

# Zacks Small-Cap Research

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## CoreCivic, Inc.

(CXW-NYSE)

### CXW: Positive Takeaways of Asset Sales; Raising Valuation Expectation

CXW sold 2 facilities for estimated after-tax proceeds of ~\$1.1B & expects to continue managing both under existing ICE contracts. We believe increased liquidity under an asset sale / management model could enable CXW to make additional tuck-in acquisitions in adjacent growth areas (such as the recent CSP transaction) & support other shareholder enhancing measures such as share buybacks. CXW is engaged in discussions about potential sales of additional facilities.

### OUTLOOK

We view it positively that CXW has monetized two assets with little to no expected impact on cash flow. The sales de-risk CXW's fixed asset exposure to ICE, which we view positively as future administrations might not greenlight ICE spending at similar levels to the current administration. We also view pushing out major debt maturities to 2029 & beyond as another positive. Moreover, we like CXW's diversification efforts now, while its book of existing and potential business is robust, as a positive aimed at enabling future growth opportunities.

Current Price (7/2/26) \$31.03  
Valuation \$36.00

### SUMMARY DATA

52-Week High \$32.58  
52-Week Low \$15.74  
One-Year Return (%) 38  
Beta 0.57  
Average Daily Volume (sh) 1,146,704

Shares Outstanding (mil) 99  
Market Capitalization (\$mil) \$3,071  
Short Interest Ratio (days) 2.4  
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 25  
P/E using 2025 EPS 28  
P/E using 2026 Estimate 19

Risk Level  
Type of Stock  
Average, 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

