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Zacks Small-Cap Research

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CoreCivic, Inc. (CXW-NYSE)

CXW: Believe Asset Sales Help De-risk CXW, Support Flexibility for Share Buybacks, Tuck-ins & Other Growth Measures

CXW sold 4-facilities in 3Q26 for aggregate gross proceeds of $2.2B & expects to continue to manage them. We view it positively that CXW has monetized these assets with little to no expected impact on cash flow and believe the asset sales contribute to de-risking CXW. We also view CXW's diversification efforts, with the recent CSP acquisition & potentially other bolt-ons as a positive aimed at enabling future growth opportunities.

Current Price (11/6/26)	$28.67
Valuation	**$42.00**

OUTLOOK

We believe the cash infusion from asset sales support CXW's flexibility to repurchase shares, make tuck-in acquisitions & implement other growth measures. Share repurchases remain a priority; CXW has expanded the share repurchase authorization by $500m & entered into an accelerated share repurchase agreement. We also believe the share repurchases underscore the company's confidence in its business outlook and prospects.

SUMMARY DATA

52-Week High	**$36.55**
52-Week Low	**$15.74**
One-Year Return (%)	**64**
Beta	**0.66**
Average Daily Volume (sh)	**1,978,096**
Shares Outstanding (mil)	**86**
Market Capitalization ($mil)	**$2,465**
Short Interest Ratio (days)	**7.2**
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	**17**
P/E using 2026 EPS	**15**
P/E using 2027 Estimate	**12**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	685 A	744 A	748 E	2,791 E
2027					2,931 E

Adj EPS / Loss per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	$0.38 A	$0.49 A	$0.50 E	$1.87 E
2027					$2.35 E

Qs might not sum reflecting rounding

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3Q26 HIGHLIGHTS

Strong operating improvements, guidance increased

CoreCivic (NYSE: CXW) reported 3Q26 results last week, with total revenue of $744.1 million up 28.2% year-over-year compared to revenue of $580.4 million reported in 3Q25. The increase primarily reflected higher federal and state populations and occupancies, including at recently reactivated facilities, combined with the benefit of contribution from CXW's acquisition of Clinical Solutions Pharmacy (CSP) earlier in the year. The company has multiple previously idled facilities in various stages of reactivation, contributing to occupancy levels reaching 84.0% in 3Q26 from 76.7% in 3Q25 and 78.4% in 2Q26. This is consistent with CXW indications earlier in the year that occupancy levels were expected to rise in 2H26. Excluding non-recurring items, including those associated with asset sales and the CSP transaction, the company recorded 3Q26 adjusted EPS of $0.49 compared to $0.24 in 3Q25.

The company reported Normalized Funds From Operations (FFO) of $0.75 per share, compared with $0.48 in 3Q25. Adjusted EBITDA was $117.8 million, up from $88.8 million in 3Q25. CXW expects 2026 adjusted net income to range from $165 million ($1.74/share) to $171.0 million ($1.80/share), up from earlier guidance of $157.0 million to $165 million. CXW expects 2026 normalized FFO per share of $2.78 to $2.85, up from earlier guidance of $2.68 to $2.77, and adjusted EBITDA of $442.5 million to $445.5 million, up from earlier guidance of $434.5 million to $439.5 million.

Believe asset sales de-risk CXW fixed asset exposure, facilitate growth measures

Importantly, CXW sold four facilities to government partners during 3Q26, producing aggregate gross proceeds of $2.2 billion and a $1.8 billion gain on sale of real estate assets. CXW expects to continue to manage the facilities under contracts with ICE, with contract terms potentially modified to reflect the change in ownership, although we would expect potential contract modifications to have minimal impact on CXW's EBITDA and cash flow metrics, with potentially lower fees or per diems likely largely offset by anticipated declines in aggregate facility maintenance and other spending.

