October 11, 2021 | Company Sponsored Research Morning Meeting Note
Earnings Preview

Sidoti & Company, LLC
Member FINRA & SIPC

GEO Group Inc. (GEO)

Estimate 3Q:21 Non-Adjusted EPS Rose 6% As Favorable Cost Trends More Than Offset Lower Revenue And Higher Tax Rate; Maintain Moderately Risky Rating And $15 Price Target

	2019	2020	2021E OLD	2021E NEW	2022E OLD	2022E NEW
Mar.	$0.35	$0.24	$0.28A		$0.30	
June	0.41	0.36	0.42A		0.30	
Sep.	0.44	0.37	0.33		0.27	
Dec.	0.38	0.33	0.31		0.28	
EPS	**$1.60**	**$1.30**	**$1.34**		**$1.14**	
P/E			**6.3x**		**7.5x**	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. Adjusted funds from operations (AFFO), a standard non-GAAP metric used to evaluate performance in the REIT industry, is normalized FFO plus non-cash expenses such as non-real estate related depreciation and amortization, stock-based compensation expense, amortization of debt issuance costs, and other non-cash interest, and minus recurring maintenance capital expenditures. 2019, 2020, and 2021 exclude $0.17, $0.36, and $0.06 of annual net one-time gains, respectively' 2019-2022E include $0.18-$0.20 in annual stock-based compensation expense. Sum of quarterly EPS may not equal full-year total due to rounding and/or changes in share count. GEO is in the Russell 2000 Index. NC=Not covered by Sidoti & Company, LLC.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	$1522.1	$1691.6	$1843.3	$2179.5	$2263.4	$2331.4	$2477.9	$2350.1	$2231.1	$2179.4
GAAP EPS	$1.09	$1.32	$1.25	$1.33	$1.21	$1.20	$1.40	$0.94	$1.34	$1.14

Description: The GEO Group, Inc. (www.geogroup.com) is a real estate investment trust that specializes in the ownership, lease, and management of correctional, detention, and re-entry facilities. U.S. Corrections and Detention (67% of 2020 revenue) encompasses United States based public-private partnership corrections and detention business. GEO Care (23%) consists of community-based services, youth services, and electronic monitoring and supervision services. International Services (9%) includes detention operations in South Africa, Australia, and the United Kingdom. Facility Construction and Design (1%) contracts with states, local, federal agencies, and international agencies for the design and construction of facilities. Headquarters are in Boca Raton, FL.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	Consensus
Early November	NA	NA	NA	$0.32-$0.35	$0.34

- **We project 3Q:21 non-adjusted EPS increased 6% from 3Q:20 as favorable cost trends more than offset lower revenue and a higher tax rate.**
- **2021 guidance is for revenue of $2.23 billion, adjusted EPS of $1.34-$1.40, AFFO per share of $2.51-$2.57, and adjusted EBITDA of $441.5-$448.5 million.**
- **The recent favorable ruling by the U.S. Court of Appeals for the Ninth Circuit against California's Assembly Bill 32 (AB32) Law removes a distraction and will likely stem existing and potential future lawsuits, in our opinion.**
- **GEO ended 2Q:21 with net recourse debt of $2.14 billion, down from $2.29 billion and $2.20 billion at the end of 2Q:20 and 1Q:21, respectively. We project average annual free cash flow of $247 million ($2.05 per share).**
- **We maintain a Moderately Risky rating and $15 price target, which is based on 13x our unchanged 2022 EPS estimate of $1.14.**

We project 3Q:21 non-adjusted EPS increased 6% from 3Q:20 as favorable cost trends more than offset lower revenue and a higher tax rate. Reflecting the impact of the pandemic and resulting lower occupancy rates, particularly at the ICE centers and USMS facilities, coupled with a change in federal policy from the Biden administration, we estimate 3Q:21 revenue decreased 5% versus the year-ago period to $550 million (guidance is for $548-$553 million). We forecast the operating margin in 3Q:21 widened by 180 basis points to 12.9% as lower operating expense due to favorable cost trends more than offset higher G&A and D&A expense as a percentage of revenue. We estimate net income attributable to

