March 6, 2025

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

M. Marin
312-265-9211
mmari@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

CoreCivic, Inc. (CXW-NYSE)

CXW: Recent Contracts; Positive Implications

CXW has entered into an amended agreement with ICE to resume operations at the South Texas Family Residential Center and care for up to 2,400 people. The amended contract runs through March 2030, with renewal options. With a new lease agreement with Target Hospitality, which owns the facility, CXW has essentially largely matched lease costs with expected revenue.

Current Price (3/5/25)	$18.40
Valuation	**$25.50**

OUTLOOK

CXW expects the new agreement to generate annual revenue of ~ $180m when it has ramped fully and to be accretive beginning in 2Q25. Separately, the company also entered into four contract modifications with ICE last week. Reflecting the limited supply of and older state of many government-owned correctional facilities, among other factors, we anticipate that the company will continue to sign new business that, in turn, will further enhance operating leverage, results and lead to multiple expansion.

SUMMARY DATA

52-Week High	**$24.99**
52-Week Low	**$10.74**
One-Year Return (%)	**28**
Beta	**1.05**
Average Daily Volume (sh)	**1,255,332**
Shares Outstanding (mil)	**110**
Market Capitalization ($mil)	**$2,024**
Short Interest Ratio (days)	**4.0**
Institutional Ownership (%)	**81**
Insider Ownership (%)	**2**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**22.7**
P/E using 2024 EPS	**22.7**
P/E using 2025 Estimate	**29.7**

Risk Level	**Average,**
Type of Stock	**Mid-Value**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2022	453 A	457 A	464 A	471 A	1,845 A
2023	458 A	464 A	484 A	491A	1,897 A
2024	501 A	490 A	492 A	479 A	1,962 A
2025	483 E	508 E	513 E	515 E	2,018 E

Adj EPS / Loss per share

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2022	$0.14 A	$0.13 A	$0.08 A	$0.22 A	$0.57 A
2023	$0.13 A	$0.12 A	$0.14 A	$0.23 A	$0.61 A
2024	$0.25 A	$0.20 A	$0.20 A	$0.16 A	$0.81 A
2025	$0.13 E	$0.16 E	$0.16 E	$0.16 E	$0.62 E

Qs might not sum reflecting rounding

Disclosures page 8

RECENT CONTRACTS; POSITIVE IMPLICATIONS

Resuming operations at the South Texas under new ICE contract

CoreCivic (NYSE: CXW) has entered into an amended intergovernmental services agreement (IGSA) with ICE and the City of Dilley, Texas to resume operations at the South Texas Family Residential Center in Dilley and care for up to 2,400 people. The amended contract runs through March 2030 and may be further extended through bilateral modification. The company has also entered into a new lease agreement with Target Hospitality Corporation, which owns the facility. As with the prior agreement between CXW and Target, the period contracted for leasing of the facility is co-terminus with the ICE agreement so that CXW has no exposure at the back-end of the contract once it ends. CXW will be able to largely match lease costs with expected revenue.

The Dilley Facility was constructed specifically for ICE in 2014 to provide occupancy for families seeking entry into the U.S. CXW managed the facility from inception until August 2024, when funding for the contract ended and the facility was idled. In addition to all the prior services it offered through August 2024, CXW will also now provide onsite medical care.

Once it is completely active and with the provision of medical services, the new agreement is expected to result in annual revenue to CXW of about $180 million. The company indicated that pre-activation activities commenced earlier this year and the company expects it to be accretive beginning in 2Q25. The company also entered into four contract modifications with ICE last week. We have increased our projections for CXW and believe our revised 2025 estimates still might prove conservative. Reflecting the limited supply of and older state of many government-owned correctional facilities, among other factors, we anticipate that the company will continue to sign new business that, in turn, will further enhance operating leverage, results and lead to multiple expansion.

We believe CXW guidance was conservative

CXW's relationship with ICE, its largest government partner, continues to be strong, in our view. The recently passed Laken Riley Act requires DHS (Department of Homeland Security) to detain certain non-U.S. nationals who have been charged, arrested, or convicted of certain crimes. According to CXW, ICE estimates that the act could require 60,000 to 110,000 incremental detention beds. The new administration also reversed an executive order implemented during the prior administration that directed the Justice Department to not renew direct contracts with private detention facilities.