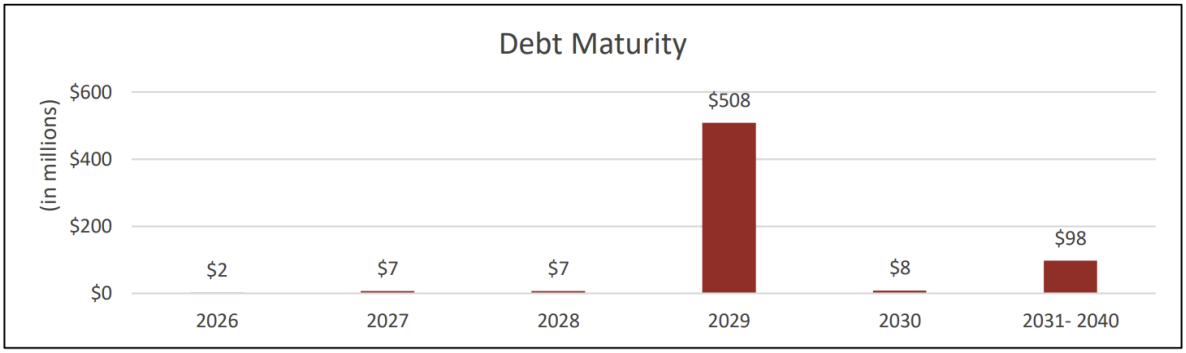
We view it positively that CXW has monetized these assets with little to no expected impact on cash flow and believe the asset sales de-risk CXW's exposure to ICE somewhat, which we also view positively, although ICE is funded through 2029. Moreover, we also view CXW's diversification efforts, with the recent CSP and potentially other bolt-on acquisitions while its book of existing and potential business is robust, as a positive aimed at enabling future growth opportunities.

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 the recent mid-term election results accelerated some conversations around this sale-management contract model.

We believe the cash infusion from asset sales enable CXW to make additional tuck-in acquisitions in adjacent service sectors opportunistically, which we view as another positive. For example, recently acquired CSP is one of the largest domestic providers of mail order pharmacy services to correctional facilities,. 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.

Strong balance sheet, substantial liquidity supports buybacks & growth measures

In our view, CXW has substantial liquidity to support operations, buybacks and growth measures. The company's TTM Debt leverage ratio at the end of 3Q26 was (0.1)x and CXW generates strong cash flow. Moreover, the company redeemed its senior notes due 2027 and has de minimis debt maturities until 2029 and has enhanced its flexibility to repurchase shares and make tuck-in acquisitions, in our view. Reflecting the company's operating leverage, business momentum and renewal rate on its facilities over the past five years (CXW has a 96.7% 5-year retention rate), among other factors, we are optimistic about CXW's opportunity to continue generating stable cash flow.



Source: Company presentation

Share repurchases remain a priority allocation of capital. CXW expanded the share repurchase authorization by $500 million. As indicated, CXW entered into an accelerated share repurchase (ASR) agreement with a financial institution to repurchase $500 million of its shares, using a portion of the net proceeds from asset sales to make a payment of $500.0 million under the ASR and received an initial delivery of roughly 12.4 million CXW shares. The number of shares in total repurchased under the ASR, which is expected to finish prior to the end of 2Q27, will depend on market conditions and the price of CXW shares. Primarily reflecting the ASR, 3Q26 per share results benefitted from a 13.8% reduction in weighted average shares outstanding compared with 3Q25. We believe the share repurchases underscore the company's confidence in its business outlook and prospects.

Business momentum continues, with new business opportunities with ICE and other government partners

We believe CXW has strong prospects to continue to win new business and monetize assets while concurrently securing management contracts and strengthening its balance sheet and reducing outstanding shares. In addition to higher ICE populations in recent quarters, 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.

VALUATION

Asset sales, share repurchases, deleveraging, potential tuck-ins likely lead to multiple expansion

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 over time. Specifically, we believe the cash infusion from asset sales, share repurchases and deleveraging measures plus potential additional opportunistic tuck-in acquisitions in adjacent service sectors further derisk CXW's core business and likely lead to further share price multiple expansion. However, we believe the results of the midterm elections might weigh on the shares in the near-term, although we expect CXW's underlying business momentum to continue.

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 multiple of just over 12x (versus ~14x earlier as there is a longer period ahead to potentially achieve forward normalized FFO) to our initial 2027 normalized FFO estimate (versus their historical average multiple of about 13-14x this metric). This leads to an expected valuation of about $42 per share rounded down, up from $40 earlier.