NR
Price Target: $15
Price: $8.50
Risk Rating: M

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Key Statistics

Analysts Covering	3
Market Cap (Mil)	$1,040
Enterprise Value	$3,610
52-Week Range (NYSE)	11-5
5-Year EPS CAGR	10%
Avg. Daily Trading Volume	2,278,00
Shares Out (Mil)	122.554
Float Shares (Mil)	117.272
Insider Ownership	3%
Institutional Holdings	85%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2022E)	$2.06
FCF Yield (2022E)	24.2%
Net Cash Per Share (2022E)	($17.72)
Price to Book Value	1.1x
Return on Equity (2022E)	11.3%
Total Debt to Capital	75%
Interest Coverage Ratio	2.3x
Short Interest %	21.7%
Short Interest Days To Cover	14.0
Russell 2000	2,233
Russell 2000 – Last 12 Months	37.1%
GEO – Last 12 Months	-24.6%

Source: FactSet Prices

GEO, excluding one-time items, at $40.3 million (guidance is for $39-$42 million) or $0.33 per share, up from $37.9 million ($0.32) in 3Q:20; normalized FFO at $59.3 million ($0.49 per share), versus $62.8 million ($0.52) in 3Q:20; adjusted funds from operations (AFFO), which adds back various non-cash expenses and subtracts maintenance capital expense, at $75.3 million or $0.62 per share (guidance is for $0.62-$0.64 per share), compared to $75.9 million ($0.67) for 3Q:20.

We expect a change in federal policy by the Biden administration to be a headwind for GEO. On January 26, 2021, President Biden signed an executive order directing the U.S. Attorney General not to renew U.S. Department of Justice (DOJ) contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and USMS, utilize GEO's services. The BOP has experienced a decline in federal prison populations over the last several years, a trend accelerated by the pandemic. Prior to the Executive Order, the BOP had already decided not to renew contracts expiring during 1Q:21 for three GEO secure services facilities, including Moshannon Valley in Decatur Township, Pennsylvania. We note on October 7, 2021, GEO announced that it entered into a new five-year contract with Clearfield County, Pennsylvania to utilize the Moshannon Valley facility. Clearfield County is responsible for federal detainees under a five-year intergovernmental agreement with ICE. BOP also did not renew the contract for the company-owned Great Plains Correctional Facility in Oklahoma and county-owned and managed Reeves County Detention Center I & II when they expired in 2Q:21. We expect the Executive Order and decline in federal prison populations to result in the non-renewal of the remaining secure services contracts with the BOP, which account for about 12% of total revenue. We note that in 2Q:21, GEO successfully renewed five BOP reentry contacts, which are not expected to be impacted by the executive order. Moreover, the company was recently awarded a new BOP residential reentry contract in the Tampa area, the first in several years. Unlike the BOP, the USMS does not own and operate its detention facilities. The USMS contracts for the use of facilities, which are generally located in areas near federal courthouses, primarily through intergovernmental service agreements, and to a lesser extent, direct contracts. USMS did not renew the contract ending March 31, 2021, for the company-owned Queens Detention Facility in New York. GEO currently operates three additional detention facilities under direct contracts and nine under intergovernmental agreements with the USMS. These contracts and intergovernmental agreements with the USMS account for about 14% of total revenue

The favorable ruling on October 5 by the U.S. Court of Appeals for the Ninth Circuit against California's Assembly Bill 32 (AB32) Law removes a distraction and will likely stem potential future lawsuits, in our opinion. California enacted legislation that became effective on January 1, 2020 aimed at phasing out public-private partnership contracts for the operation of secure facilities within California and facilities outside the State housing State of California inmates by 2028. AB32 would bar the federal government from engaging government contractors to provide services at federal immigration processing centers. The ruling will allow for the continuation of the company's services contracts with the U.S. Department of Homeland Security, which are effective through 2034. We note Arizona, New Mexico and Washington have proposed legislation similar to the California law.

We forecast a 3% EPS advance in 2021 followed by a 15% decline in 2022. We expect the aforementioned change in federal policy and contract expirations to more than offset likely higher occupancy rates at ICE centers and USMS facilities as the impact of the pandemic eases. We estimate annual revenue declines of 3%-4%. We expect the contract non-renewals to be partly offset by the activation in late 2020 of three ICE Annex facilities in California and the Eagle Pass Detention Facility in Texas. We project the operating margin will improve 200 basis points to 12.4% in 2021 on greater efficiencies and lower COVID-related costs before narrowing to 11.7% in 2022 on lower revenue.

