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Zacks Small-Cap Research

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CoreCivic, Inc. (CXW-NYSE)

CXW: 1Q26 Underscores Benefits of Growth Initiatives and Strong Momentum

We believe 1Q26 results illustrate the strong momentum in the company's business and benefits of its growth initiatives. Reflecting the re-activation of four previously idled facilities & acquisition of the Farmville, revenue of $614.7m increased 25.8% y/y & occupancy levels increased to 79.6% vs 77.0%. CXW believes a recent decline in ICE populations was related to the shutdown & TSA redeployments & is temporary, with further increases expected in 2H 2026.

Current Price (5/8/26)	$20.33
Valuation	**$31.00**

OUTLOOK

We view CXW's acquisition of CSP, one of the largest domestic providers of mail order pharmacy services to correctional facilities, as a positive. It helps diversify CXW's revenue & cash flows into an adjacent business that management believes has significant runway to grow through new customer additions & potentially M&A consolidating this business niche. CXW expects its ability to provide a broader array of services to its government customers can enhance its opportunities & potentially create cross-selling opportunities.

SUMMARY DATA

52-Week High	**$23.20**
52-Week Low	**$15.74**
One-Year Return (%)	**-6.1**
Beta	**0.68**
Average Daily Volume (sh)	**1,203,066**
Shares Outstanding (mil)	**99**
Market Capitalization ($mil)	**$2,010**
Short Interest Ratio (days)	**2.3**
Institutional Ownership (%)	**43**
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	**16**
P/E using 2025 EPS	**18**
P/E using 2026 Estimate	**13**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	580 A	604 A	2,211 A
2026	615 A	622 E	668 E	671 E	2,575 E

Adj EPS / Loss per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	$0.24 A	$0.30 A	$1.10 A
2026	$0.40 A	$0.32 E	$0.43 E	$0.44 E	$1.60 E

Qs might not sum reflecting rounding

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1Q26 HIGHLIGHTS

Reactivated facilities, Farmville and expansion into adjacent business

CoreCivic (NYSE: CXW) reported 1Q26 results that we believe illustrate the strong momentum in the company's business and benefits of its growth initiatives. Reflecting the re-activation of four previously idled facilities since 1Q25 (adding more than 7,700 beds) and acquisition of the Farmville Detention Center on July 1, 2025, total revenue of $614.7 million increased 25.8% year-over-year. Revenue from ICE increased 96.2% to $261.3 million and revenue from state customers increased 3.6%. Excluding the decline in revenue at the company's Trousdale facility (see below), revenue from state customers would have increased by 5.2%. We believe the reopening of these facilities underscores ICE's need for capacity and CXW's longstanding role in supplying capacity and services to ICE and other government partners.

To fulfill new ICE contracts, CXW has reactivated several idled facilities (see below). The company started reactivation at its 1,033- bed Midwest Regional Reception Center in Leavenworth, Kansas facility on March 12, 2026, after its application for a Special Use Permit (SUP) was approved and. With only a few weeks of onboarding during the quarter, compensated occupancy at the facility was de minimis in 1Q26 but CXW expects this facility to reach stabilized occupancy in 3Q26 and contribute about $0.05 to $0.06 in incremental EPS over the remainder of 2026. We expect this to be back-half weighted. CXW's agreement with ICE provides for a fixed monthly payment plus an incremental per diem payment based on detainee populations. CXW had previously indicated that once the center is fully ramped, annual revenue is expected to be about $60 million.

Reactivated facilities

- 2,560-bed California City Immigration Processing Center
- 2,400-bed leased South Texas Family Residential Center
- 600-bed West Tennessee Detention Facility
- 2,160-bed Diamondback Correctional Facility
- 1,033-bed Midwest Regional Reception Center in Leavenworth, Kansas

Consolidated occupancy level reached 79.6%, up from 77.0%

Consolidated occupancy levels increased to 79.6% compared with 77.0%. CXW expects further increases in 2H 2026 as demand from federal, state, and local governments increases. The number of detainees in CXW facilities under contracts with ICE has increased by about 44.7%, roughly 4,500 people, since the beginning of 2025 through March 31, 2026. The average daily population managed across all CXW facilities was 57,243 in 1Q26, up from 51,429 in 1Q25. ICE populations peaked at the end of January 2026 (for the agency nationally and for CXW) and have subsequently declined by about 3k, reflecting the government shutdown and redeployment of many ICE agents to TSA checkpoints, among other factors. CXW believes the decline is temporary.