The South Texas amended contract is important, we believe, for several reasons. First, it is expected to have a benefit from the incremental revenue - when the company issued guidance last month, it did not incorporate the potential impact of new contracts coming online in 2025. Moreover, we also believes this supports our view that CXW's relationship with ICE, its largest customer, remains solid and that when the prior lease expired in August 2024, it reflected funding and financial factors. The facility had been operated under a costly Family Residential Standards (FRS) model versus CXW's standard model because of the initial designation drove relative costs higher than the average ICE contract.

Recent business activity has been strong

New contracts have come online over the past several quarters and, as noted, CXW entered into contract modifications to add capacity for up to a total of 784 ICE detainees at its 2,016-bed Northeast Ohio Correctional Center, its 1072-bed Nevada Southern Detention Center, and its 1,600-bed Cimarron Correctional Facility in Oklahoma. CXW also obtained a contract modification for ICE to potentially use up to 252 beds at its 2,672-bed Tallahatchie County Correctional Facility in Mississippi.

CoreCivic currently cares for approximately 650 residents under a contract with the U.S. Marshals Service ("USMS"), as well as 925 residents under a contract with the Ohio Department of Rehabilitation and Correction at the Northeast Ohio Correctional Center. CoreCivic currently cares for approximately 800 residents under a contract with the USMS at the Nevada Southern Detention Center, and approximately 1,100 residents under a contract with the USMS at the Cimarron Correctional Facility. CoreCivic currently cares for approximately 1,400 residents at the Tallahatchie County Correctional Facility under contracts with eight different customers.

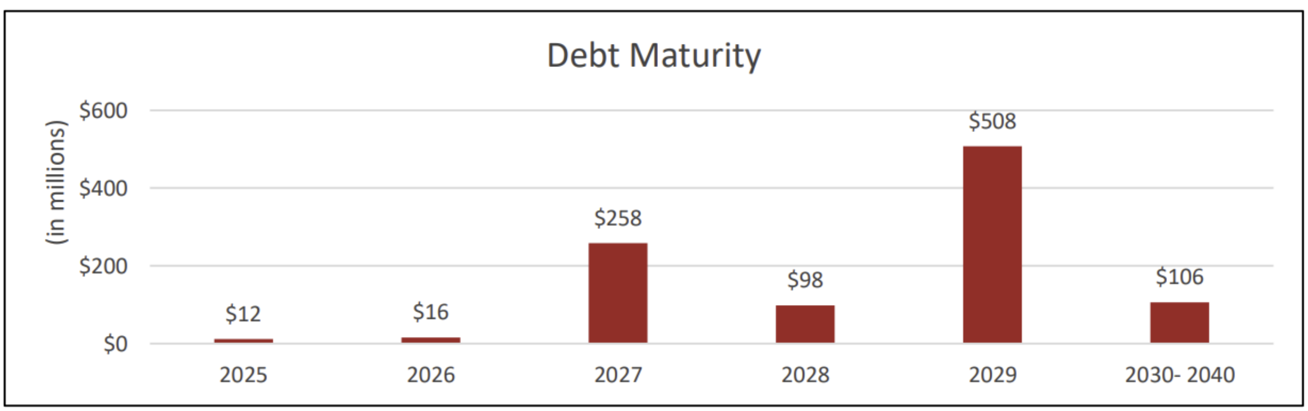
Separately, in July 2024, the company was awarded a new management contract with the state of Montana that contributed to 4Q24 revenue. In addition, CXW's 1,896-bed Saguaro Correctional Facility in Eloy, Arizona, which accepted additional residents from Montana, which also houses about 1,000 residents from Hawaii, and nearly 600 residents from Idaho. Under a separate contract with the state, CXW also manages the fully occupied Crossroads Correctional Center in Shelby, Montana. Other recent management contracts include with Wyoming for up to 240 beds at its 2,672-bed Tallahatchie County Correctional Facility in Tutwiler, Mississippi, a new management contract with Hinds County, Mississippi for up to 250 beds at this facility and another with Harris County, Texas for up to 360 beds at the company's Tallahatchie County Correctional Facility. The company also has a new contract with the U.S. Marshals Service at the 4,128-bed Central Arizona Florence Correctional Complex.

Subsequent to 4Q24, CXW was awarded a new management contract with Montana for additional inmates outside the state. The company expects 240 inmates to arrive at its 2,672-bed Tallahatchie County Correctional Facility in Tutwiler, Mississippi in 1Q25. The incremental Montana inmates are expected to boost the company's occupancy, bed utilization and efficiency at the Tallahatchie County Correctional Facility, which also serves the state of Wyoming, Harris County, Texas and Hinds County, Mississippi.

