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CoreCivic, Inc.

(CXW-NYSE)

CXW: Pending Acquisition of Farmville Facility - Raising Estimates, Valuation

CXW intends to acquire the Farmville Detention Center in Farmville, Virginia. The facility has capacity for 736-beds and was constructed in 2010, making it a modern center that is unlikely to require much, if any, upgrade by CXW. Farmville operates through a contract between Prince Edward County, Virginia and ICE that expires in March 2029.

OUTLOOK

CXW had liquidity of about \$331m at 1Q25-end & plans to fund the \$67.0m purchase using cash on hand and its revolving credit facility. Farmville is expected to produce annual incremental revenue of about \$40.0m for CXW & we have revised our model. We believe the transaction also underscores CXW's strong relationship with ICE, its largest government partner, and need for capacity. The company is in the process of reactivating idled capacity and has added capacity with Farmville. CXW has indicated its new business pipeline is robust & is optimistic that it will reach new agreements with ICE and others to warrant bringing capacity online.

Current Price (6/10/25) \$21.97
Valuation \$29.50

SUMMARY DATA

52-Week High \$24.99
52-Week Low \$11.23
One-Year Return (%) 46
Beta 0.80
Average Daily Volume (sh) 1,035,831

Shares Outstanding (mil) 109
Market Capitalization (\$mil) \$2,394
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 27.8
P/E using 2024 EPS 27.1
P/E using 2025 Estimate 23.6

Risk Level
Type of Stock
Average, 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	520 E	524 E	2,040 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	\$0.24 E	\$0.24 E	\$0.93 E

Qs might not sum reflecting rounding

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CAPACITY INCREASES AS OCCUPANCY CONTNUES TO RISE, WITH UPSIDE EXPECTED

Pending acquisition of Farmville Detention Center adds capacity, revenue and...

CoreCivic (NYSE: CXW) intends to acquire the Farmville Detention Center located in Farmville, Virginia. The facility has capacity for 736-beds and was constructed in 2010, making it a modern center that is unlikely to require much, if any, upgrade by CXW. Farmville Detention Center provides transportation, care, and civil detention services to adult male detainees through a contract between Prince Edward County, Virginia and ICE that expires in March 2029.

The company expects to fund the \$67.0 million purchase price using cash on hand and borrowing capacity under its revolving credit facility. 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. The acquisition is expected to close by July 1, 2025, subject to customary closing conditions. Given that CXW will therefore consolidate Farmville results beginning in 2H25 all else equal, we have revised our model, conservatively taking 2025 revenue to \$2.040 billion from \$2.024 billion before. Farmville is expected to produce total annual incremental revenue of about \$40.0 million for CXW translating into an estimated roughly \$150 million over the contract period; we have modeled potential for some minimal delay in 2H25.

...potential for some benefits of operating efficiencies

ICE has apparently used the Farmville facility for several years and occupancy has more than doubled since October of 2024, according to [trade publications](#) citing agency data. In addition to the above noted roughly \$40.0 million annual revenue, CXW is also expected to add operating costs associated with maintaining the facility and adding more than 200 new employees. Down the road, we would expect CXW to obtain some operating efficiencies at the facility, given the company's size, scale and broad operating footprint.

Transaction, along with reactivating idled facilities, illustrate CXW's growing need for capacity

The transaction also underscores, we believe, CXW's strong relationship with ICE, its largest government partner. The company recently has renegotiated one ICE contract and has a letter agreement on another. It also underscores CXW's need for capacity. The company is in the process of reactivating idled capacity and has added capacity with the acquisition of this facility.

[ICE](#) is seeking to expand its nationwide capacity. 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.

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.

CXW has recently 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.

<u>Facility</u>	<u>Location</u>	<u>Bed Capacity</u>
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.

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.

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

While the company raised guidance following 1Q25, based on contracts that have closed, reflect the Farmville transaction and if/when other new contracts close, that would likely provide upside to current guidance. As noted, we have revised our model.

Moreover, CXW has indicated that it 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. 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.

VALUATION

Expect multiple expansion, higher share price

Our valuation methodology remains unchanged but our valuation increases based on higher 2025 forecast FFO following our model revisions. Reflecting CXW's transaction and contract wins, combined with its efficiency and balance sheet measures, we anticipate ongoing multiple expansion on CXW shares. The shares had been under pressure recently, likely reflecting some concerns about, among other factors, possible alternative solutions for ICE needs such as Guantanamo Bay and even Alcatraz was mentioned. 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. Moreover, 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.

Applying a multiple of about 14x to our revised 2025 normalized FFO estimate – CXW shares have historically traded at an average multiple of about 13-14x this metric – and adjusting upward about 10% for the possibility that adjusted FFO comes in above our forecast yields a valuation of about \$29.50, up from \$28.25 earlier.

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 June 10, 2025, CXW announced the planned acquisition of the Farmville Detention Center.
- On May 8, 2025, CXW 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

