May 16, 2025

Zacks Small-Cap Research

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CoreCivic, Inc. (CXW-NYSE)

CXW: Believe CXW is Well-Positioned for Further Occupancy Increases

CXW's 1Q25 occupancy was 77.0% vs 75.2%. Consistent with the administration's goals, ICE is seeking to expand its nationwide capacity. Given CXW's infrastructure, which generally is more modern than government facilities, experience and relationship with ICE, its largest government partner, we believe CXW is well-positioned for further increases in occupancies.

Current Price (5/15/25)	$21.92
Valuation	**$28.25**

OUTLOOK

CXW is reactivating three facilities that it had idled and remains optimistic that it will reach long-term agreements with ICE and others to warrant bringing additional capacity online. The company expects the new agreement for Dilley to generate annual revenue of ~ $180m when it has ramped fully and to be accretive beginning in 2Q25. 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	**$10.74**
One-Year Return (%)	**46**
Beta	**0.79**
Average Daily Volume (sh)	**1,175,888**
Shares Outstanding (mil)	**109**
Market Capitalization ($mil)	**$2,393**
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	**27.7**
P/E using 2024 EPS	**27.1**
P/E using 2025 Estimate	**24.1**

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	489 A	508 E	513 E	515 E	2,024 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	$0.23 A	$0.22 E	$0.23 E	$0.23 E	$0.91 E

Qs might not sum reflecting rounding

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CAPACITY UP SUBSTANTIALLY, WITH FURTHER UPSIDE ANTICIPATED

Strong 1Q25 results reflect momentum and underscore benefits of rising occupancy, company efficiencies

CoreCivic (NYSE: CXW) reported 1Q25 results last week, beating our/consensus EPS projections and raising 2025 guidance. 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. We believe the primary factor behind the beat was the positive impact of higher occupancy and new contracts. 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 two important contracts in 2024 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. 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, of which the two above noted expired contracts accounted for $0.16, implying that CXW has largely offset the impact of their 2024 expiration. Moreover, importantly, CXW is in the process of reactivating them, as well as one other idled facility.

Reactivating idled facilities

ICE is seeking to expand its nationwide capacity. 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.

Facility	Location	Bed Capacity
South Texas Family Residential Center*	Dilley,Texas	2,400
California City Immigration Processing Center	California City, California	2,560
Midwest Regional Reception Center	Leavenworth, Kansas	1,033

*Operated under a lease & services agreement with Target Hospitality Corp., the owner of the facility

Source: Company reports

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.

Increased demand for occupancy

CXW's relationship with ICE, its largest government partner, and other government partners continues to be strong, in our view. Moreover, 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.

In addition, 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.

Multiple other new contracts have come online recently

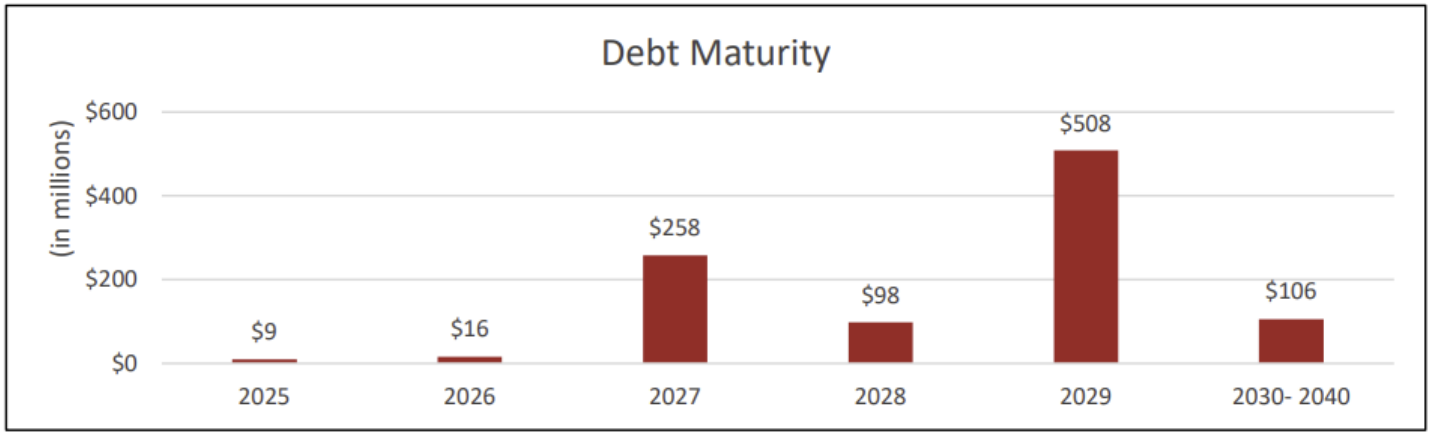
New contracts have come online over the past several quarters. CXW entered into contract modifications to add occupancy at its 2,016-bed Northeast Ohio Correctional Center where CXW also has a contract with the U.S. Marshals Service, its 1072-bed Nevada Southern Detention Center, and its 1,600-bed Cimarron 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.