Results in 1Q26 were partially offset by a transition in inmate populations at the 2,552-bed Trousdale Turner Correctional Center that temporarily lowered populations and raised expenses there. As the population at this facility ramps, occupancy and margins are expected to increase.

1Q26 net income was $37.9 million and EPS was $0.38, compared with $25.1 million and $0.23, respectively, in 1Q25. EPS benefited from employee retention credits and a 10.1% decrease in average shares outstanding in 1Q26, as the company repurchases shares. Adjusted EPS was $0.40 compared to $0.23. Normalized Funds From Operations (FFO) for 1Q26 was $0.64 per share, compared with $0.45 in 1Q25. Adjusted EBITDA was $110.1 million in 1Q26, up from about $81.0 in 1Q25.

CSP acquisition helps diversify revenue, cash flows into adjacent growth business

CXW acquired Clinical Solutions Pharmacy (CSP), one of the largest domestic providers of mail order pharmacy services to correctional facilities, for $148.0 million plus a potential earnout. CSP serves 600+ correctional facilities across 28 states, including CXW's. The acquisition helps diversify CXW's revenue and cash flows into an adjacent business that management believes has significant runway to grow by adding new customers, including those which currently provide these services in-house, and potentially consolidating the business niche, combined with the anticipated growth of aging prison populations. Moreover, CXW expects its ability to provide a broader array of services to its government customers can enhance its opportunities and potentially create cross-selling opportunities. CSP has strong customer relationships, according to CXW.

The CSP transaction was funded with cash on hand and borrowings, and CXW obtained a $100 million incremental term loan subsequent to quarter-end at 0.25% above its initial term loan / revolving facility (see below). It matures on April 9, 2027, and CXW has indicated that it would be open to opportunistic asset sales to refinance it.

Potential asset sales – likely in tandem with new CXW management contract – could further enhance liquidity

Opportunistically, potential asset sales could further enhance liquidity, thereby freeing capital for allocation to other measures designed to enhance shareholder value. ICE has indicated its interest to own certain assets that are managed on a turnkey basis strategically. One high profile option according to trade publications is that ICE is considering further retrofitting of commercial warehouses. CXW owns facilities that are modern and designed to provide services that could make them a turnkey solution for the agency. While difficult to forecast the price point of a potential asset sale depending on location, size and other factors, CXW's facilities are special purpose assets that would require minimal to no upgrade investment. Moreover, CXW believes that a potential ICE acquisition would likely be in tandem with a new contract for CXW to manage the facility, which could also impact the sale price in a potential transaction.

In addition to higher ICE populations, the company's operating results have also benefitted from higher federal and state populations and higher average per diem rates at many locations, combined with multiple new contracts coming online over the past few quarters. New business has closed at a pace the company has not experienced in some time and CXW is also in discussions with ICE and other government partners for other contracts, including to reactivate additional idle facilities, as CXW still has additional idled capacity that it can bring back online. CXW has five idle correctional facilities containing ~7,000 beds as of March 31, 2026, and which are operated with a core staff in order to remain available to be reactivated quickly and which are being actively marketed as solutions to ICE and others. For instance, between four centers in Colorado, Minnesota and Kentucky, CXW has more than 4,600 beds available. The company expects business activity to be weighted towards 2H 2026, with 2Q26 expected to be lower sequentially compared to 1Q26, reflecting the above noted reduction industrywide of ICE detention populations, among other factors.

