

Zacks Small-Cap Research

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CoreCivic, Inc.

(CXW-NYSE)

CXW: Strong 2Q25 Reflects Rising Utilization, Expected to Continue, Operating Leverage

Reflecting ICE's growing need for capacity and recent budget funding, CXW is in the process of reactivating idled facilities, in discussions to reactivate others & also added capacity with its recent acquisition of the Farmville Detention Center. Compensated 2Q25 occupancy increased to 76.8% vs 74.3% in 2Q24 & likely trends higher. Prior to the pandemic, this metric reached the high 80s% and even into the 90s%.

OUTLOOK

CXW's adjusted EPS of \$0.36 beat our/consensus forecast significantly, primarily reflecting higher populations at its facilities (54k in 2Q25 vs 51.5k in 2Q24) and higher average per diem rates combined with operating leverage and cost efficiencies. We believe CXW's modern facilities & long-term experience will continue to lead to new contracts & that with liquidity of ~\$347m & strong cash flow, CXW is well-positioned to continue growth initiatives and maintain other capital allocation activities including share buybacks (3.9m shares in 1H25).

Current Price (8/8/25) \$20.50
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 21.4
P/E using 2024 EPS 25.3
P/E using 2025 Estimate 18.6

Risk Level
Type of Stock
Average, Mid-Value

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(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	538 A	551 E	555 E	2,133 E

Adj EPS / Loss per share

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(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	\$0.36 A	\$0.23 E	\$0.28 E	\$1.10 E

Qs might not sum reflecting rounding

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OCCUPANCY CONTNUES TO RISE, WITH SIGNIFICANT UPSIDE EXPECTED

Strong 2Q25 results show benefits of rising utilization, operating leverage

CoreCivic (NYSE: CXW) reported 2Q25 results last week, beating our projections and raising 2025 guidance. Total revenue of \$538.2 million was well ahead of our \$507.5 million forecast, reflecting new contracts and higher occupancy and per diems. This represents a 9.8% year-over-year increase compared to revenue of \$490.1 million reported in 2Q24. Two important contracts had expired in 2024 but CXW has already renegotiated and/or secured agreement on these. In addition, new contracts have come online over the past several quarters with state, counties and the U.S. Marshals Service, as well as ICE.

The company recorded 2Q25 adjusted EPS of \$0.36, significantly ahead of our \$0.22 adjusted EPS forecast and consensus of \$0.21. The increase primarily reflected higher federal and state populations and higher average per diem rates at many locations, noted above, and operating leverage and cost efficiencies. In addition, employee retention credits (ERCs) added \$0.08/share. These factors offset the impact of the above noted 2024 contract terminations and start-up costs associated with re-activating capacity.

Reactivating idled facilities & adding capacity via M&A to meet growing ICE need for capacity

CXW is in the process of reactivating idled facilities, as noted, and is in discussions to reactivate other sites.

- In March, the company started re-activating a facility operated previously in Dilley, Texas. Following expiration of an earlier contract, CXW 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. The company has also entered into a new lease agreement with Target Hospitality Corporation, which owns the facility. The agreement is expected to contribute about \$180 million in annual revenue to CXW once it is completely active.
- The company entered into a Letter Contract with ICE effective April 1, 2025, to re-activate the 2,560-bed California City Immigration Processing Center. Initial funding authorized is \$10.0 million to \$31.2 million for a six-month period to help cover start-up costs as CXW and ICE negotiate a long-term contract.
- The company entered into a Letter Contract with ICE effective March 7, 2025, to re-activate the 1,033-bed Midwest Regional Reception Center, with initial funding of up to \$5.0 million to \$22.6 million for a six-month period to help cover start-up costs while CXW and ICE negotiate and a long-term contract. Activities have been paused by a lawsuit the City of Leavenworth filed alleging that a Special Use Permit (SUP) is required to operate the facility. As the legal process to resolve this proceeds, CXW remains confident that ICE intends to using this facility.