In our view, the April 7 suspension of the dividend provides GEO with greater flexibility to repay debt and internally fund growth. The board is also evaluating GEO's corporate tax structure as a Real Estate Investment Trust (REIT) and expects to conclude the process in 4Q:21. As a REIT, GEO began paying regular quarterly dividends in 2013. In 2020, the company paid $216 million in dividends. At the end of 2Q:21, GEO had $483 million in cash. We project average annual free cash flow of $247 million ($2.05 per share). During 1H:21, GEO reduced net debt by $105 million and ended 2Q:21 with net recourse debt of $2.1 billion. Based on the better-than-expected earnings and cash flows, the company increased its target for net debt reduction in 2021 to $150-$175 million (from $125-$150 million). We note that GEO does not have significant debt maturities until 2023. GEO is also targeting potential asset sales of about $100 million over the next 12-24 months.

<table>
<tr><td>Valuation</td><td colspan="3">We maintain a Moderately Risky rating and $15 price target on GEO shares, which declined 25% in the last 12 months, compared with a 37% advance in the Russell 2000. We attribute this underperformance to the recent revenue and profit decline due to the COVID-19 pandemic and a change in federal policy regarding privately-operated facilities. The Biden administration may implement further executive orders that may reduce the federal government's use of public-private partnerships with respect to correctional and detention needs, and the spending priorities of the BOP, USMS, and ICE. We contend that GEO's cash flow remains solid and the business is supported by long-term real estate assets. Reflecting the uncertain direction of federal policy and our forecast for a revenue and net income decline in 2022, we think the shares do not warrant a premium multiple and thus value them at 13x, in line with their average three-year trailing P/E. Thus, our $15 target is based on 13x our 2022 EPS estimate of $1.14.</td></tr>
<tr><td>Key Risks</td><td>Reduced access to capital</td><td>Decreased occupancy</td><td>Contract terminations</td></tr>
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Exhibit 1: GEO 3Q:21 Earnings Preview

	3Q:21 E	3Q:20 A	$ Difference Y/Y	% Change Y/Y
Revenue (thou.)	$549,600	$579,136	($29,536)	-5%
Operating income	70,624	64,462	6,162	10%
	12.9%	11.1%		
Pretax income	44,874	40,073	4,801	12%
Net income	40,303	44,631	(4,329)	-10%
Diluted EPS	$0.33	$0.37	($0.04)	-10%

Sources: Company data, Sidoti & Company, LLC estimates.

Table 1: GEO Group, Inc. Income Statement ($ in thousands, except per share amounts)