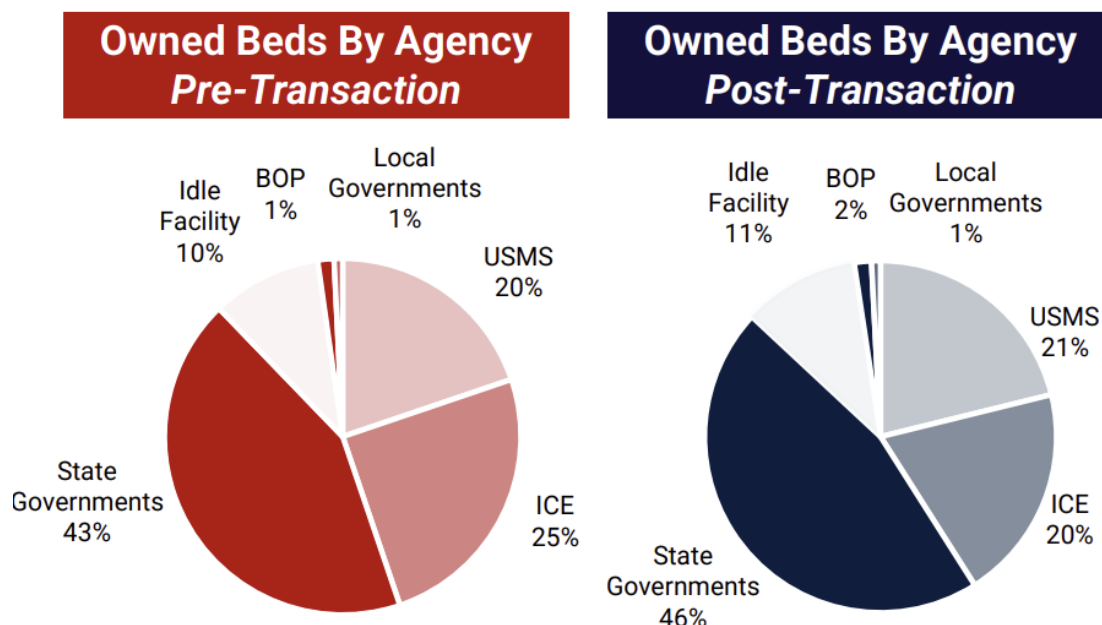
Qs might not sum reflecting rounding

Disclosures page 9

## POSITIVE TAKEAWAYS OF ASSET SALES

### Asset sales de-risk CXW fixed asset ICE exposure

CoreCivic (NYSE: CXW) completed the sale of two facilities to government partners earlier this month for an aggregate gross sales price of \$1.5 billion, which is expected to yield after-tax net proceeds of roughly \$1.1 billion. The facilities are the 2,560-bed California City Detention Facility in California City, California (which was sold for ~\$732.6 million) and 1,994-bed Otay Mesa Detention Center in San Diego, California (\$739.2 million). CXW expects to continue to manage both facilities under existing contracts with ICE (the California City contract expires in August 2027 and the Otay Mesa contract expires in December 2029, with a five-year extension option), with contract terms potentially modified to reflect the change in ownership. We would expect potential contract modifications to have minimal impact on CXW's EBITDA and cash flow metrics, or perhaps slightly positive impact when taking facility maintenance / OpEx spending into account.

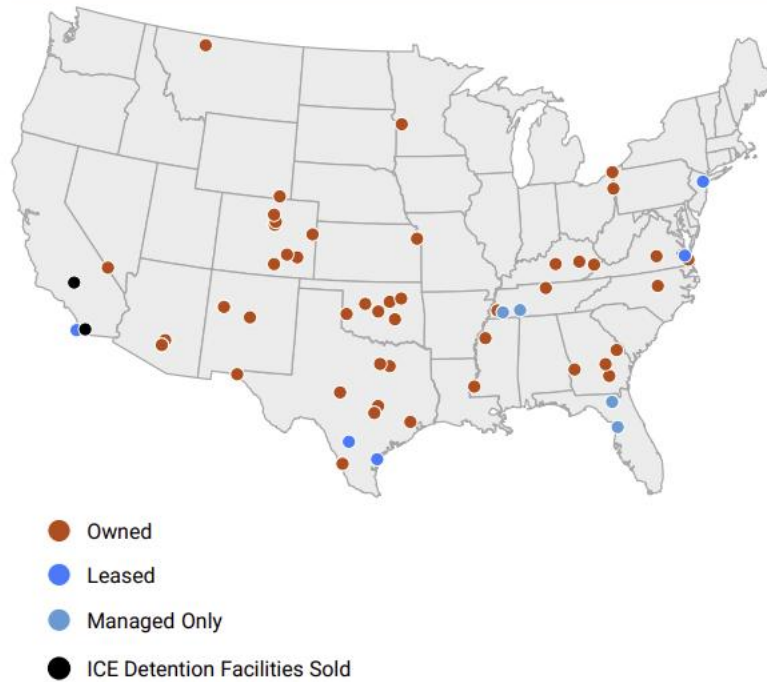


Source: [Company presentation](#)

We therefore view it positively that CXW has monetized two assets with little to no expected impact on cash flow. Separately, the asset sales de-risk CXW's exposure to ICE somewhat, which we also view positively. Following the transactions, 20% of the company's owned beds are under contract to ICE, down from 25% before. Although ICE is funded through 2029, future administrations might not greenlight ICE detention spending at similar levels. Moreover, we view CXW's diversification efforts now, while its book of existing and potential business is robust, as a positive aimed at enabling future growth opportunities.

The sales also de-risk CXW's exposure to California. Given that prison populations in the state have been declining and are projected to decrease further reflecting primarily "the estimated impact of various sentencing changes enacted in recent years," according to the Legislative Analyst's Office (LAO), and reflecting the risk that capacity demand from ICE potentially pulls back under future administrations and does not offset state demand for beds, this is another positive, in our view. Moreover, CXW is also engaged in discussions with ICE about potential sales of additional facilities. CXW facilities are purpose built for needs of ICE and other government entities. CXW facilities generally are modern and designed to provide services that could make them a turnkey solution for government agencies. It would not surprise us if CXW's Prairie Correctional Facility were being considered under this model.

### CoreCivic's Real Estate Portfolio



Source: [Company presentation](#)

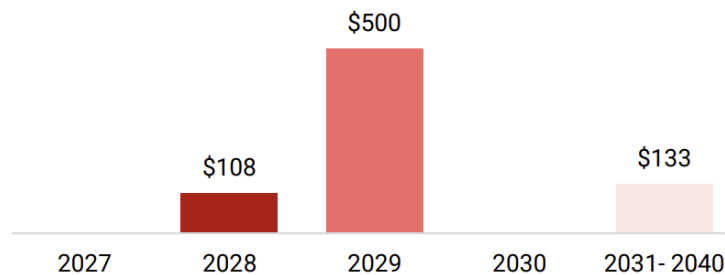
### Balance sheet stronger

CXW has substantial liquidity to support operations, buybacks and growth measures, in our view. The company's 2.8x, TTM Debt leverage ratio 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.