We believe the strong pipeline and recent new business wins or contract extensions reflect CXW's ability to provide flexible capacity to government customers. Government entities and ICE need to house the prison populations and detainees and also face budgetary issues that likely constrain construction of new facilities in the near-term. We believe the facility reactivations and multiple new contracts position CXW for strong performance going forward.

Substantial liquidity to support operations, buybacks and growth measures

In addition, CXW has strengthened its balance sheet and has substantial liquidity to support operations, buybacks and growth measures, in our view. To enhance its financial flexibility, as indicated, CXW added a $100 million incremental term loan subsequent to 1Q26, after amending its credit agreement to expand the revolving credit facility to $575 million effective December 1, 2025, from $275 million. As of March 31, 2026, CXW had $224.3 million of cash and restricted cash and an additional $131.3 million of borrowing capacity under the revolving credit facility, for total liquidity of about $341 million.

The company's 2.8x, TTM Debt leverage ratio at the end of 1Q26 is at the low end of its target range and CXW generates strong cash flow. Reflecting the company's operating leverage, business momentum and renewal rate on its facilities over the past five years (CXW has a 96.4% 5-year retention rate), among other factors, we are optimistic about CXW's opportunity to continue generating stable cash flow.

Share repurchases remain priority

CXW repurchased 2.3 million shares at an aggregate cost of $44.7 million in 1Q26, as it believes CXW shares are undervalued and has prioritized share repurchases as a capital allocation priority. These repurchases follow the repurchase of 11.2 million shares in 2025 at an aggregate cost of $218.4 million, or an average of $19.50 per share. In 4Q25 alone, CXW bought 5.3 million shares at an aggregate $97.3 million and average of $18.36 per share. Since the share repurchase program was authorized in May 2022, through end of 1Q26, CXW has repurchased an aggregate 28 million shares, reflecting its positive outlook on its business and goal to deliver shareholder value.

CXW has no major debt maturities coming due in 2026 and $258 million, $343 million and $508 million coming due in 2027, 2028 and 2029, respectively. It would not surprise us to see CXW prepare to repay portions of the 2027-28 maturities in advance, as it has done with prior maturities in the past.

VALUATION

CXW shares trade well below historical multiple levels. We believe unwarranted concerns about ICE populations have overhung the shares. We continue to view the company's recent momentum, growth and balance sheet measures as catalysts for ongoing multiple expansion over time. At their current price, CXW shares trade well below historical multiple levels and do not reflect the company's strong outlook and growing cash flow prospects, in our view.

We believe CXW remains well positioned for new and expanded agreements with ICE and other partners and anticipate a strong 2026. We apply a multiple of about 12x to our revised 2026 normalized FFO estimate (below their historical average multiple of about 13-14x this metric, primarily reflecting increased headline risk) and apply a ~92% confidence adjustment reflecting the potential that ICE populations take longer than expected to resume the earlier growth trajectory. This leads to an expected valuation of about $31 per share.

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.

- The company might not be able to renew existing contracts or secure alternative utilization as contracts expire.
- Occupancy levels could 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

- CXW reported 1Q26 results on May 6, 2026.
- On March 11, 2026, CXW announced the reopening of the Midwest Regional Reception Center.
- On December 12, 2025, CXW announced the promotion of Daren Swenson to EVP and Chief Corrections and Reentry Officer.
- CXW expanded its revolving credit facility by $300 million effective December 1, 2025.
- On November 10, 2025, CXW announced a $200 million increase to its share repurchase authorization.
- On November 5, 2025, CXW announced 3Q25 results.
- On October 1, 2025, CXW announced a new contract at its Diamondback Correctional Facility.
- On September 29, 2025, CXW announced new contracts at its California City Immigration Processing Center and Midwest Regional Reception Center.
- On August 18, 2025, CXW announced that its COO would replace the CEO in January 2026.
- On August 14, 2025, CXW announced a new contract to resume operations at its West Tennessee Detention Facility.
- 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.