		2020					2021E					2022E				
	2019	**Mar**	**Jun**	**Sept**	**Dec**	**2020**	**MarA**	**JunA**	**SeptE**	**DecE**	**2021E**	**MarE**	**JunE**	**SeptE**	**DecE**	**2022E**
Revenue	$2,477,922	$605,017	$587,829	$579,136	$578,116	$2,350,098	$576,377	$565,419	$549,600	$539,671	$2,231,067	$544,676	$548,456	$541,356	$544,948	$2,179,437
Y-o-Y % change	*6%*	*-1%*	*-4%*	*-8%*	*-7%*	*-5%*	*-5%*	*-4%*	*-5%*	*-7%*	*-5%*	*-6%*	*-3%*	*-2%*	*7%*	*-2%*
Operating expenses	1,860,758	461,322	444,035	434,402	437,264	1,777,023	428,151	405,009	397,361	390,722	1,621,243	397,614	400,922	396,814	398,357	1,593,707
% of revenue	75.1%	76.2%	75.5%	75.0%	75.6%	75.6%	74.3%	71.6%	72.3%	72.4%	72.7%	73.0%	73.1%	73.3%	73.1%	73.1%
Depreciation and amortization	130,825	33,327	33,434	33,628	34,291	134,680	34,117	33,306	33,251	33,999	134,673	34,042	34,279	34,376	34,604	137,301
% of revenue	5.3%	5.5%	5.7%	5.8%	5.9%	5.7%	5.9%	5.9%	6.1%	6.3%	6.0%	6.3%	6.3%	6.4%	6.4%	6.3%
General and administrative expenses	185,926	53,782	45,543	46,644	47,402	193,371	48,479	54,688	48,365	48,031	199,563	47,932	48,264	48,181	49,045	193,422
% of revenue	7.5%	8.9%	7.7%	8.1%	8.2%	8.2%	8.4%	9.7%	8.8%	8.9%	8.9%	8.8%	8.8%	8.9%	9.0%	8.9%
OPERATING INCOME	**300,413**	**56,586**	**64,817**	**64,462**	**59,159**	**245,024**	**65,630**	**72,416**	**70,624**	**66,919**	**275,589**	**65,089**	**64,992**	**61,985**	**62,942**	**255,008**
Operating margin %	*12.1%*	*9.4%*	*11.0%*	*11.1%*	*10.2%*	*10.4%*	*11.4%*	*12.8%*	*12.9%*	*12.4%*	*12.4%*	*12.0%*	*11.9%*	*11.5%*	*11.6%*	*11.7%*
EBITDA	**431,238**	**89,913**	**98,251**	**98,090**	**93,450**	**379,704**	**99,747**	**105,722**	**103,874**	**100,919**	**410,262**	**99,131**	**99,271**	**96,361**	**97,546**	**392,309**
EBITDA margin %	*17.4%*	*14.9%*	*16.7%*	*16.9%*	*16.2%*	*16.2%*	*17.3%*	*18.7%*	*18.9%*	*18.7%*	*18.4%*	*18.2%*	*18.1%*	*17.8%*	*17.9%*	*18.0%*
OTHER INCOME AND EXPENSES																
Interest income/other	28,934	5,438	3,944	6,360	6,026	21,768	22,569	4,689	6,250	6,250	39,758	6,250	6,250	6,250	6,250	25,000
Interest expense	(151,024)	(34,180)	(30,610)	(30,749)	(31,299)	(126,838)	(31,844)	(32,053)	(32,000)	(32,000)	(127,897)	(32,000)	(32,000)	(32,000)	(32,000)	(128,000)
