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Providence Service Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

Your first question comes from the line of Bob Labick from CJS Securities. Please proceed.

Bob Labick - CJS Securities

Good morning and congratulations on a strong quarter and year.

Fletcher McCusker

Thank you. Bob.

Bob Labick - CJS Securities

First question just wanted to ask, obviously you had a very strong cash flow quarter and you have given the cash flow characteristics of LogistiCare. Next year should be strong as well. Could you walk us through priorities for cash flow? Is it going to be debt pay down or is it still acquisition? And then update us on the acquisition pipeline or timing if you are just going to sit back for six months and do this integration. Just talk through those issues please?

Fletcher McCusker

Our agreement with CIT Bob actually requires us to pay down 75% of our excess cash, Michael?

Michael Deitch

I think that is correct, and of course we have amortization --

Fletcher McCusker

So not only is the principal amortized, but then any excess cash, Bob, we're required to pay I think 75% of that to the lender. So the entire intent of our ability to generate cash will be to de-lever the business.

Bob Labick - CJS Securities

Okay, great. Then just traditionally you have done one acquisition a quarter on average. Is there a pause to this integration right now, or how should we view that going forward?

Fletcher McCusker

We have said publicly that we would go quite in that regard through Q1. We remain in contact with our pipeline and we continue to generate new interest in that activity. But we do feel obligated to focus on LogistiCare. So you wouldn't see any acquisition in the near term. If we are feeling comfortable with LogistiCare, it's safe to assume that we would get back to that tuck-in strategy starting in Q2.

Bob Labick - CJS Securities

Great, and then just looking ahead to the July procurement cycle, could you just remind us which states are up on that cycle versus January cycle? And specifically, I can't remember if Florida is July or January. Can you update us on the potential management contracts in Florida and then broadly the size and opportunity in this July cycle, and when we might find out is it, we find out in June or might we find out in May, more timing on that?

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