



PHC Reports Financial Results for First Quarter of Fiscal 2008

November 8, 2007

Revenues Up 26% Over Same Year-Ago Quarter

PEABODY, MA--(MARKET WIRE)--Nov 8, 2007 -- PHC, Inc., d.b.a. Pioneer Behavioral Health (AMEX:PHC - News), a leading provider of inpatient and outpatient behavioral health services and pharmaceutical research, announced financial results for the first quarter ended September 30, 2007.

Q1 2008 Financial and Operational Highlights

- Record first quarter revenues of \$12.7 million, increased 26% vs. Q1 '07.
- Record first quarter net income of \$0.8 million or \$0.04 per share, increased 182% vs. Q1 '07.
- First quarter patient care revenue increased 29% vs. Q1 '07.
- Patient days increased 5% primarily due to an increase of 20 additional beds vs. Q1 '07.
- Balance sheet continued to strengthen: Total liabilities reduced by \$1.5 million vs. Q4 '07, primarily due to revolving debt reduction.
- Construction of the Seven Hills Behavioral Institute near Las Vegas, Nevada remains on track to open in early 2008. Seven Hills is projected to contribute annualized revenue of approximately \$12 million, with higher margins than PHC's other inpatient facilities.
- Company purchased 150,000 PHC treasury shares in the open market.

Key Financial Indicators

(In thousands, except per-share amounts.)

Q1 2008 vs. Q1 2007	Q1 2008	Q1 2007	Change	%Change
Consolidated revenues	\$ 12,704	\$ 10,062	\$ 2,642	26%
Patient care revenues	\$ 10,143	\$ 7,876	\$ 2,267	29%
Net Income Before Taxes	\$ 1,307	\$ 466	\$ 841	180%
Net Income	\$ 800	\$ 283	\$ 517	182%
Earnings per share - Basic	\$ 0.04	\$ 0.02	\$ 0.02	100%
Earnings per share - Diluted	\$ 0.04	\$ 0.01	\$ 0.03	300%

First Quarter Financial Results

For the three months ended September 30, 2007 and compared to the same quarter a year ago:

Total net revenue from operations increased 26% to \$12.7 million, as compared to \$10.1 million for the three months ended September 30, 2006. This increase is primarily attributable to an increase in net revenue of the company's patient care segment, which was up 29% to \$10.1 million from \$7.9 million in the same year-ago period. Revenue from the pharmaceutical studies segment increased 35% to \$1.4 million as compared to \$1.1 million for the same quarter last year. Contract support services revenue provided by the company's Wellplace subsidiary remained relatively stable at \$1.1 million.

Income from operations for the quarter totaled \$1.4 million, an increase of 151% from the \$0.6 million reported for the same period last year. Net income before taxes increased 180% to a record \$1.3 million from \$0.5 million for the same year-ago period.

Net income for the quarter was \$0.8 million, or \$0.04 per fully diluted share (based on 20.6 million fully diluted shares), an increase of 182% compared to net income of \$0.3 million, or \$0.01 per fully diluted share (based on 19.3 million shares) for the first quarter last year.

Total operating expenses for the quarter increased 19% to \$11.3 million from the \$9.5 million reported during the first quarter of last year. Included in this increase were expenses of approximately \$100,000 related to new programs and services associated with new contracts and the Seven Hills Behavioral Institute.

The company's provision for doubtful accounts decreased to \$0.4 million for the quarter, compared to \$0.5 million in the same quarter last year. The percentage of bad debt expense to net patient care revenue for the quarter was 4% as compared to 6% for the same period last year.

Patient care operating expenses increased 31% as compared to the same year-ago period, reflecting the expenses related to new major contracts.

Pharmaceutical patient care expenses increased 25% and contract support expenses decreased 4%. The increase in patient care expense reflects the company's investments in its Las Vegas market initiatives, including the Seven Hills project and the company's 10-year, \$80 million agreement with Behavioral Healthcare Options announced in December 2006.

"This was the best first quarter in company history," said Bruce A. Shear, Pioneer's president and CEO. "It was driven by a strong 29% expansion of our patient care revenues. The increase in our net profit versus the same quarter last year, once again demonstrates the return on our investment in our Las Vegas market expansion. This occurred despite incurring another \$100,000 in expenses designed to enhance future returns. We continue to expect the income expansion trend to be sustained as our new Seven Hills facility comes on line in 2008. Given this as well as our days sales outstanding and debt balances declining, we remain in a strong position for growth."

Teleconference Information

PHC will host a conference call today at 4:30 p.m., Eastern Time. A question and answer session will follow management's presentation.

To participate in the call, dial the appropriate number 5-10 minutes prior to the start time, request the PHC conference call and provide the conference ID.

Domestic callers: 1-800-683-1525
International callers: 1-973-872-3197
Conference ID#: 9414911

A web simulcast of the call can be accessed via PHC's website at www.phc-inc.com. The call will be available for replay starting at 7:30 p.m. Eastern Time until December 8, 2007:

Toll-Free Replay number: 1-877-519-4471
International Replay number: 1-973-341-3080
Replay PIN #: 9414911

If you have any difficulty connecting with the conference call or webcast, please contact the Liolios Group at 949-574-3860.