Income before income taxes and equity in earnings of affiliates	**178,323**	**27,844**	**38,151**	**40,073**	**33,886**	**139,954**	**56,355**	**45,052**	**44,874**	**41,169**	**187,450**	**39,339**	**39,242**	**36,235**	**37,192**	**152,008**
Provision for income taxes	17,150	6,198	4,196	4,452	2,372	17,218	7,936	5,063	6,731	6,175	25,905	5,901	5,886	5,435	5,579	22,801
Equity in earnings of affiliates, net of income tax provision	9,532	2,260	2,699	2,243	1,968	9,170	2,064	1,942	2,100	2,100	8,206	2,150	2,250	2,250	2,250	8,900
Tax rate	*9.6%*	*22.3%*	*11.0%*	*11.1%*	*7.0%*	*12.3%*	*14.1%*	*11.2%*	*15.0%*	*15.0%*	*13.8%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Net Income	**170,705**	**23,906**	**36,654**	**37,864**	**33,482**	**131,906**	**50,483**	**41,931**	**40,243**	**37,094**	**169,751**	**35,588**	**35,606**	**33,050**	**33,863**	**138,107**
Net loss attributable to noncontrolling interests	191	60	66	48	27	201	61	28	60	60	209	60	75	60	60	255
Net Income attributable to the GEO Group	**170,896**	**23,966**	**36,720**	**37,912**	**33,509**	**132,107**	**50,544**	**41,959**	**40,303**	**37,154**	**169,960**	**35,648**	**35,681**	**33,110**	**33,923**	**138,362**
Diluted EPS	**$1.43**	**$0.20**	**$0.31**	**$0.32**	**$0.28**	**$1.10**	**$0.41**	**$0.29**	**$0.33**	**$0.31**	**$1.41**	**$0.30**	**$0.30**	**$0.27**	**$0.28**	**$1.14**
Y-o-Y % change	*19%*	*-41%*	*-22%*	*-16%*	*-11%*	*-23%*	*111%*	*14%*	*6%*	*11%*	*29%*	*-29%*	*-15%*	*-18%*	*-9%*	*-19%*
Net nonrecurring loss	(4,795)	4,846	6,419	6,719	5,761	23,746	(16,459)	8,860	0	0	(7,599)	0	0	0	0	0
Adjusted Net Income	**166,101**	**28,812**	**43,139**	**44,631**	**39,270**	**155,852**	**34,085**	**50,819**	**40,303**	**37,154**	**162,361**	**35,648**	**35,681**	**33,110**	**33,923**	**138,362**
Adjusted EPS	**$1.60**	**$0.24**	**$0.36**	**$0.37**	**$0.33**	**$1.30**	**$0.28**	**$0.42**	**$0.33**	**$0.31**	**$1.34**	**$0.30**	**$0.30**	**$0.27**	**$0.28**	**$1.14**
Y-o-Y % change	*18%*	*-32%*	*-13%*	*-16%*	*-15%*	*-19%*	*17%*	*17%*	*-10%*	*-6%*	*3%*	*5%*	*-30%*	*-18%*	*-9%*	*-15%*
Diluted shares (mill.)	**119,311**	**119,933**	**119,964**	**120,032**	**120,105**	**119,991**	**120,417**	**120,470**	**120,600**	**120,700**	**120,547**	**120,800**	**120,900**	**121,000**	**121,100**	**120,950**