In July 2024, the company was awarded a new management contract with the state of 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.

CXW was also recently awarded a new management contract with Montana for additional inmates outside the state, with about 240 inmates scheduled to arrive at its 2,672-bed Tallahatchie County Correctional Facility in Tutwiler, Mississippi in 1Q25. The Tallahatchie County Correctional Facility, which also serves the state of Wyoming, Harris County, Texas and Hinds County, Mississippi.

Balance sheet strengthening measures and share repurchases continue

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's capital allocation strategy also includes share repurchases. 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.



Source: Company presentation

Company raised guidance, with potential for additional increases if/when new contracts are signed

The 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.

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 $28.25.

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 May 8, 2025, announced 1Q25 results.
- 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 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)

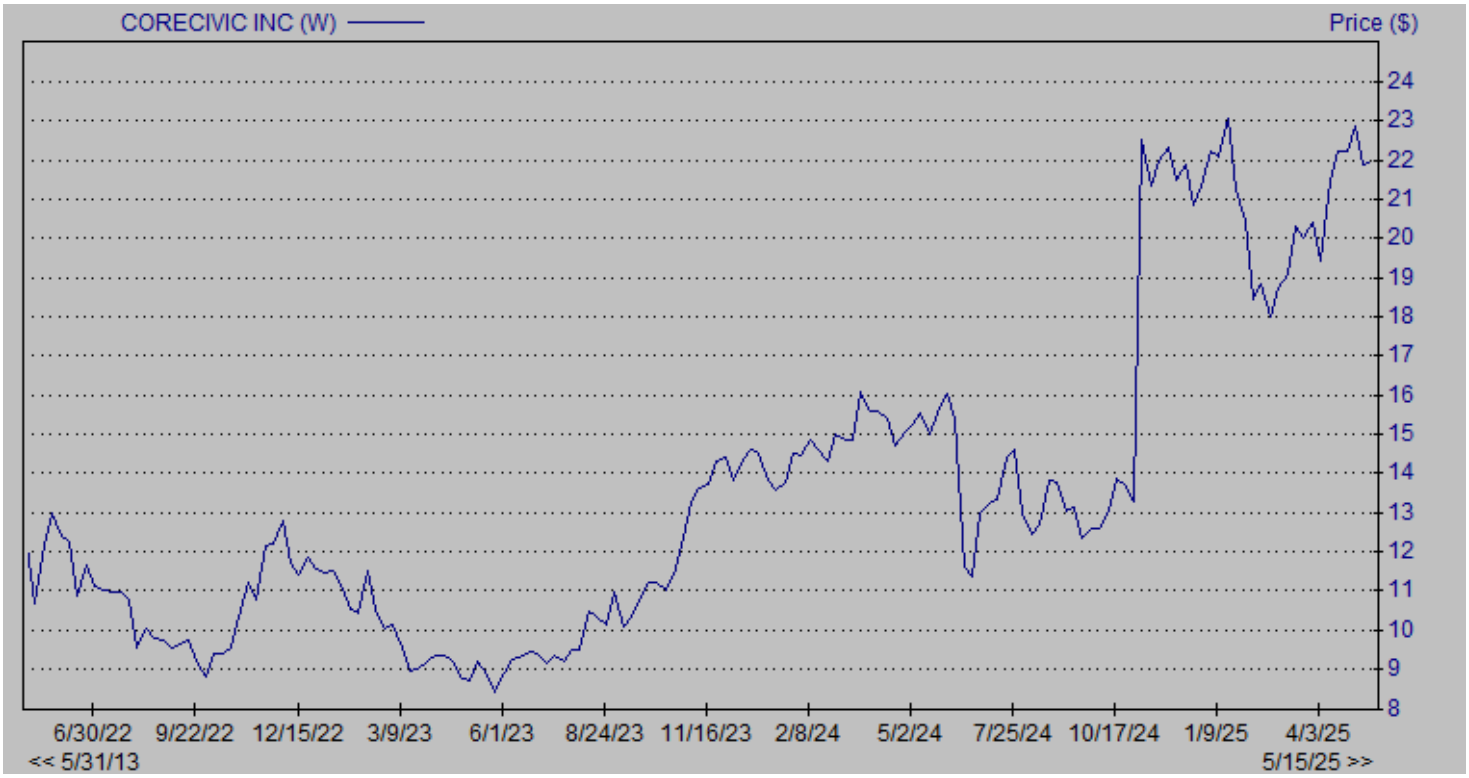
	1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25E	3Q25E	4Q25E	2025E
Revenue	$500,686	$490,109	$491,558	$479,293	$1,961,646	$488,627	$507,531	$512,606	$515,169	$2,023,934
Y/Y % change	*9.3%*	*5.7%*	*1.6%*	*-2.4%*	*3.4%*	*-2.4%*	*3.6%*	*4.3%*	*7.5%*	*12.9%*
Operating expense	378,103	375,735	370,818	368,701	1,493,357	374,737	385,216	387,377	388,953	1,536,283
General and administrative	36,465	33,910	41,162	40,544	152,081	36,016	36,556	36,593	$37,178	146,343
Depreciation and amortization	31,730	32,145	32,240	31,896	128,011	30,518	31,098	32,889	34,247	128,752
Shareholder litigation expense / other	-	-	-	-	-		-	-	-	-
Impairments / other	-	-	3,108	-	3,108	-	-	-	-	-