Reflecting the limited supply of and older state of many government owned correctional facilities, CXW's facilities are relatively new compared to about 57% of the Federal Bureau of Prisons (BOP) infrastructure built 30+ years ago (and about 31% 50+ years old). The BOP is a relatively small customer for CXW but we believe that the overall state of its facilities provides insight into the general state of government detention facilities in the U.S., reflecting budgetary constraints and other challenges to constructing newer facilities. Thus, over the past 5-years, retention rates on owned and controlled facilities is over 95% and the company is engaged in discussions for additional contracts with existing and potential partners, including federal, state, and local agencies. CXW has indicated that the prospective pipeline for new contracts is robust. Reflecting the additional capacity required by ICE and potentially other government partners, we anticipate new contracts to be signed. We expect the results of RFIs and RFPs, as well as other ongoing business discussions, to lead to new business and anticipate the company's momentum to continue in 2025.

Balance sheet strengthening measures and share repurchases continue

CXW has a strong balance sheet and continues to focus on balance sheet measures. The company repaid about $95 million of net debt in 2024. CXW's leverage ratio (measured as net debt-to-TTM adjusted EBITDA) was 2.3x at the end of 4Q24; the company's target leverage range is 2.25x to 2.75x. Moreover, the company has no major debt maturities before 2029 other than some $258 million maturing in 2027, which notably carry a 4.75% stated interest rate. Given the current interest rate environment, we therefore do not expect the company to refinance these in advance.



Source: Company presentation

CXW's capital allocation strategy also includes share repurchases. CXW repurchased nearly $69 million of its shares in 2024. Since the share repurchase program was initially implemented in May 2022 through December 31, 2024, the company has repurchased an aggregate 14.5 million shares at a total of $181.1 million, with $168.9 million remaining under the share repurchase program as of September 30, 2024. CXW increased the aggregate share repurchase authorization to $350.0 million on May 16, 2024.

CXW had $107.5 million of cash at the end of 4Q24 and $257.0 million available under its revolver, for liquidity of about $365 million. Moreover, we optimistic about CXW's opportunity to continue generating stable cash flow, reflecting the company's renewal rate on its facilities over the past five years.

VALUATION

Expect multiple expansion, higher share price

Our valuation methodology remains unchanged. Reflecting CXW contract wins, combined with its efficiency and balance sheet measures, we anticipate ongoing multiple expansion on CXW shares. The shares have been under pressure recently, likely reflecting some concerns about, among other factors, possible alternative solutions for ICE needs such as Guantanamo Bay. Nevertheless, the company believes its efficiencies and cost effectiveness and relationship with ICE are likely to lead to new and expanded agreements, with ICE and other partners. Given the uptick in potential new business activity as reflected in ICE RFIs and RFPs, we believe our FFO and normalized FFO per share forecasts could prove conservative.

Therefore, applying a multiple of about 14x to our 2025 normalized FFO estimate – CXW shares have historically traded at an average multiple of about 13-14x this metric – and adjusting upward about 11% for the possibility that adjusted FFO comes in above our forecast yields a valuation range of about $25.50. However, it would not surprise us to see the shares trade within a range in the near-term.

We continue to view the company's recent momentum and balance sheet measures as catalysts for ongoing multiple expansion over time. We believe the risk / reward ratio remains attractive for investors who have a higher than average risk tolerance and longer time horizon.

RISKS

We believe risks to CXW achieving continued stable cash flow, and to our valuation, include the following.

- As contracts reach expirations, the company might not be able to renew existing contracts or secure alternative utilization.
- Occupancy levels could continue to fluctuate.
- Justice system reforms might result in lower aggregate prison populations. However, CXW's efforts at diversification in recent years have led to community operating unit and reentry houses.
- Negative publicity and/or increased activism regarding the private prison operators could further pressure the share price.
- The company could be subject to litigation risk.
- Competitive risk, as the company responds to requests for proposals or interest.
- Inflation could pressure costs more than currently expected and CXW might not be able to obtain higher per diems from customers to help offset its impact.
- The company might not be able to fill hiring positions as quickly as it would like.