Sources: Company reports and Sidoti & Company, LLC estimates.

Table 2: GEO Group, Inc. Cash Flow ($ in thousands, except per share amounts)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	2021E	2022E
Operating Activities										
Net Income	**166,412**	**$25,121**	**$36,654**	**$39,172**	**$11,884**	**$112,831**	**$50,483**	**$41,933**	**$162,152**	**$138,107**
Net loss attributable to noncontrolling interests	191	60	66	48	27	201	61	27	209	255
Net income attributable to The Geo Group, Inc.	**166,603**	**25,181**	**36,720**	**39,220**	**11,911**	**113,032**	**50,544**	**41,960**	**162,361**	**138,362**
Depreciation & amortization expense	130,825	33,327	33,434	33,628	34,291	134,680	34,117	33,306	134,673	137,301
Deferred tax provision	(588)	-	-	-	11,221	11,221	-	-	-	-
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	8,609	1,670	1,708	1,775	1,739	6,892	1,683	1,903	7,000	7,500
Goodwill impairment charge	0	-	-	-	21,146	21,146	-	-	-	-
Stock-based compensation	22,344	9,768	4,706	4,689	4,733	23,896	7,402	4,024	22,500	23,000
Gain on extinguishment of debt	4,795	(1,563)	-	(1,472)	(2,284)	(5,319)	(3,038)	(1,655)	(4,693)	-
Provision for doubtful accounts	190	25	159	104	(25)	263	614	(614)	250	250
Equity in earnings of affiliates, net of tax	(9,532)	(2,260)	(2,699)	(2,243)	(1,964)	(9,166)	(2,064)	(1,943)	(8,206)	(8,900)
Loss on sale/disposal of property and equipment, net	5,576	304	2,477	1,963	3,033	7,777	1,664	2,665	8,000	8,500
Loss on assets held for sale	1,083	-	774	-	-	774	-	-	1,000	1,000
Gain on sale of real estate	0	(424)	-	-	-	(424)	(13,329)	2,950	(10,379)	-
Dividends received from unconsolidated joint venture	10,312	633	2,259	2,404	638	5,934	1,399	2,786	8,750	10,000
Changes in accounts receivable, prepaid expenses and other assets	(8,391)	53,210	16,437	(11,149)	9,683	68,181	26,846	26,179	19,276	(10,000)
Changes in contract receivable	(4,355)	1,206	1,251	1,330	1,369	5,156	1,611	1,625	(217)	500
Changes in accounts payable, accrued expenses and other	10,672	7,182	30,867	31,102	(11,461)	57,690	17,468	(32,542)	(25,604)	16,068
Cash from Operations	**338,143**	**128,259**	**128,093**	**101,351**	**84,030**	**441,733**	**124,917**	**80,644**	**314,711**	**323,581**
Free Cash Flow	**220,899**	**97,607**	**105,275**	**71,004**	**59,047**	**332,933**	**97,641**	**63,573**	**245,711**	**248,581**
FCF/sh.	**$1.85**	**$0.81**	**$0.88**	**$0.59**	**$0.49**	**$2.77**	**$0.81**	**$0.53**	**$2.04**	**$2.06**
Adjusted Free Cash Flow*	**198,555**	**87,839**	**100,569**	**66,315**	**54,314**	**309,037**	**90,239**	**59,549**	**223,211**	**225,581**
Adjusted FCF/sh.*	**$1.66**	**$0.73**	**$0.84**	**$0.55**	**$0.45**	**$2.58**	**$0.75**	**$0.49**	**$1.85**	**$1.87**
Investing Activities										
Insurance proceeds - damaged property	19,310	-	4,597	4,900	-	9,497	469	558	1,027	-
Proceeds from sale of property and equipment	414	264	(127)	(54)	57	140	39	3,256	3,295	-
Proceeds from sale of assets held for sale	823	1,300	-	216	890	2,406	15,673	(2,433)	13,240	-
Change in restricted investments	(7,440)	3,363	(5,112)	(2,706)	(2,962)	(7,417)	(2,191)	(3,361)	(10,000)	(7,500)
Capital expenditures	(117,244)	(30,652)	(22,818)	(30,347)	(24,983)	(108,800)	(27,276)	(17,071)	(69,000)	(75,000)
Cash from Investing	**(104,137)**	**(25,725)**	**(23,460)**	**(27,991)**	**(26,998)**	**(104,174)**	**(13,286)**	**(19,051)**	**(61,438)**	**(82,500)**
Financing activities										
Proceeds from long-term debt	521,370	96,000	129,579	86,000	649,000	960,579	240,000	195,000	435,000	-
Payments on long-term debt	(513,219)	(125,505)	(136,906)	(117,644)	(436,136)	(816,191)	(298,522)	(58,309)	(585,000)	(150,000)
Proceeds from non-recourse debt	321,102	-	-	-	-	-	-	-	-	-
Payments on non-recourse debt	(335,116)	(1,362)	(1,546)	(1,622)	(9,275)	(13,805)	(1,755)	(2,042)	(3,797)	-
Debt issuance costs	(9,856)	-	-	-	-	-	(9,587)	-	(9,587)	-
Taxes paid related to net share settlements of equity awards	(4,179)	(2,632)	(157)	-	-	(2,789)	(1,901)	(101)	(2,002)	-
Proceeds from issuance of common stock in connection with ESPP	532	150	146	169	151	616	116	64	500	500
Payments for repurchases of common stock	-	(9,009)	-	(553)	553	(9,009)	-	-	-	-
Proceeds from the exercise of stock options	1,258	-	-	-	-	-	-	-	-	-
Cash dividends paid	(232,546)	(57,703)	(58,457)	(57,974)	(42,011)	(216,145)	(30,486)	(1)	(30,487)	-
Cash from Financing	**(250,654)**	**(100,061)**	**(67,341)**	**(91,624)**	**162,282**	**(96,744)**	**(102,135)**	**134,611**	**(195,373)**	**(149,500)**
Beginning Cash & Equivalent	**$84,472**	**$67,472**	**$62,581**	**$106,277**	**$88,664**	**$67,472**	**$311,853**	**$320,692**	**$311,853**	**$369,253**
Effect of exchange rate changes	(352)	(7,364)	6,404	651	3,875	3,566	(657)	208	(500)	(500)
Net change in cash	**(17,000)**	**(4,891)**	**43,696**	**(17,613)**	**223,189**	**244,381**	**8,839**	**196,412**	**57,400**	**91,081**
Ending Cash & Equivalent	**$67,472**	**$62,581**	**$106,277**	**$88,664**	**$311,853**	**$311,853**	**$320,692**	**$517,104**	**$369,253**	**$460,333**

Sources: Company reports and Sidoti & Company, LLC estimates.

*Free Cash Flow less stock-based comp. expense

Table 3: GEO Group, Inc. Balance Sheet ($ in thousands, except per share amounts)