FINANCIAL MODEL

CoreCivic

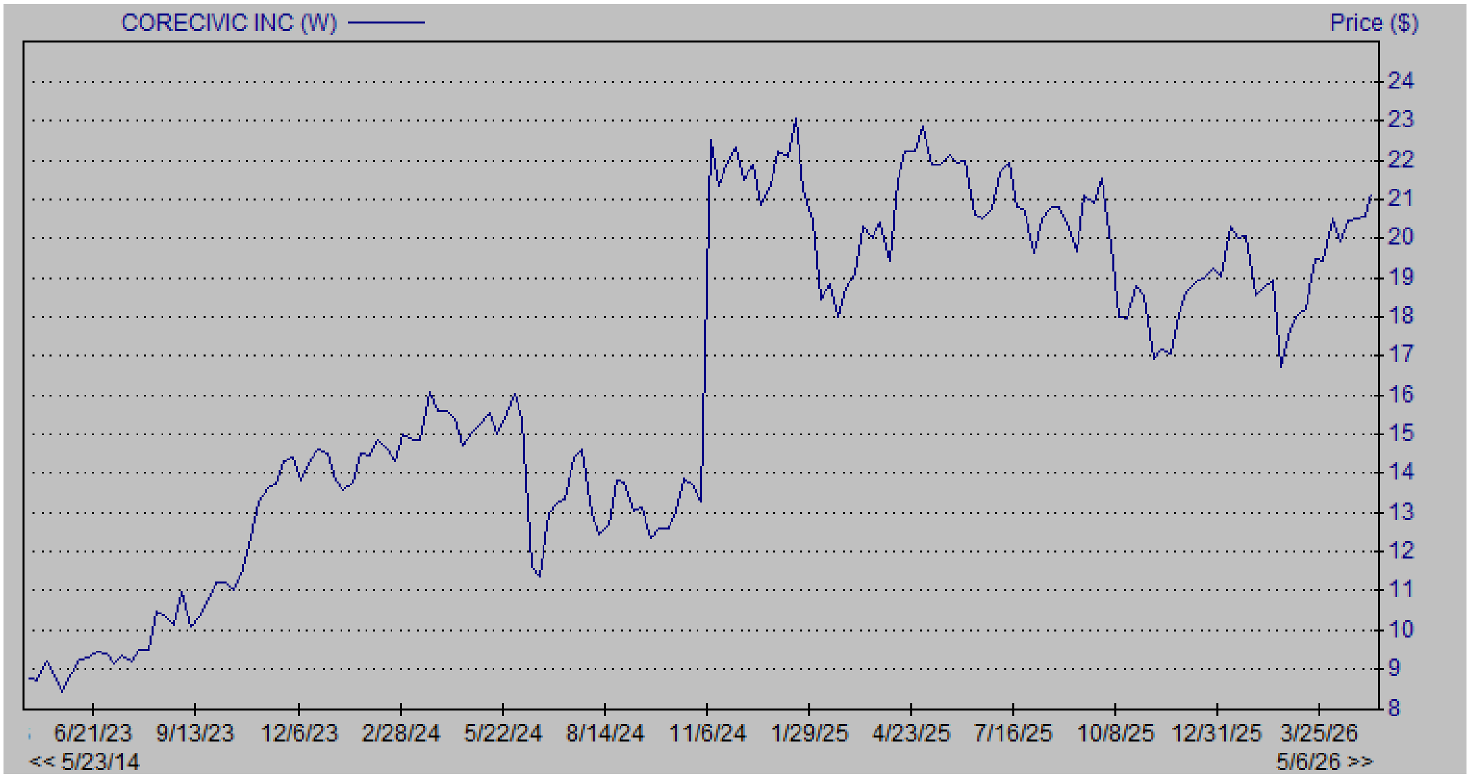
Core Civic Income Statement & Projections ($000s except per share data)