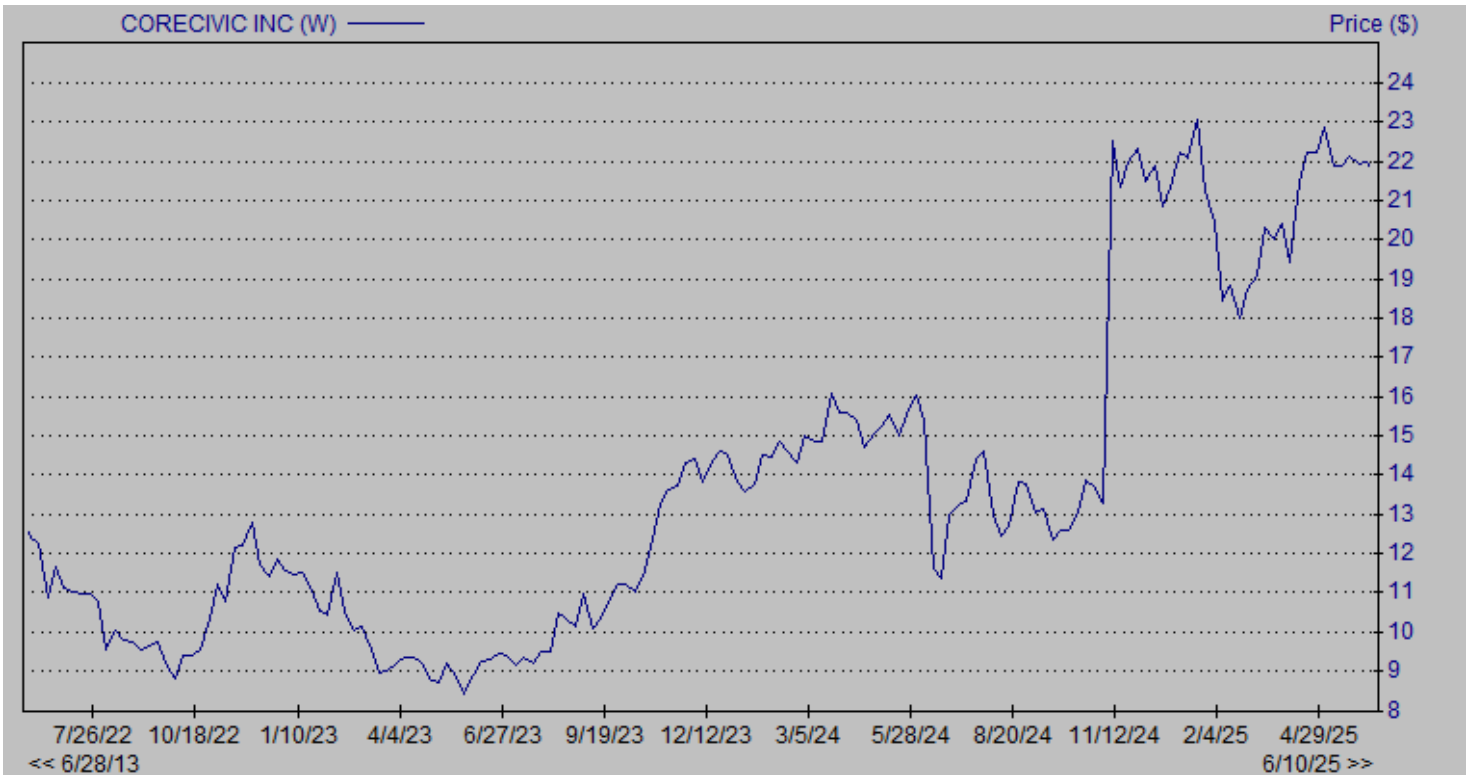
Core Civic Income Statement & Projections (\$000s except per share data)

	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	\$519,606	\$524,204	\$2,039,969
Y/Y % change	9.3%	5.7%	1.6%	-2.4%	3.4%	-2.4%	3.6%	5.7%	9.4%	4.0%
Operating expense	378,103	375,735	370,818	368,701	1,493,357	374,737	385,216	392,615	395,774	1,548,342
General and administrative	36,465	33,910	41,162	40,544	152,081	36,016	36,556	38,932	39,555	151,060
Depreciation and amortization	31,730	32,145	32,240	31,896	128,011	30,518	31,098	32,031	32,415	126,062
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	463,578	467,745	1,825,464
Operating income	54,388	48,319	44,230	38,152	185,089	47,356	54,661	56,029	56,460	214,505
Operating margin	10.9%	9.9%	9.0%	8.0%	9.4%	9.7%	10.8%	10.8%	10.8%	10.5%
Interest expense, net	18,613	17,110	15,998	15,694	67,415	15,231	18,119	19,025	19,414	75,410
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	21,025	21,614	81,645
Pretax income	9,043	27,579	30,180	25,161	91,963	32,090	34,542	35,004	34,846	132,860
Taxes	500	(8,625)	(9,084)	(5,886)	(23,095)	(6,977)	(10,017)	(9,311)	(9,757)	(36,062)
Minority interest										
Net income	9,543	18,954	21,096	19,275	68,868	25,113	24,525	25,693	25,089	96,798
Adj net income*	27,859	21,751	22,436	18,203	68,746	25,113	24,525	25,693	25,089	96,798
Per share data										
EPS	\$0.08	\$0.17	\$0.19	\$0.17	\$0.62	\$0.23	\$0.22	\$0.24	\$0.24	\$0.93
Adj EPS	\$0.25	\$0.20	\$0.20	\$0.16	\$0.81	\$0.23	\$0.22	\$0.24	\$0.24	\$0.93
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	\$24,525	\$25,693	\$25,089	\$100,420
+ D&A of real estate assets	24,784	24,843	25,166	25,072	99,865	24,598	23,634	25,304	25,608	99,145
+ 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	50,997	50,697	199,564
FFO/share	\$0.30	\$0.39	\$0.42	\$0.39	\$1.51	\$0.45	\$0.44	\$0.47	\$0.47	\$1.83
+ 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	50,997	50,697	199,564
Normalized FFO/share	\$0.46	\$0.42	\$0.43	\$0.39	\$1.70	\$0.45	\$0.44	\$0.47	\$0.47	\$1.83

Source: Company reports, Zacks estimates

*Adj net income adjusts for highlighted items in FFO lines

HISTORICAL STOCK PRICE



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