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CoreCivic, Inc. (CXW-NYSE)

CXW: 1Q25 Highlights - Positive Takeaways Include Reactivation of Three Idled Facilities, Guidance Raised

Research Note

Results underscore benefits of rising occupancy, company efficiencies

CoreCivic (NYSE: CXW) reported 1Q25 results yesterday, beating our/consensus EPS projections. Total 1Q25 revenue came in at $488.6 million, ahead of our forecast of $482.8 million and the consensus estimate of $478.5 million. Compensated occupancy in 1Q25 increased to 77.0%, up from 75.2% in 1Q24. The company recorded 1Q25 EPS of $0.23, significantly ahead of our and the consensus forecast of $0.13. In 1Q24, CXW reported adjusted EPS of $0.25. We believe the primary factors behind the beat were the positive impact of higher occupancy and new contracts, coupled with CXW's efficiency and cost containment measures.

Two contracts that expired in 2024 accounted for $0.16 in 1Q24, implying that CXW has largely offset the impact of their 2024 expiration. Moreover, importantly, CXW is in the process of reactivating them (see below). The 1Q25 topline represents a 2% year-over-year decrease compared to revenue of $500.7 million reported in 1Q24, primarily reflecting the expiration of these two contracts last year for reasons that we believe are unrelated to CXW or its relationship with its customers. In fact, CXW has already renegotiated one of these contracts, as discussed below, and has a letter agreement on the other.

Agreements to resume operations at idled facilities

CXW has started reactivating three idled facilities under new or modified agreements with ICE or letter agreements, including the two that, as noted, were idled in 2024: Dilley in South Texas and California City. The reactivation of Dilley, under a new modified contract with ICE, began towards the end of 1Q25 and revenue from this center was de minimis in the quarter. Once it is completely active, Diley is expected to contribute about $180 million in annual revenue to CXW. The amended contract runs through March 2030, with the option to extend.

In 1Q24, the Dilley center accounted for $33.6 million of revenue. Therefore, adjusting for revenue attributable to Dilley, total 1Q25 revenue would be an estimated 6% higher year-over-year on an adjusted basis and revenue from ICE specifically – which was $133.2 million in 1Q25 compared to $153.8 million in 1Q24 – would be up nearly 11% year-over-year on the same adjusted basis. The company began reactivating Cal City after the quarter closed.

Idled facilities being reactivated:

- ***South Texas Dilley Center***
- ***California City Center***
- ***Midwest Regional Reception Center in Leavenworth, Kansas***

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Other new contracts underscore company's operating momentum

In 1Q25, CXW was awarded a new management contract with Montana for additional inmates outside the state. The company expected 240 inmates would arrive at its 2,672-bed Tallahatchie County Correctional Facility in Tutwiler, Mississippi in 1Q25. This is expected to boost the company's compensated 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.

Multiple other new or expanded contracts have come online over the past several quarters. For example, CXW entered into contract modifications to add capacity for 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, among other examples.

… With 5 year retention rates averaging 97% and multiple active discussions for additional contracts

Reflecting the limited supply of and older state of many government owned correctional facilities, CXW's facilities are relatively new. Moreover, CXW's facilities generally represent a cost effective solution compared to other options. Thus, over the past 5-years, retention rates on owned and controlled facilities is about 97% 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.

Company raised guidance, based on contracts that have closed – if/when other contracts close, that would likely provide upside to current guidance

Given the momentum in its business and ongoing discussions with existing and potential customers for new and/or expanded capacity, CXW raised guidance. The company now expects 2025 net income in the range of $91.3 million to $101.3 million or $0.83 to $0.92 per share, up significantly from $53.5 million to $67.5 million or $0.48 to $0.61 per share before. CXW expects FFO per share of $1.72 to $1.82, up from $1.37 to $1.50 before and EBITDA of $331.0 million to $339.0 million, up from earlier guidance of $281.0 million to $293.0 million.

Guidance does not include potential revenue from contracts that have not been announced even though CXW expects several new contracts to close over the year. Thus, if/when new contracts come online, we would expect the company to revise guidance upward. Guidance does include impact of Capex associated with readying facilities to accept new capacity.

Strong balance sheet and liquidity to support Capex, share repurchases, debt reduction

CXW has a strong balance sheet and liquidity. CXW had $74.5 million of cash at the end of 1Q25 and $256.4 million available under its revolver, for liquidity of about $331 million. CXW repurchased 1.9 million shares in 1Q25 at a total cost of $37.9 million and ended the quarter with a leverage ratio (measured as net debt-to-TTM adjusted EBITDA) of 2.5x, within the target leverage range. The company has no major debt maturities before 2029 other than some $258 million 4.75% maturing in 2027, which we do not expect the company to refinance in advance, given the current interest rate environment.

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