<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

**Litigation proceeding to enable operation of facility

Source: Company reports

The company is also in discussion to re-activate other idled facilities. Compensated occupancy in 2Q25 increased to 76.8%, up from 74.3% in 2Q24. Prior to the pandemic, this metric reached the high 80s% and even into the 90s%. Moreover, reflecting ICE's recent funding, CXW has noted that discussions with ICE indicate that CXW needs considerably more capacity that likely takes CXW occupancies much higher. Reflecting the additional capacity required by ICE and potentially other government partners, we anticipate discussions to lead to new business and expect the company's momentum to continue.

CXW also acquired the Farmville Detention Center in Farmville, Virginia to further expand capacity, funding the \$67.0 million purchase using cash and its revolving credit facility. Farmville has 736-bed capacity and 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. Farmville is expected to produce total annual incremental revenue of about \$40.0 million.

CXW's expansion initiatives underscore CXW's need for capacity reflecting discussions with ICE, its largest government partner and, according to the New York [Times](#), the federal government's highest funded law enforcement agency. [ICE](#) is seeking to expand its nationwide capacity. For this reason, alternative solutions such as *Alligator Alcatraz* in Florida are being considered. Nevertheless, CXW believes such solutions do not detract from it growing its ICE business and could even imply some potential opportunity to manage alternative solutions or facilities. Like many alternative options, *Alligator Alcatraz* uses *soft* or temporary structures such as tents or modular units. By contrast, CXW's facilities are purpose built and relatively modern. Moreover, the company has a long history of providing capacity and related services to ICE and other government partners.

CXW has a strong balance sheet and liquidity. CXW had \$130.5 million of cash at the end of 2Q25 and \$216.4 million available under its revolver, for liquidity of about \$346.9 million, up from about \$331 million at the end of 1Q25. The Farmville acquisition closed on July 1, 2025 and, as noted, the company used cash and its revolver. At 2.3x, the company's TTM Debt leverage ratio at the end of 2Q25 is at the low end of its target range and CXW generates strong cash flow. We believe the company is well-positioned to maintain growth initiatives such as adding capacity and potentially expanding its offering of ancillary services (such as at home monitoring, for example) and continue to repurchase shares. CXW repurchased 2.0 million shares in 2Q25 and 3.9 million shares in 1H25 at respective aggregate costs of \$43.2 million and \$81.0 million. The company also increased the share repurchase authorization during the quarter and had \$237.9 million remaining as of June 30, 2025. We expect share repurchases to remain a capital allocation priority in the near-term, depending on the share price.

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

The company raised guidance following 2Q25, based on contracts that have closed. If/when other new contracts close, that would likely provide upside to current guidance. We have revised our model, which along with the 2Q25 beat, takes our 2025 revenue forecast to \$2.133 billion from \$2.040 billion before. We expect some non-recurring items such as ERCs in 2Q25 and potential integration costs of Farmville in 3Q25 could mask the expected continued upward trend in the company's core business.

VALUATION

Expect multiple expansion & benefits of share buybacks

We believe possible alternative solutions for ICE such as *Alligator Alcatraz* pose headline risk and possibly constrain CXW share price multiple in the short-term. Nevertheless, reflecting the cost and other efficiencies CXW can deliver and longstanding relationship with ICE, we believe CXW remains well positioned for new and expanded agreements with ICE and other partners.

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 8% for the possibility that adjusted FFO comes in above our forecast yields a valuation of about \$29.50.