We note that the transaction price from recent asset sales implies an average price per bed of ~$323K. 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 ~$2.5 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 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 3Q26 results on November 4, 2026.
- On September 25, 2026, CXW named Lucibeth N. Mayberry President and CEO as Patrick Swindle stepped down due to health reasons.
- CXW announced the ASR on August 10, 2026.
- On July 13, 2026, CXW announced redemption of its 4.750% senior notes due in 2027.
- CXW announced sale of two facilities on July 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.

FINANCIAL MODEL

CoreCivic

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

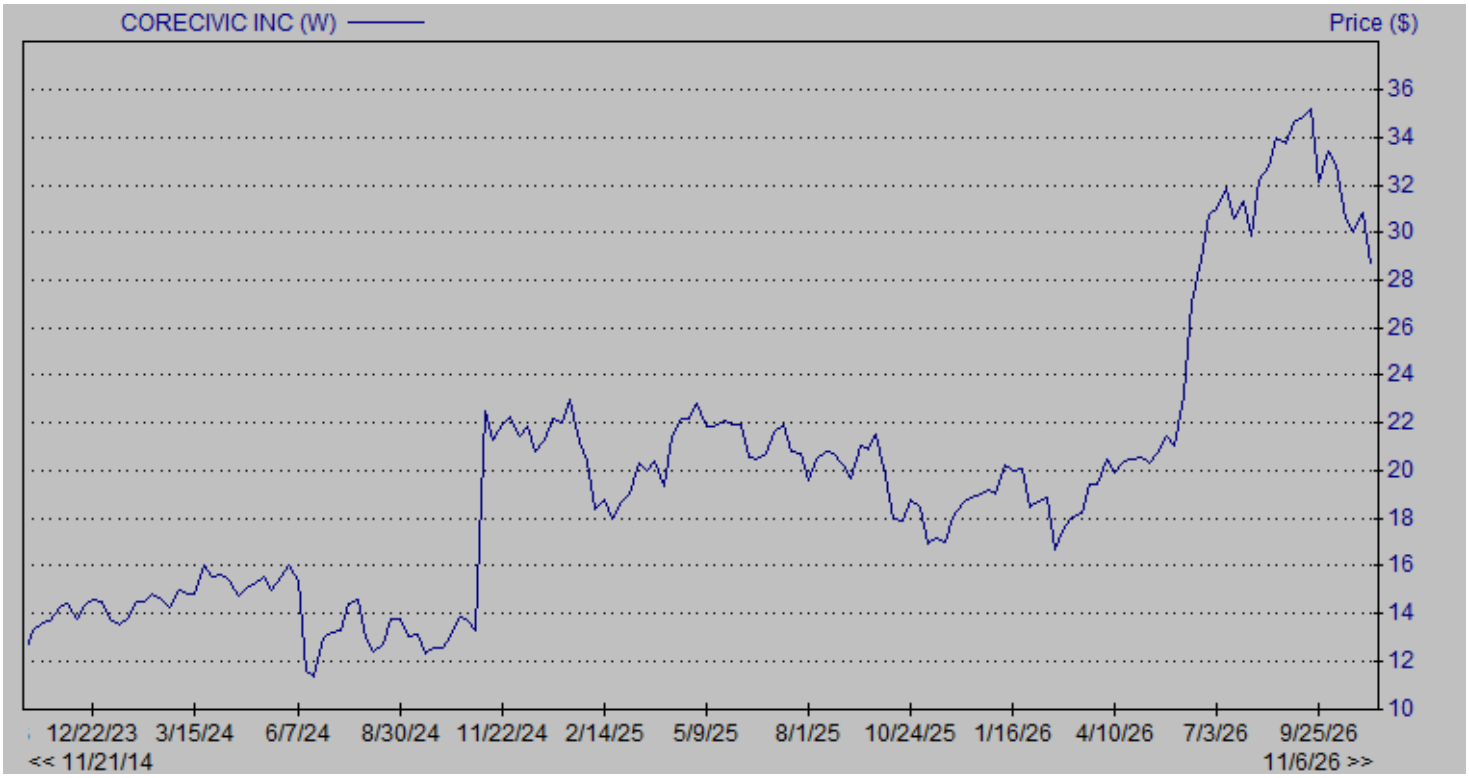
	1Q25A	2Q25A	3Q25A	4Q25A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	2027E
Revenue	$488,627	$538,165	$580,437	$603,953	$2,211,182	$614,729	$684,917	$744,094	$747,517	$2,791,257	$2,930,820
Y/Y % change	*-2.4%*	*9.8%*	*18.1%*	*26.0%*	*12.7%*	*25.8%*	*27.3%*	*28.2%*	*23.8%*	*26.2%*	*5.0%*
Operating expense	374,737	398,342	449,556	469,893	1,692,528	467,719	535,983	586,922	584,827	2,175,451	2,292,938
General and administrative	36,016	43,882	45,288	44,394	169,580	43,676	44,126	56,406	58,775	202,983	211,711
Depreciation and amortizati	30,518	31,108	33,388	33,891	128,905	33,335	35,814	33,917	33,923	136,989	134,523
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	615,923	677,245	677,526	2,515,424	2,639,173
Operating income	47,356	64,833	50,723	59,375	218,687	69,999	68,994	66,849	69,991	275,833	291,646
Operating margin	9.7%	12.0%	8.7%	9.8%	9.9%	11.4%	10.1%	9.0%	9.4%	9.9%	10.0%
Interest expense, net	15,231	12,539	16,628	17,831	62,229	17,681	22,279	7,017	6,940	53,917	28,037
Gain on sale of real estate assets, net								1,770,664		1,770,664	-
Other (income) expense	35	35	(2,465)	1,677	(718)	8	(797)	18,940	(40)	18,111	10
	15,266	12,574	14,163	19,508	61,511	17,689	21,482	1,782,587	6,900	1,734,858	28,047
Pretax income	32,090	52,259	36,560	39,867	157,176	52,310	47,512	1,849,436	63,091	2,010,691	263,600