### Pro Forma Debt Maturity Schedule

(\$ in Millions)

■ Term Loans ■ Senior Notes ■ Mortgage Note



Source: [Company presentation](#)

The company expects to use a portion of net proceeds to reduce or eliminate outstanding balances of \$270.0 million on the revolving credit facility, aggregate \$207.8 million on its term loans and the remaining outstanding balance of \$238.5 million of its 4.75% senior notes scheduled to mature in October 2027. Remaining net proceeds are earmarked for general corporate purposes, including potential tuck-ins. The transaction enhances CXW's balance sheet flexibility, freeing capital for allocation to other measures designed to enhance shareholder value, and flexibility to repurchase shares. Pro forma for the sales, CXW has no major debt maturities before 2029 and has enhanced its flexibility to repurchase shares and make tuck-in acquisitions.

### ***Believe asset sales support measures to generate growth, shareholder value***

Enabling CXW to make additional tuck-in acquisitions in adjacent service sectors is another positive, in our view, as CXW did recently when it acquired Clinical Solutions Pharmacy (CSP). CSP is 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 company has indicated that it might explore at-home detention monitoring as another diversification into adjacent areas.

### ***Substantial liquidity to support buybacks – a capital allocation priority – and growth measures***

In 1Q26, CXW repurchased 2.3 million shares at an aggregate cost of \$44.7 million, 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.

### ***New business opportunities with ICE and other government partners***

Homeland Security (DHS) and Immigration and U.S. Customs Enforcement (ICE) filed a [contract](#) last week, as "DHS/ICE intends to procure comprehensive detention services (housing, guards, meals, medical care, transportation) on a sole source basis." This would seem to support increased ICE demand for capacity beginning shortly. The ICE Saint Paul Minnesota Field Office noted that "DHS/ICE needs to increase bed capacity to meet the administration's... goals." ICE intends to procure detention services and sees Core Civic's Prairie detention facility as the "only one responsible source" that meets ICE requirements in the timeframe. CXW's idled Prairie Correctional Facility is located in Appleton, Minnesota. It has capacity for 1,600 beds.

The proposed contract would have an initial five year term. The facility must also be fully operational within a reasonable time of the contract award date. To fulfill new ICE contracts, CXW has already reactivated several idled facilities.

#### **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
- *1,600-bed Prairie Correctional Facility in Appleton, Minnesota (potentially)*

### ***Consolidated occupancy level reached 79.6%, up from 77.0%***

Reflecting new business, CXW's consolidated occupancy levels increased to 79.6% in 1Q26 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.

In addition to higher ICE populations in recent quarters (a trend that might have temporarily been constrained in 2Q26), 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.

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## VALUATION

### *Expect deleveraging, improving trends to lead to higher share price*

We are optimistic about CXW's opportunity to continue generating stable and growing cash flow. The company's renewal rate on its facilities over the past five years averages a high 96+%, as noted. Reflecting the momentum CXW is experiencing with contract wins, combined with its efficiency and balance sheet measures, we anticipate further multiple expansion on CXW shares.

### *Valuation takeaway from transactions*

We note that the transaction price implies an average price per bed of ~\$323K. CXW has more than 57.8k owned correctional beds following the asset sales. If the transaction price / bed were applied to CXW's portfolio, it would imply a valuation above \$18 billion compared to pro forma enterprise value of ~\$3.2 billion. We do not expect the shares to trade at a private market valuation but note that it underscores, we believe, that CXW shares do not reflect the full value of the company's overall portfolio and its operating potential.

We also believe CXW remains well positioned for new and expanded agreements with ICE and other partners and anticipate a strong 2026. Nevertheless, 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 apply a revised multiple of about 13.3x (versus ~12x earlier) to our 2026 normalized FFO estimate (versus their historical average multiple of about 13-14x this metric). This leads to an expected valuation of about \$36 per share rounded up, up from \$31 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.