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 August 6, 2025, CXW announced 2Q25 results.
- On June 10, 2025, CXW announced the planned acquisition of the Farmville Detention Center.
- 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

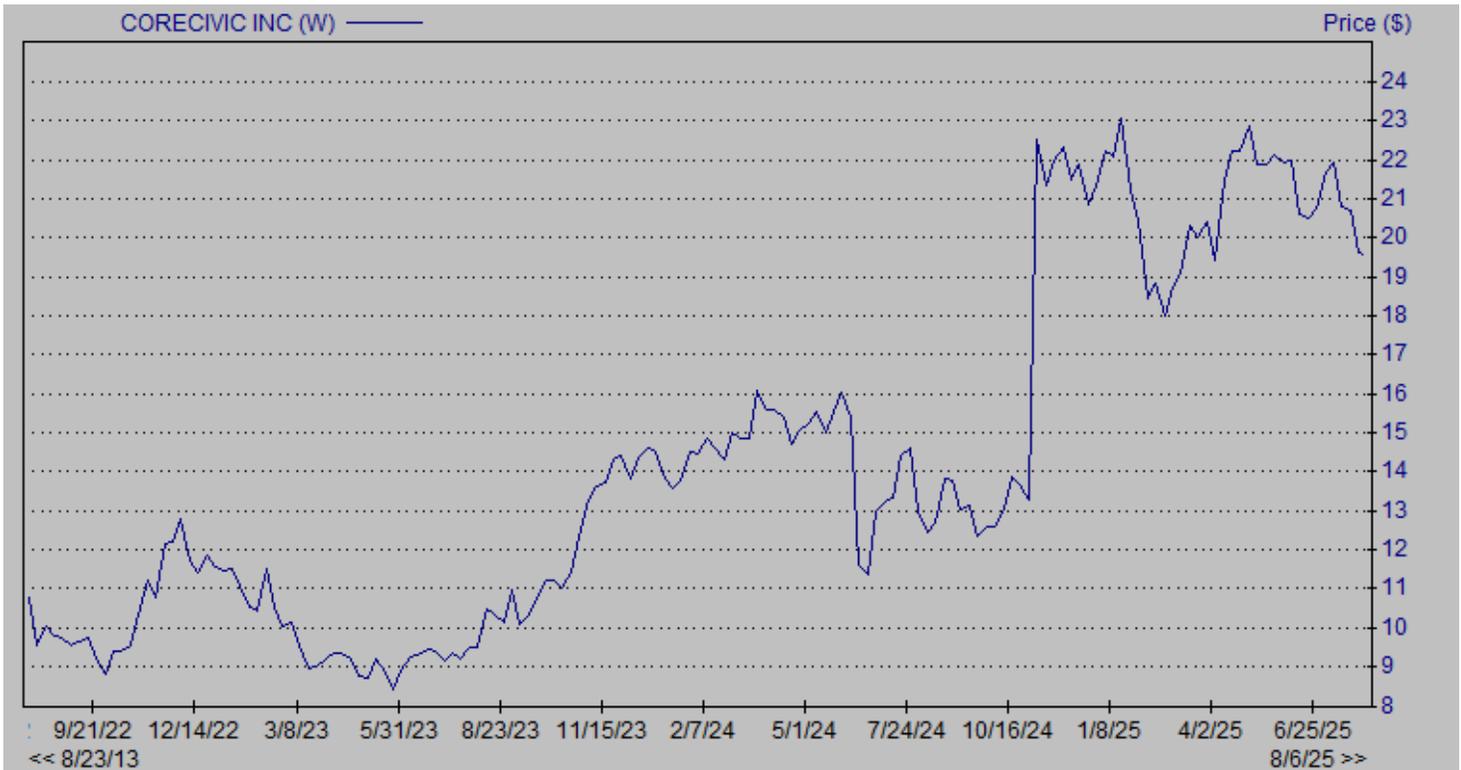
Core Civic Income Statement & Projections (\$000s except per share data)