RECENT NEWS

- On March 5, 2025, CoreCivic announced that it would resume operations at the South Texas Family Residential Center in Dilley, Texas.
- CXW announces four new contract modifications for ICE on February 27, 2025.
- CXW announced 4Q24 results on February 10, 2025.
- CXW announced an extended agreement with Montana on January 16, 2025.
- The company was awarded a new management contract with the state of Montana on July 25, 2024.
- CXW received termination notice from ICE for the South Texas Family Residential Center on June 10, 2024.
- On March 15, 2024, CXW announced its intention to redeem its 8.250% senior notes due 2026.
- CoreCivic closed an offering of $500 million of 8.250% senior notes due 2029 on March 12, 2024.
- On March 4, 2024, CoreCivic announced a cash tender offer for outstanding 8.25% senior notes due 2026.

FINANCIAL MODEL

CoreCivic

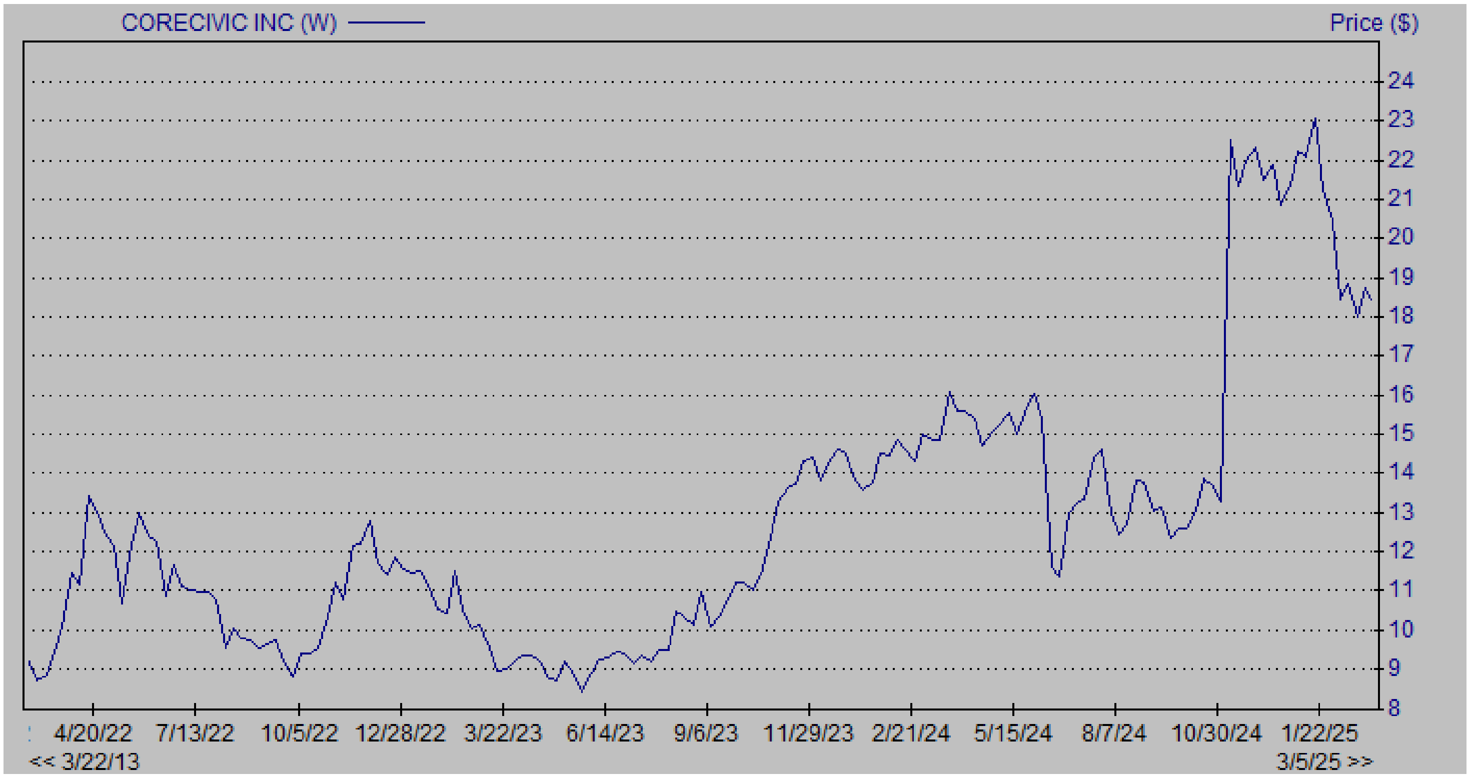
Core Civic Income Statement & Projections ($000s except per share data)