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## 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.

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## RECENT NEWS

- CXW announced sale of two facilities on July 6, 2026.
- 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
<b>Per share data</b>										
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 outstanding	110,458	109,169	107,521	103,991	107,785	99,326	99,287	99,267	99,247	99,282

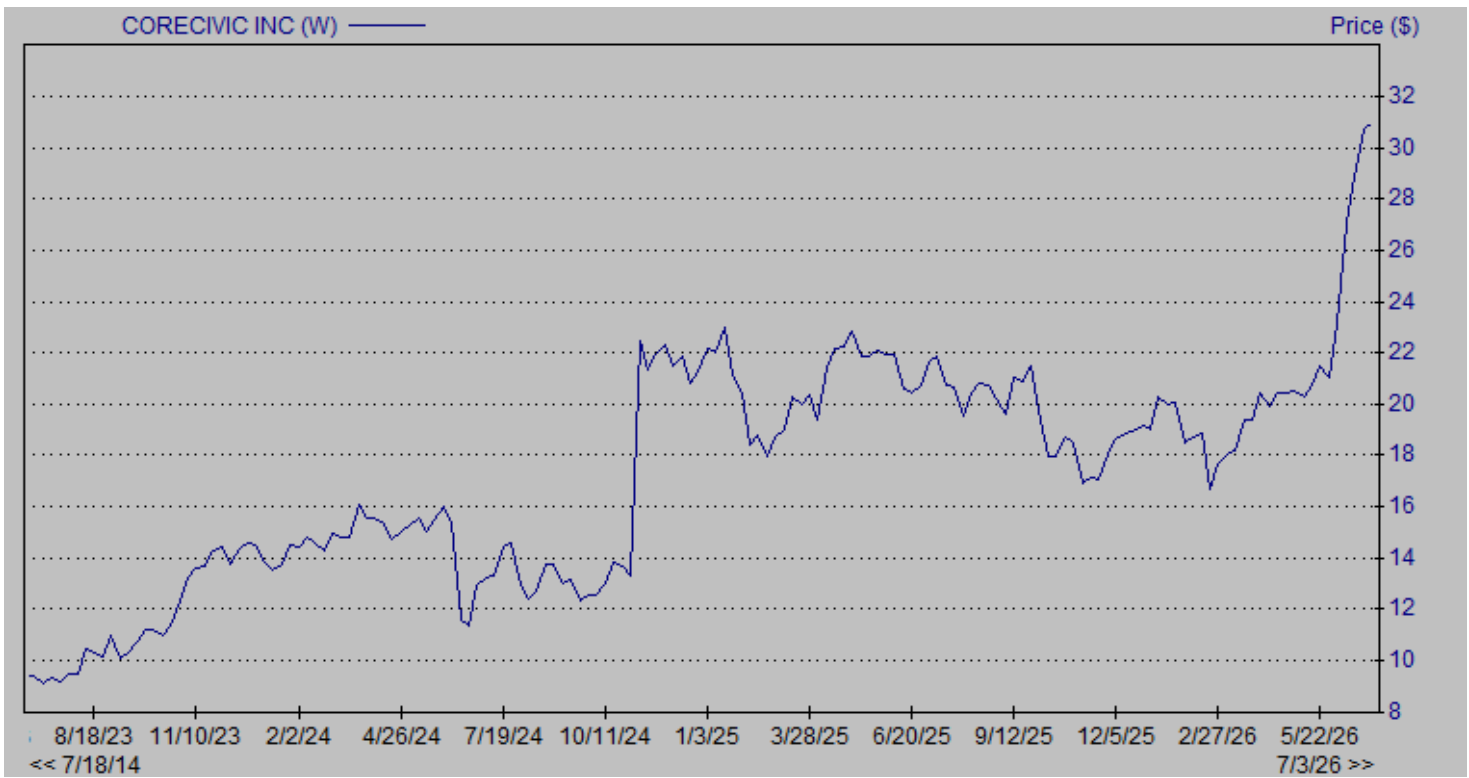
### Funds From Operation (FFO)

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	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

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