



## Student Transportation Reports First Quarter Results

### Highlights:

- Revenue for the quarter was up 31.6 per cent from same period last year
- Opened 16 new locations since first quarter fiscal 2006 including two new regions
- TSX approves listing of separate IPS securities
- STA is not an Income Trust

Toronto, ON, November 10, 2006 – Student Transportation of America Ltd. (TSX: STB.UN) (STA) today reported the financial results for its first quarter of fiscal year 2007, ended September 30, 2006. STA is an Income Participating Security (IPS) structure listed on the TSX and is not a Trust or a partnership. All financial results are reported in U.S. dollars, except as otherwise noted.

"Our performance for the first quarter was in line with our internal projections and indicative of the growth we secured in the last twelve months through the first quarter of this year" said Denis J. Gallagher, Chairman and Chief Executive Officer. "We added 16 new terminal locations to our operations during the last twelve months. We opened two new regions in Canada and the US Mid West as well as expanded on existing regions in the US.

We expect our steady growth to continue in the coming year as we build on our regional density. The increase in contracts containing fuel mitigation secured in fiscal 2006, and the fuel hedge program implemented in mid September at market levels will protect us from price increases for approximately 92% of our fuel usage and will add to our success in fiscal 2007. We are optimistic about the recent drop in fuel prices but have protected ourselves in the event of another spike in fuel prices similar to that which occurred last year due to global uncertainties."

Gallagher added, "Because the first quarter reflects the seasonality of the school bus industry, both from a revenue and cash flow perspective it is important to note that our first quarter includes the summer season break, when most schools are not in session. The first quarter of fiscal year 2007 also includes higher costs due to the tremendous growth we achieved this past year with our acquisition, bid and conversion successes. The first quarter is also when we purchase a majority of our large ticket capital items related to start-ups and growth. It is typical to have negative cash flow in the school transportation industry during the months of July, August and September. The first quarter is not indicative of the results for a full fiscal year. Each of our subsequent quarters of the fiscal year generate excess cash. Accordingly, we have targeted a lower payout ratio for the full fiscal 2007 year."

For the first quarter, revenue totaled \$26.1 million, up 31.6 per cent from the same period last year. Cash available for distributions although negative, due to seasonality, improved by 72 per cent on a per unit basis or Cdn \$3.6 million from the same period last year due to the previously announced leasing program entered into with GE Capital. The increase in revenue was driven from existing contract renewals and from recent acquisitions and new revenue contracts awarded at the end of fiscal 2006 but which started in the first quarter of fiscal 2007. EBITDA\* for the first quarter was (\$596,000) compared to \$568,000 for the same period in fiscal 2006. As expected, due to growth in the size of the business and the start up of new locations during the last twelve months the Company experienced an increase in off season costs compared to the same period last year.

STA posted a net loss of \$6.1 million in the first quarter of fiscal 2007, representing a net loss of \$0.30 per share for the quarter. The Company historically generates a loss and negative operating cash flows in this quarter reflecting the seasonality of the business during the summer season break combined with capital expenditures occurring in the first quarter of the fiscal year. As mentioned, the subsequent quarters of the fiscal year generate excess cash, as schools are in session and due to the fact that the majority of replacement capital expenditures have already been purchased. Due to this historical seasonality, the Company views available cash flow on an annualized basis.

Subsequent to the quarter end, the Company was granted approval by the TSX to allow shareholders to "unclip" their IPS unit and trade the common equity and the sub debt note separately. Since STA is an IPS structure and not an Income Trust nor a partnership, we expect that it is not affected by the recent proposed tax changes by the Department of Finance. The common equity security (TSX: STB) pays Canadian qualified dividends with

favourable tax treatment and the sub debt note (TSX: STB.DB) pays 14% interest on its face value of the note.

In addition, the Company initiated a Normal Course Issuer bid to acquire up to Cdn \$ 3 million of its subordinated debt as listed on the TSX under the symbol STB.DB.

STA's interim financial statements, notes to financial statements and management's discussion and analysis are available at [www.sedar.com](http://www.sedar.com) or at the Company's investor web site [www.sta-ips.com](http://www.sta-ips.com).

### **Conference Call & Webcast**

Management will host a conference call and live audio webcast to discuss STA's performance for the first quarter fiscal year 2007 at 12:00 p.m. (ET) on November 13, 2006. The call may be accessed at: 1-866-838-4337 or 416-849-9305. There will also be a webcast and subsequently archived at [www.sta-ips.com](http://www.sta-ips.com). A taped rebroadcast will be available until November 23, 2006 at midnight. To access the rebroadcast, please dial 416-915-1035 or 1-866-838-6755 and quote the passcode 286468#.

### **Profile**

The Issuer is the fifth-largest provider of school bus transportation services in North America, conducting operations through local operating subsidiaries. The Issuer has become a leading school bus transportation company by aggregating operations through the consolidation of existing providers and conversion of in-house operations and currently operates more than 4,000 school vehicles in North America. For more information, please visit [www.sta-ips.com](http://www.sta-ips.com).

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### **\* Non-GAAP Measures**

EBITDA is a non-GAAP financial measure, but management believes it is useful in measuring STA's performance. Readers are cautioned that this measure should not be construed as an alternative to net income or loss or other comparable measures determined in accordance with GAAP as an indicator of the company's performance or as a measure of its liquidity and cash flow. The Company's method of calculating non-GAAP measures may differ from the methods used by other issuers and accordingly, the company's non-GAAP measures may not be comparable to similarly titled measures used by other issuers. EBITDA represents earnings before interest, taxes, depreciation and amortizations, non cash items such as minority interest, unrealized gain / loss on foreign currency exchange contracts, and non cash stock compensation expense, and other income / loss.

Cash available for distributions is a non-GAAP measure, and is not intended to be representative of cash flow or results of operations determined in accordance with GAAP. Investors are cautioned that cash available for distribution, as calculated by the Company, is unlikely to be comparable to similar measures used by other issuers.

### **Forward-Looking Statements**

This news release contains "forward-looking statements" within the meaning of applicable securities laws, which reflects the expectations of management regarding the Issuer's and Company's results of operations, expense levels, seasonality, cash flows, performance, liquidity, borrowing availability, financial ratios, ability to execute the Company's growth strategy and cash distributions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "track", "targeted", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. These forward looking statements reflect the Company's current expectations regarding anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward looking statements involve significant risks and uncertainties, and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at which or by the performance or results will be achieved. A number of factors could cause our actual results to differ materially from the results discussed, expressed or implied in any forward-looking statement made by us or on our behalf, including, but not limited to, the factors discussed under "Risk Factors" in our Annual Information Form, a copy of which can be obtained at [www.sedar.com](http://www.sedar.com). Material factors and assumptions that were relied upon in making the forward-looking statements include contract and customer retention, current and future expense levels, availability of quality acquisition, bid and conversion opportunities, current borrowing availability and financial ratios, as well as current and historical results of operations and performance. These forward looking statements are made as of the date of this news release and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**For more information contact:**

Denis J. Gallagher  
Chairman and Chief Executive Officer  
Phone: (732) 280-4200  
Fax: (732) 280-4213

Patrick J. Walker  
Chief Financial Officer  
Phone (732) 280-4200  
Fax: (732) 280-4213

Keith P. Engelbert  
Director of Investor Relations  
Phone: (732) 280-4200  
Fax: (732) 280-4213  
[ir@sta-ips.com](mailto:ir@sta-ips.com)