	2019	Mar	Jun	Sep	2020	MarA	JunA	2021E	2022E
ASSETS									
Current Assets									
Cash and cash equivalents	$32,463	$32,414	$75,734	$53,676	$283,524	$289,391	$483,048	$342,513	$431,016
Restricted cash and cash equivalents	32,418	27,865	28,345	27,229	26,740	29,317	29,892	29,317	29,317
Accounts receivable, net of allowances	430,982	375,453	361,030	380,072	362,668	346,817	313,831	335,000	340,000
Contract receivable	11,199	4,686	6,078	5,703	6,283	6,357	6,420	6,500	6,000
Prepaid expenses/other	40,716	36,108	39,133	33,393	32,108	29,081	35,449	40,500	45,500
Total current assets	**547,778**	**476,526**	**510,320**	**500,073**	**711,323**	**700,963**	**868,640**	**753,830**	**851,833**
Restricted cash and investments	30,923	27,271	32,703	40,970	37,338	39,924	45,465	45,465	45,465
Property and equipment, net	2,144,722	2,142,530	2,130,126	2,126,438	2,122,195	2,114,058	2,074,350	2,055,126	2,015,126
Assets held for sale	6,059	4,405	4,526	9,521	9,108	6,926	28,197	28,197	28,197
Contract receivable	360,647	319,819	355,964	368,887	396,647	389,713	382,829	382,829	382,829
Operating lease right-of-use assets, net	121,527	123,465	123,401	121,805	124,727	125,269	120,208	120,208	120,208
Deferred income tax assets	36,278	36,278	36,278	36,278	36,604	36,604	36,604	36,604	36,604
Goodwill	776,356	776,306	776,349	776,364	755,250	755,244	755,239	755,239	755,239
Intangible assets, net	210,070	204,387	198,826	193,265	187,747	182,481	177,514	168,395	150,260
Other	83,174	76,860	74,219	74,234	79,187	76,265	74,563	74,907	74,889
Total assets	**4,317,534**	**4,187,847**	**4,242,712**	**4,247,835**	**4,460,126**	**4,427,447**	**4,563,609**	**4,420,800**	**4,460,650**
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current liabilities									
Accounts payable	99,232	92,887	86,155	91,955	85,861	84,469	75,329	85,155	90,500
Accrued payroll and related taxes	54,672	63,005	76,925	64,812	67,797	87,466	65,298	70,005	75,750
Accrued expenses and other	191,608	178,834	186,272	212,127	202,378	195,763	189,770	175,272	180,250
Operating lease liabilities	26,208	26,968	26,992	27,910	29,080	28,223	28,095	28,095	28,095
Finance lease liabilities, long-term-debt and non-recourse debt	24,208	23,625	24,577	25,073	26,180	27,135	27,240	27,240	27,240
Total current liabilities	**395,928**	**385,319**	**400,921**	**421,877**	**411,296**	**423,056**	**385,732**	**385,767**	**401,835**
Deferred income tax	19,254	19,254	19,254	19,254	30,726	30,726	30,726	30,726	30,726
Other	88,526	82,591	104,601	121,525	115,555	114,521	117,273	116,378	128,312
Operating lease	97,291	99,314	99,264	96,675	101,375	103,491	98,474	98,474	98,474
Finance lease	2,954	2,563	2,608	2,979	2,988	2,890	2,614	2,614	2,614
Long-term debt	2,408,297	2,370,890	2,371,556	2,343,342	2,561,881	2,494,987	2,632,332	2,411,881	2,261,881
Non-recourse debt	309,236	270,460	300,213	309,899	324,223	317,603	311,390	311,390	311,390
Total liabilities	**3,321,486**	**3,230,391**	**3,298,417**	**3,315,551**	**3,548,044**	**3,487,274**	**3,578,541**	**3,357,230**	**3,235,232**
Stockholders' equity									
Common stock	1,254	1,262	1,262	1,262	1,262	1,272	1,273	1,273	1,273
Paid-in capital	1,230,865	1,247,068	1,252,037	1,257,176	1,262,267	1,268,027	1,272,014	1,280,014	1,305,076
Distributions in excess of earnings	(119,779)	(152,301)	(174,038)	(193,345)	(222,892)	(202,834)	(160,875)	(91,018)	47,343
Other comprehensive loss	(20,335)	(33,499)	(29,554)	(27,073)	(22,589)	(20,110)	(21,132)	(20,500)	(22,000)
Treasury stock	(95,175)	(104,184)	(104,457)	(104,737)	(104,946)	(105,099)	(105,099)	(105,099)	(105,099)
Total shareholders' equity attributed to the GEO Group, Inc.	**996,830**	**958,346**	**945,250**	**933,283**	**913,102**	**941,256**	**986,181**	**1,064,670**	**1,226,593**
Noncontrolling interests	(782)	(890)	(955)	(999)	(1,020)	(1,083)	(1,113)	(1,100)	(1,175)
Total shareholders' equity	**996,048**	**957,456**	**944,295**	**932,284**	**912,082**	**940,173**	**985,068**	**1,063,570**	**1,225,418**
Total liabilities and stockholders' equity	**4,317,534**	**4,187,847**	**4,242,712**	**4,247,835**	**4,460,126**	**4,427,447**	**4,563,609**	**4,420,800**	**4,460,650**

