	1,872	42,366	542	44,780
Other expenses:				
Other non-operating expense	996	962	—	1,958
Loss on equity investment	10,970	(10,970)	—	—
Income (loss) from continuing operations before income taxes	<u>(10,094)</u>	<u>52,374</u>	<u>542</u>	<u>42,822</u>
Provision for income taxes	14,583	1,063	209	15,855
Income (loss) from continuing operations, net of tax	<u>\$ (24,677)</u>	<u>\$ 51,311</u>	<u>\$ 333</u>	<u>\$ 26,967</u>
Net income (loss) from continuing operations available to common stockholders	<u>\$ (29,181)</u>			<u>\$ 19,785</u>
Income (loss) from continuing operations per common share:				
Basic	\$ (1.83)			\$ 1.24
Diluted	\$ (1.83)			\$ 1.23
Weighted-average number of common shares outstanding:				
Basic	15,960,905			15,960,905
Diluted	15,960,605			16,115,604

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

The Providence Service Corporation
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements
(in thousands)

1. Basis of presentation

On November 7, 2018, the Company and Ingeus UK Holdings Limited, its direct wholly-owned subsidiary, entered into a share purchase agreement with Advanced Personnel Management Global Pty Ltd and APM UK Holdings Limited (together, the “Purchasers”) and International APM Group Pty Limited (as Purchasers’ Guarantor), pursuant to which the Company agreed to sell substantially all of the operating subsidiaries of its WD Services segment with the exception of its operations in Saudi Arabia. Effective December 21, 2018, the Company completed this disposition. The unaudited pro forma condensed consolidated financial statements have been prepared based on the Company’s historical financial information giving effect to this disposition, the closure of Saudi Arabian operations, and the disposition of Ingeus France operations. Certain note disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted as permitted by the SEC rules and regulations.

2. Adjustments to unaudited condensed consolidated financial statements

- a. Represents pro forma adjustment to remove transaction expenses for the nine months ended September 30, 2018 and the year ended December 31, 2017 and integration expenses for the years ended December 31, 2016 and 2015.
- b. Adjustment of \$42,824 to reflect cash consideration of \$23,307 from disposition, net of estimated seller transaction costs and certain bonus arrangements contingent on the close of the disposition; plus an adjustment of \$19,517 to reflect the amount of WD Services cash and cash equivalents as of September 30, 2018 paid by the Purchasers at Closing. As a closing accommodation, Providence and the purchasers agreed that Providence would not remove the WD Services cash and cash equivalents on hand and that the Purchasers would pay Providence for this amount at Closing (refer to Note d.).
- c. Includes adjustments to record the estimated income tax benefit of approximately \$25,400 from the carryback of the capital loss on the disposition of shares and the partial repayment of intercompany debt, as well as an estimated income tax benefit of \$6,200 from the current year income offset and an income tax benefit of approximately \$19,300 related to a net operating loss carryforward, which were primarily a result of a worthless stock deduction related to the shareholding in the United Kingdom.
- d. Adjustment reflects the estimated loss on sale, net of tax, from the disposition which is calculated as follows:

Total cash received	\$	42,824	
Add: Estimated seller transaction costs		6,693	
Less: Cash paid for WD Services cash and cash equivalents as of September 30, 2018		(19,517)	b
Purchase price	\$	<u>30,000</u>	
WD Services net asset value as of September 30, 2018, excluding cash and cash equivalents	\$	55,254	
Add: WD Services cash and cash equivalents as of September 30, 2018		19,517	b
Total WD Services net asset value as of September 30, 2018	\$	<u>74,771</u>	
Total cash received	\$	42,824	
Total WD Services net asset value as of September 30, 2018		(74,771)	
Income tax benefit		50,900	c
Estimated gain on sale before reclassification of currency translation, net of tax		18,953	
Adjustment for reclassification of currency translation		(28,102)	
Estimated loss on sale, net of tax	\$	<u>(9,149)</u>	

- e. Represents assets and liabilities of WD Services operations in Saudi Arabia, based on their carrying value. The Company has made the decision to discontinue providing services in Saudi Arabia and is working with the Saudi Arabian government on an orderly transition of employees and contracts in order for the government to provide services, with effect January 1, 2019. The balances presented do not include liabilities for closure costs or reserves which may be required in closing the operation.