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Zacks Small-Cap Research (NOTE)

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CoreCivic, Inc. (CXW-NYSE)

2Q26 First Look: Substantial Beat - Momentum & Asset Sales Continue & Share Repurchases Remain Capital Allocation Priority

Research Note

2Q26 substantial beat; CXW raised 2026 guidance.

CoreCivic (NYSE: CXW) reported a 2Q26 beat yesterday after market close, which we believe illustrates the strong momentum in the company's business and benefits of its growth initiatives. Revenue of $684.9 million advanced 27.3% year-over-year and exceeded our $622.1 million revenue forecast and the consensus estimate of $618.6 million. CXW generated revenue of $538.2 million in 2Q25. The company reported adjusted EPS of $0.38 compared to our $0.32 forecast, the consensus estimate of $0.34 and $0.36 in 2Q25. Normalized Funds From Operations (FFO) for 2Q26 was $0.64 per share, compared with $0.59 in 2Q25. Adjusted EBITDA was $109.4 million, up from $103.3 million in 2Q25.

New business momentum & asset sales continue

Moreover, the company continues to win new business, monetize assets while concurrently securing management contracts or strong prospects to secure management contracts to continue managing the facility. For example, CXW recently announced a new contract with ICE to utilize its 1,600-bed Prairie Correctional Facility, which had been idle since 2010. The company also announced the sale of the Prairie Correctional Facility, as well as of other assets that are purpose-built facilities designed specifically to support needs of ICE and other government partners.

Share repurchases remains capital allocation priority, with repurchase authorization expanded

CXW has earmarked net proceeds of asset sales for general corporate purposes, potentially including debt reduction and share repurchases, which we believe remains a priority allocation of capital. CXW did not repurchase shares in 2Q26 because it was constrained due to pending asset sales but it expanded the share repurchase authorization by $500 million to maintain and potentially expand share repurchases depending on market conditions. CXW repurchased 2.3 million shares at an aggregate $44.7 million in 1Q26 and since the share repurchase program began in May 2022 through June 30, 2026, CXW has repurchased 28.1 million shares at an aggregate $444.2 million, or $15.82 per share.

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We like diversification into adjacent business and potential for additional tuck-in acquisitions over time

We like that 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 an earnout of about $51 million that is expected to be finalized in 2027. 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.

Reactivations of idled facilities contribute to strong results; expected to contribute to improving operating margins once fully ramped & with occupancies expected to increase

Reactivations of idled facilities, including the Prairie Correctional Facility and Midwest Regional Reception Center, support strong results going forward and improving operating leverage once these facilities are fully ramped. For example, the reactivation at the 1,033-bed Midwest Regional Reception Center in Leavenworth, Kansas started on March 12, 2026. CXW expect this facility to reach stabilized occupancy in 3Q26.

Occupancy levels in the company's Residential segment improved to 78.4% compared to 76.8% in 2Q25. CXW expects occupancy levels to continue to rise and contribute to increasing operating margins over time.

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