SELECTED RATIOS:									
Current Ratio	1.4	1.2	1.3	1.2	1.7	1.7	2.3	2.0	2.1
DSO	63	57	56	60	56	55	51	55	57
Net Debt/EBITDA	(6.21)	(7.24)	(6.60)	(6.62)	(6.85)	(6.32)	(5.81)	(5.80)	(5.46)
Interest Coverage	2.0	1.7	2.1	2.1	1.9	2.1	2.3	2.2	2.0
Book Value/Share	$8.35	$7.99	$7.88	$7.78	$7.61	$7.84	$8.19	$8.83	$10.15
Total Debt/Total Capital	73%	74%	74%	74%	76%	75%	75%	72%	68%
Net Cash (debt) per share	($22.44)	($21.72)	($21.61)	($21.64)	($21.69)	($21.01)	($20.41)	($19.73)	($17.72)
Return on Assets (ROA)	4.0%	2.3%	3.5%	3.6%	3.0%	4.6%	3.7%	3.8%	3.1%
Return on Equity (ROE)	17.2%	10.0%	15.6%	16.3%	14.5%	21.5%	17.0%	16.0%	11.3%

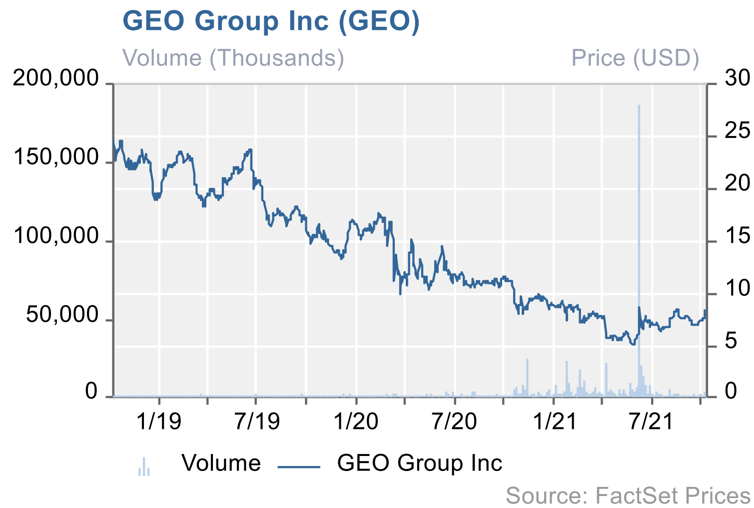
Source: Company reports; Sidoti & Company, LLC estimates

Required Disclosures

GEO Group Inc. (GEO-$8.50) NR Price Target: $15 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	6/12/20	21	NR	21	12
PT	8/7/20	10.7		18	
PT	12/21/20	9.4		18	
PT	1/19/21	9.2		18	
PT	2/17/21	8.6		15	
PT	4/7/21	6.3		15	
PT	5/11/21	6		15	
PT	6/1/21	5.5		15	
PT	7/19/21	6.5		15	
PT	8/5/21	7.5		15	



Valuation	We maintain a Moderately Risky rating and $15 price target on GEO shares, which declined 25% in the last 12 months, compared with a 37% advance in the Russell 2000. We attribute this underperformance to the recent revenue and profit decline due to the COVID-19 pandemic and a change in federal policy regarding privately-operated facilities. The Biden administration may implement further executive orders that may reduce the federal government's use of public-private partnerships with respect to correctional and detention needs, and the spending priorities of the BOP, USMS, and ICE. We contend that GEO's cash flow remains solid and the business is supported by long-term real estate assets. Reflecting the uncertain direction of federal policy and our forecast for a revenue and net income decline in 2022, we think the shares do not warrant a premium multiple and thus value them at 13x, in line with their average three-year trailing P/E. Thus, our $15 target is based on 13x our 2022 EPS estimate of $1.14.		
Key Risks	Reduced access to capital	Decreased occupancy	Contract terminations

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