	1Q25A	2Q25A	3Q25A	4Q25A	2025A	1Q26A	2Q26E	3Q26E	4Q26E	2026E
Revenue	$488,627	$538,165	$580,437	$603,953	$2,211,182	$614,729	$622,081	$667,698	$670,848	$2,575,356
Y/Y % change	*-2.4%*	*9.8%*	*18.1%*	*26.0%*	*12.7%*	*25.8%*	*15.6%*	*15.0%*	*11.1%*	*16.5%*
Operating expense	374,737	398,342	449,556	469,893	1,692,528	467,719	478,380	504,112	502,130	1,952,341
General and administrative	36,016	43,882	45,288	44,394	169,580	43,676	43,546	49,410	50,314	186,945
Depreciation and amortizati	30,518	31,108	33,388	33,891	128,905	33,335	33,902	34,309	34,720	136,265
Shareholder litigation expense / other		-		-	-	-	-	-	-	-
Impairments / other	-	-	1,482	-	1,482	-	-	-	-	-
Total operating expense	441,271	473,332	529,714	548,178	1,992,495	544,730	555,827	587,830	587,164	2,275,551
Operating income	47,356	64,833	50,723	59,375	218,687	69,999	66,253	79,868	83,685	299,805
Operating margin	9.7%	12.0%	8.7%	9.8%	9.9%	11.4%	10.7%	12.0%	12.5%	11.6%
Interest expense, net	15,231	12,539	16,628	17,831	62,229	17,681	21,924	22,494	22,944	85,044
Other (income) expense	35	35	(2,465)	1,677	(718)	8	40	40	40	128
	15,266	12,574	14,163	19,508	61,511	17,689	21,964	22,534	22,984	85,172
Pretax income	32,090	52,259	36,560	39,867	157,176	52,310	44,289	57,333	60,700	214,632
Taxes	(6,977)	(13,716)	(10,251)	(9,729)	(40,673)	(14,394)	(12,135)	(14,333)	(16,996)	(57,859)
Net income	25,113	38,543	26,309	30,138	116,503	37,916	32,154	43,000	43,704	156,774
Adj net income*	25,113	39,654	26,166	31,697	119,030	39,661	32,154	43,000	43,704	158,519
Per share data										
EPS	$0.23	$0.35	$0.24	$0.29	$1.08	$0.38	$0.32	$0.43	$0.44	$1.58
Adj EPS	$0.23	$0.36	$0.24	$0.30	$1.10	$0.40	$0.32	$0.43	$0.44	$1.60
Average shares outstandin	110,458	109,169	107,521	103,991	107,785	99,326	99,287	99,267	99,247	99,282
Funds From Operation (FFO)										
Net income	$25,113	$38,543	$26,309	$30,138	$120,103	$37,916	$32,154	$43,000	$43,704	$156,774
+ D&A of real estate asset	24,598	24,920	25,916	25,939	101,373	25,394	26,301	26,617	26,936	105,247
+ Impairment of real estate assets			1,482		1,482					-
- Gain on sale of real estate assets			(2,461)	1,454	(1,007)					-
+ - Other	-	-	273	(400)	(127)	-	-	-	-	-
FFO	49,711	63,463	51,519	57,131	221,824	63,310	58,455	69,617	70,640	262,021
FFO/share	$0.45	$0.58	$0.48	$0.55	$2.06	$0.64	$0.59	$0.70	$0.73	$2.66
+ M&A expenses		1,538	781	697	3,016	2,424	-	-	-	2,424
+ Balance sheet related expenses					-					-
+ - Other asset impairments					-					-
+ - Tax assoc. w/special items		(427)	(218)	(192)	(837)	(679)	-	-	-	(679)
+ - Other	-	-		-	-	-	-	-	-	-
Normalized FFO	49,711	64,574	52,082	57,636	224,003	65,055	58,455	69,617	70,640	263,766
Normalized FFO/share	$0.45	$0.59	$0.48	$0.55	$2.08	$0.65	$0.59	$0.70	$0.73	$2.67

Source: Company reports, Zacks estimates

*Adj net income adjusts for highlighted items in FFO lines

HISTORICAL STOCK PRICE



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