Total operating expense	446,298	441,790	447,328	441,141	1,776,557	441,271	452,870	456,859	460,379	1,811,378
Operating income	54,388	48,319	44,230	38,152	185,089	47,356	54,661	55,748	54,791	212,556
Operating margin	10.9%	9.9%	9.0%	8.0%	9.4%	9.7%	10.8%	10.9%	10.6%	10.5%
Interest expense, net	18,613	17,110	15,998	15,694	67,415	15,231	18,119	18,138	18,650	73,210
Other (income) expense	26,732	3,630	(1,948)	(2,703)	25,711	35	2,000	2,000	2,200	6,235
	45,345	20,740	14,050	12,991	93,126	15,266	20,119	20,138	20,850	79,445
Pretax income	9,043	27,579	30,180	25,161	91,963	32,090	34,541	35,610	33,940	133,111
Taxes	500	(8,625)	(9,084)	(5,886)	(23,095)	(6,977)	(10,017)	(10,327)	(9,843)	(37,164)
Minority interest										
Net income	9,543	18,954	21,096	19,275	68,868	25,113	24,524	25,283	24,098	95,947
Adj net income*	27,859	21,751	22,436	18,203	68,746	25,113	24,524	25,283	24,098	95,947
Per share data										
EPS	$0.08	$0.17	$0.19	$0.17	$0.62	$0.23	$0.22	$0.23	$0.23	$0.91
Adj EPS	$0.25	$0.20	$0.20	$0.16	$0.81	$0.23	$0.22	$0.23	$0.23	$0.91
Average shares outstanding	113,487	110,954	110,971	111,383	111,699	110,458	109,463	108,763	108,063	109,187
Funds From Operation (FFO)										
Net income	$9,543	$18,954	$21,096	$19,275	$68,868	$25,113	$24,524	$25,283	$24,098	$99,018
+ D&A of real estate assets	24,784	24,843	25,166	25,072	99,865	24,598	23,634	24,996	26,028	99,256
+ 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	49,711	48,159	50,279	50,126	198,274
FFO/share	$0.30	$0.39	$0.42	$0.39	$1.51	$0.45	$0.44	$0.46	$0.46	$1.81
+ 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	49,711	48,159	50,279	50,126	198,274
Normalized FFO/share	$0.46	$0.42	$0.43	$0.39	$1.70	$0.45	$0.44	$0.46	$0.46	$1.81

Source: Company reports, Zacks estimates

*Adj net income adjusts for highlighted items in FFO lines

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HISTORICAL STOCK PRICE



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