Rural Metro (OTCBB: RURL)

BUSINESS DESCRIPTION

Rural Metro provides 911 and pre-scheduled ambulance transport services to townships and counties (usually on an exclusive basis). The company owns the ambulances, hires and trains paramedics and EMT’s, dispatches ambulances, files medicare, medicaid, and insurance claims, etc. Rural Metro is the 2nd largest ambulance service provider with 1,500 ambulances and 5,000 paramedics/EMTs. Rural revenue breakdown: 60% insurance/pp, 40% Medicare/Medicaid.

INVESTMENT THESIS

Despite harsh Medicare reform and an over-levered balance sheet (the result of acquiring 100 independent operations), Rural Metro has produced positive cash flow from operations for each of the last 4 fiscal years with no need for additional borrowings. Price increases, transport growth, the fire protection business, and some short-term catalysts make RURL an attractive investment.

FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th>Results of Operations</th>
<th>FY Ended June 30</th>
<th>LTM(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>453,000</td>
<td>484,000</td>
</tr>
<tr>
<td>Growth</td>
<td>6.8%</td>
<td>8.7%</td>
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<tr>
<td>EBITDA</td>
<td>35,000</td>
<td>33,700</td>
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<tr>
<td>EBITDA Margin</td>
<td>7.7%</td>
<td>7.0%</td>
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<tr>
<td>EBIT</td>
<td>20,700</td>
<td>20,400</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>4.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>14,443</td>
<td>13,313</td>
</tr>
<tr>
<td>CapEx</td>
<td>6,854</td>
<td>9,400</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>25,800</td>
<td>25,800</td>
</tr>
</tbody>
</table>

Balance Sheet Data

- Total Debt: $305,000
- Cash & Equivalents: 16,000
- PV of Tax Credits: 56,000
- Cash from Options: 3,500
- Net Debt: 229,500

Credit Stats

- Total Debt/EBITDA: 6.4x
- Net Debt/EBITDA: 4.8x
- EBITDA/Interest: 1.9x

Trading Statistics

- Share Price (10/20/04): $2.25
- Diluted Shares Outstanding (6/30/04): 25,300
- 52 Week High: 2.48
- 52 Week Low: 1.10
- Equity Market Value: 56,925
- Net Debt, Preferred & Minority Interest: 237,000
- Enterprise Value (EV): 293,925

Valuation Multiples

- EV/Revenue: 0.6x 0.6x 0.6x 0.6x
- EV/EBITDA: 8.4x 8.7x 6.1x 6.1x
- EV/EBIT: 14.2x 14.4x 8.3x 8.3x