	1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25E	2Q25E	3Q25E	4Q25E	2025E
Revenue	$500,686	$490,109	$491,558	$479,293	$1,961,646	$482,772	$507,531	$512,606	$515,169	$2,018,079
Y/Y % change	*9.3%*	*5.7%*	*1.6%*	*-2.4%*	*3.4%*	*-3.6%*	*3.6%*	*4.3%*	*7.5%*	*11.7%*
Operating expense	378,103	375,735	370,818	368,701	1,493,357	373,666	389,784	394,707	$395,338	1,553,495
General and administrative	36,465	33,910	41,162	40,544	152,081	38,233	38,424	38,463	$39,078	154,198
Depreciation and amortization	31,730	32,145	32,240	31,896	128,011	31,928	32,116	32,245	$32,746	129,035
Shareholder litigation expense / other	-	-	-	-	-	-	-	-	-	-
Impairments / other	-	-	3,108	-	3,108	-	-	-	-	-
Total operating expense	446,298	441,790	447,328	441,141	1,776,557	443,827	460,324	465,414	467,163	1,836,728
Operating income	54,388	48,319	44,230	38,152	185,089	38,946	47,207	47,192	48,007	181,351
Operating margin	10.9%	9.9%	9.0%	8.0%	9.4%	8.1%	9.3%	9.2%	9.3%	9.0%
Interest expense, net	18,613	17,110	15,998	15,694	67,415	18,303	18,119	18,138	18,650	73,210
Other (income) expense	26,732	3,630	(1,948)	(2,703)	25,711	(500)	2,000	2,000	2,200	5,700
	45,345	20,740	14,050	12,991	93,126	17,803	20,119	20,138	20,850	78,910
Pretax income	9,043	27,579	30,180	25,161	91,963	21,143	27,087	27,055	27,156	102,441
Taxes	500	(8,625)	(9,084)	(5,886)	(23,095)	(7,083)	(9,074)	(9,063)	(9,505)	(34,725)
Minority interest										
Net income	9,543	18,954	21,096	19,275	68,868	14,060	18,013	17,991	17,652	67,716
Adj net income*	27,859	21,751	22,436	18,203	68,746	14,060	18,013	17,991	17,652	67,716
Per share data					-					
EPS	$0.08	$0.17	$0.19	$0.17	$0.62	$0.13	$0.16	$0.16	$0.16	$0.62
Adj EPS	$0.25	$0.20	$0.20	$0.16	$0.81	$0.13	$0.16	$0.16	$0.16	$0.62
Average shares outstanding	113,487	110,954	110,971	111,383	111,699	110,633	109,933	109,233	108,533	109,583
Funds From Operation (FFO)										
Net income	$9,543	$18,954	$21,096	$19,275	$68,868	$14,060	$18,013	$17,991	$17,652	$67,716
+ D&A of real estate assets	24,784	24,843	25,166	25,072	99,865	24,904	25,051	24,893	25,542	100,389
+ Impairment of real estate assets			2,418	-	2,418	-	-	-	-	-
- Gain on sale of real estate assets	(568)		(1,181)	(1,513)	(3,262)	-	-	-	-	-
+ - Other	178	-	(377)	441	242	-	-	-	-	-
FFO	33,937	43,797	47,122	43,275	168,131	38,964	43,064	42,884	43,194	168,106
FFO/share	$0.30	$0.39	$0.42	$0.39	$1.51	$0.35	$0.39	$0.39	$0.40	$1.53
+ M&A expenses					-					
+ COVID related expenses			-	-	-	-	-	-	-	-
+ Balance sheet related expenses	27,242	4,074	-	-	31,316	-	-	-	-	-
+ - Other asset impairments			690	-	690	-	-	-	-	-
+ - Tax assoc. w/special items			(210)		(210)					-
+ - Other special items (tax)	(8,536)	(1,277)	-	-	(9,813)	-	-	-	-	-
Normalized FFO	52,643	46,594	47,602	43,275	190,114	38,964	43,064	42,884	43,194	168,106
Normalized FFO/share	$0.46	$0.42	$0.43	$0.39	$1.70	$0.35	$0.39	$0.39	$0.40	$1.53

Source: Company reports, Zacks estimates

*Adj net income adjusts for highlighted items in FFO lines

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, M. Marin, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.