	1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25E	4Q25E	2025E
Revenue	\$500,686	\$490,109	\$491,558	\$479,293	\$1,961,646	\$488,627	\$538,165	\$551,081	\$555,036	\$2,132,909
Y/Y % change	9.3%	5.7%	1.6%	-2.4%	3.4%	-2.4%	9.8%	12.1%	15.8%	8.7%
Operating expense	378,103	375,735	370,818	368,701	1,493,357	374,737	398,342	413,311	409,617	1,596,007
General and administrative	36,465	33,910	41,162	40,544	152,081	36,016	43,882	45,330	45,420	170,648
Depreciation and amortizati	31,730	32,145	32,240	31,896	128,011	30,518	31,108	34,519	34,622	130,767
Shareholder litigation exper	-	-	-	-	-	-	-	-	-	-
Impairments / other	-	-	3,108	-	3,108	-	-	-	-	-
Total operating expense	446,298	441,790	447,328	441,141	1,776,557	441,271	473,332	493,159	489,659	1,897,421
Operating income	54,388	48,319	44,230	38,152	185,089	47,356	64,833	57,922	65,377	235,488
Operating margin	10.9%	9.9%	9.0%	8.0%	9.4%	9.7%	12.0%	10.5%	11.8%	11.0%
Interest expense, net	18,613	17,110	15,998	15,694	67,415	15,231	12,539	19,310	18,924	66,004
Other (income) expense	26,732	3,630	(1,948)	(2,703)	25,711	35	35	(1,549)	2,200	721
	45,345	20,740	14,050	12,991	93,126	15,266	12,574	17,761	21,124	66,725
Pretax income	9,043	27,579	30,180	25,161	91,963	32,090	52,259	40,161	44,253	168,763
Taxes	500	(8,625)	(9,084)	(5,886)	(23,095)	(6,977)	(13,716)	(12,851)	(14,161)	(47,705)
Net income	9,543	18,954	21,096	19,275	68,868	25,113	38,543	27,309	30,092	121,057
Adj net income*	27,859	21,751	22,436	18,203	68,746	25,113	39,654	25,266	30,092	120,125
Per share data										
EPS	\$0.08	\$0.17	\$0.19	\$0.17	\$0.62	\$0.23	\$0.35	\$0.25	\$0.28	\$1.12
Adj EPS	\$0.25	\$0.20	\$0.20	\$0.16	\$0.81	\$0.23	\$0.36	\$0.23	\$0.28	\$1.10
Average shares outstanding	113,487	110,954	110,971	111,383	111,699	110,458	109,169	109,099	109,064	109,448
Funds From Operation (FFO)										
Net income	\$9,543	\$18,954	\$21,096	\$19,275	\$68,868	\$25,113	\$38,543	\$27,309	\$30,092	\$121,057
+ D&A of real estate asset	24,784	24,843	25,166	25,072	99,865	24,598	24,920	25,889	25,967	101,374
+ Impairment of real estate assets	-	-	2,418	-	2,418	-	-	-	-	-
- Gain on sale of real estat	(568)	-	(1,181)	(1,513)	(3,262)	-	-	(3,549)	-	(3,549)
+ - Other	178	-	(377)	441	242	-	-	993	-	993
FFO	33,937	43,797	47,122	43,275	168,131	49,711	63,463	50,642	56,059	219,875
FFO/share	\$0.30	\$0.39	\$0.42	\$0.39	\$1.51	\$0.45	\$0.58	\$0.46	\$0.51	\$2.01
+ M&A expenses	-	-	-	-	-	-	1,538	712	-	2,250
+ COVID related expenses	-	-	-	-	-	-	-	-	-	-
+ Balance sheet related exp	27,242	4,074	-	-	31,316	-	-	-	-	-
+ - Other asset impairments	-	-	690	-	690	-	-	-	-	-
+ - Tax assoc. w/special items	-	-	(210)	-	(210)	-	(427)	(199)	-	(626)
+ - Other special items (tax	(8,536)	(1,277)	-	-	(9,813)	-	-	-	-	-
Normalized FFO	52,643	46,594	47,602	43,275	190,114	49,711	64,574	51,155	56,059	221,499
Normalized FFO/share	\$0.46	\$0.42	\$0.43	\$0.39	\$1.70	\$0.45	\$0.59	\$0.47	\$0.51	\$2.02

Source: Company reports, Zacks estimates

*Adj net income adjusts for highlighted items in FFO lines

HISTORICAL STOCK PRICE



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