Taxes	(6,977)	(13,716)	(10,251)	(9,729)	(40,673)	(14,394)	(10,374)	(505,298)	(16,719)	(546,785)	(70,381)
Net income	25,113	38,543	26,309	30,138	116,503	37,916	37,138	1,344,138	46,372	1,463,906	193,219
Adj net income*	25,113	39,654	26,166	31,697	119,030	39,661	37,680	45,661	46,372	179,418	193,219
Per share data											
EPS	$0.23	$0.35	$0.24	$0.29	$1.08	$0.38	$0.37	$14.49	$0.50	$15.27	$2.35
Adj EPS	$0.23	$0.36	$0.24	$0.30	$1.10	$0.40	$0.38	$0.49	$0.50	$1.87	$2.35
Average shares outstandin	110,458	109,169	107,521	103,991	107,785	99,326	99,436	92,733	92,054	95,887	82,173
Funds From Operation (FFO)											
Net income	$25,113	$38,543	$26,309	$30,138	$120,103	$37,916	$37,138	$1,344,138	$46,372	$1,465,564	$193,219
+ D&A of real estate asset	24,598	24,920	25,916	25,939	101,373	25,394	25,785	24,282	23,068	98,529	91,476
+ Impairment of real estate assets			1,482		1,482					-	
- Gain on sale of real estate assets			(2,461)	1,454	(1,007)			(1,770,664)		(1,770,664)	
+ - Other	-	-	273	(400)	(127)	-	-	480,511	-	480,511	-
FFO	49,711	63,463	51,519	57,131	221,824	63,310	62,923	78,267	69,440	273,940	284,694
FFO/share	$0.45	$0.58	$0.48	$0.55	$2.06	$0.64	$0.63	$0.84	$0.75	$2.86	$3.46
+ M&A expenses		1,538	781	697	3,016	2,424	724	277	-	3,425	-
+ Balance sheet related expenses					-			4,004		4,004	
+ - Other asset impairments					-					-	
+ - Tax assoc. w/special items		(427)	(218)	(192)	(837)	(679)	(182)	3,101	-	2,240	-
+ - Other	-	-		-	-	-	-	(15,706)	-	(15,706)	-
Normalized FFO	49,711	64,574	52,082	57,636	224,003	65,055	63,465	69,943	69,440	267,903	284,694
Normalized FFO/share	$0.45	$0.59	$0.48	$0.55	$2.08	$0.65	$0.64	$0.75	$0.77	$2.82	$3.48

Source: Company reports, Zacks estimates *Adj net income adjusts for highlighted items in FFO lines

Does not include ~$1.33b gain on asset sale expected in 3Q26; includes expected ST interest income benefit from sale as an adjustable item

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HISTORICAL STOCK PRICE



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