About PHC, Inc.

Pioneer Behavioral Health operates companies that provide inpatient and outpatient behavioral health care services, clinical research, and Internet and telephonic based referral services. These companies contract with national insurance companies, government payors, and major transportation and gaming companies, among others, to provide such services. For more information, please visit www.phc-inc.com.

Statement under the Private Securities Litigation Reform Act of 1995

This press release may include "forward-looking statements" that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or the performance of the Company and its future plans and objectives. Various future events or factors may cause the actual results to vary materially from those expressed in any forward-looking statements made in this press release. For a discussion of these factors and risks, see the company's annual report on Form 10-K for the most recently ended fiscal year.

PHC, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2007	June 30, 2007
ASSETS	-----	-----
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 2,759,303	\$ 3,395,173
Accounts receivable, net of allowance for doubtful accounts of \$2,878,902 at September 30, 2007 and \$3,764,585 at June 30, 2007	6,694,412	6,524,387
Pharmaceutical receivables	1,723,159	1,942,268
Prepaid expenses	687,390	688,600
Other receivables and advances	960,527	868,628
Deferred income tax asset	1,596,796	2,015,000
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Total current assets	14,421,587	15,434,056
Accounts receivable, non-current	35,000	35,000
Other receivable	85,619	91,697
Property and equipment, net	2,371,375	2,121,191
Deferred financing costs, net of Amortization of \$179,136 at September 30, 2007 and \$143,377 June 30, 2007	578,105	613,865
Customer relationships, net of amortization of \$410,000 at September 30, 2007 and \$380,000 at June 30, 2007	1,990,000	2,020,000

Goodwill	3,508,576	3,508,576
Other assets	3,305,609	3,465,356
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Total assets	\$ 26,295,871	\$ 27,289,741
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,322,824	\$ 1,261,841
Current maturities of long-term debt	1,120,110	1,134,300
Revolving credit note	562,496	1,518,742
Deferred revenue	270,492	433,301
Current portion of obligations under capital leases	195,024	205,858
Accrued payroll, payroll taxes and benefits	1,744,386	1,631,693
Accrued expenses and other liabilities	1,458,130	1,702,772
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Total current liabilities	6,673,462	7,888,507
Long-term debt	623,455	831,387
Obligations under capital leases	187,612	226,706
Deferred tax liability	93,000	93,000
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Total liabilities	7,577,529	9,039,600
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Stockholders' equity:		
Preferred Stock, 1,000,000 shares authorized, none issued or outstanding	--	--
Class A common stock, \$.01 par value, 30,000,000 shares authorized, 19,622,076 and 19,622,076 shares issued at September 30, 2007 and June 30, 2007, respectively	196,221	196,221
Class B common stock, \$.01 par value, 2,000,000 shares authorized, 775,760 issued and outstanding at September 30, 2007 and June 30, 2007, respectively, each Convertible into one share of Class A common Stock	7,758	7,758
Additional paid-in capital	26,875,513	26,812,808
Treasury stock, 349,098 shares of Class A common stock at September 30, 2007 and 199,098 at June 30, 2007, at cost	(586,215)	(191,700)
Accumulated deficit	(7,774,935)	(8,574,946)
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Total stockholders' equity	18,718,342	18,250,141
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Total liabilities and stockholders' equity	\$ 26,295,871	\$ 27,289,741
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PHC, INC. AND SUBSIDIARIES

Consolidated Statements of Income

	Three Months Ended	
	September 30,	
	2007	2006
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Revenues:		
Patient care, net	\$ 10,143,435	\$ 7,876,432
Pharmaceutical studies	1,420,965	1,051,383
Contract support services	1,139,766	1,134,391

Total revenues	12,704,166	10,062,206
Operating expenses:		
Patient care expenses	5,296,074	4,054,966
Patient care expenses, pharmaceutical	609,792	486,937
Cost of contract support services	802,648	838,555
Provision for doubtful accounts	422,226	452,525
Administrative expenses	3,609,936	2,996,141
Administrative expenses, pharmaceutical	571,856	679,108
Total operating expenses	11,312,532	9,508,232
Income from operations	1,391,634	553,974
Other income (expense):		
Interest income	32,535	32,849
Other (expense) income	14,099	(943)
Interest expense	(131,381)	(119,830)
Total other expenses, net	(84,747)	(87,924)
Income before provision for taxes	1,306,887	466,050
Provision for income taxes	506,876	182,767
Net income	\$ 800,011	\$ 283,283
Basic net income per common share	\$ 0.04	\$ 0.02
Basic weighted average number of shares outstanding	20,136,781	18,514,142
Diluted net income per common share	\$ 0.04	\$ 0.01
Diluted weighted average number of shares outstanding	20,601,828	19,296,638

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