



GEO Group Inc. (GEO)

For 3Q:21, EPS Ahead Of Forecast; GEO Raises 2021 EPS Guidance As Margin Expansion More Than Offsets Soft Top Line; Maintain Moderately Risky Rating, \$15 Price Target

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.24	\$0.28A		\$0.30	\$0.26		\$0.28	
June	0.36	0.42A		0.30	0.28		0.29	
Sep.	0.37	0.33	0.36A	0.27	0.28		0.28	
Dec.	<u>0.33</u>	<u>0.31</u>	<u>0.39</u>	<u>0.28</u>	<u>0.33</u>		<u>0.35</u>	
EPS	\$1.30	\$1.34	\$1.45	\$1.14	\$1.15		\$1.19	
P/E			6.1x		7.7x		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. 2020 and 2021 exclude \$0.19 and \$0.06 of annual net one-time gains, respectively. 2020-2023E include \$0.19 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	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$1691.6	\$1843.3	\$2179.5	\$2263.4	\$2331.4	\$2477.9	\$2350.1	\$2256.9	\$2207.0	\$2256.9
GAAP EPS	\$1.32	\$1.25	\$1.33	\$1.21	\$1.20	\$1.40	\$0.94	\$1.45	\$1.15	\$1.19

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.

- **For 3Q:21, adjusted EPS fell 2% from 3Q:20 as a higher tax rate reduced EPS by about \$0.03. We note lower operating expenses that more than offset a 4% revenue decline.**
- **Factoring in 3Q:21 results and updated guidance, we now estimate a 12% EPS advance in 2021 followed by a 21% decline in 2022. Our newly introduced 2023 EPS estimate of \$1.19 implies 4% growth. We estimate that a higher tax will reduce annual EPS by \$0.20.**
- **GEO's upward-revised 2021 guidance is for revenue of \$2.26 billion (from \$2.23 billion), adjusted EPS of \$1.41-\$1.43 (from \$1.34-\$1.40), AFFO per share of \$2.57-\$2.59 (from \$2.51-\$2.57), and adjusted EBITDA of \$451.5-\$455 million (from \$441.5-\$448.5 million).**
- **We expect higher occupancy rates, in particular at the ICE centers, to be more than offset by reduced revenue from the Bureau of Prisons (BOP) and U.S. Marshals Service (USMS) following a change in federal policy by the Biden administration.**
- **GEO ended 3Q:21 with net recourse debt of \$2.09 billion, down from \$2.29 billion at the end of 3Q:20. We project average annual free cash flow of \$249 million (\$2.06 per share) in 2021-2023.**
- **We maintain a Moderately Risky rating and \$15 price target, which is based on a steady 13x our 2022 EPS estimate of \$1.15.**

For 3Q:21, adjusted EPS fell 2% from 3Q:20, to \$0.36 (guidance was \$0.32-\$0.35) on a higher tax rate that cost EPS \$0.03. We note that the company reported EPS of \$0.24, which included a one-time M&A related pretax expense of \$4.0 million, loss on real estate

NR

Price Target: \$15

Price: \$8.88

Risk Rating: M

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$1,090
Enterprise Value	\$3,686
52-Week Range (NYSE)	11-5
5-Year EPS CAGR	10%
Avg. Daily Trading Volume	2,148,00
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 (2023E)	\$2.01
FCF Yield (2023E)	22.6%
Net Cash Per Share (2023E)	(\$15.92)
Price to Book Value	1.1x
Return on Equity (2023E)	10.3%
Total Debt to Capital	76%
Interest Coverage Ratio	2.3x
Short Interest %	22.2%
Short Interest Days To Cover	11.9
Russell 2000	2,402
Russell 2000 – Last 12 Months	48.9%
GEO – Last 12 Months	-6.5%



assets of \$1.1 million, a \$5.0 million loss on the divestiture of GEO’s Youth Services contracts and an \$0.8 million tax benefit. Revenue fell 4% to \$557 million as higher occupancy at both the U.S. Immigration & Customs Enforcement (ICE) centers and United States Marshals Service (USMS) facilities, reflecting increases in crossings and apprehensions along the U.S. Southwest border, as well as an increase in court and sentencing activity at the federal level, were more than offset by the expiration and non-renewal of several Federal Bureau of Prisons (BOP) contracts. The 3Q:21 operating margin widened 210 basis points to 13.3% as the soft top line was more than offset by lower operating expenses as a percentage of revenue. Normalized FFO of \$62.8 million (\$0.52 per share) was essentially flat with 3Q:20; adjusted funds from operations (AFFO), which adds back various non-cash expenses and subtracts maintenance capital expense, were \$78.7 million (\$0.65 per share), compared to \$80.6 million (\$0.67) in 3Q:20.

Factoring in 3Q:21 results and updated guidance, we forecast a 12% EPS advance in 2021 followed by a 21% decline in 2022 and a 4% advance in 2023. The 4Q:21 guidance reflects the non-renewal of contracts with the BOP at the Big Spring Correctional Facility and Flightline Correctional Facility in Texas, when the current contract option periods expire on November 30, 2021. We expect the change in federal policy (see below) 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 2%-4% in 2021-2022 before a 2% advance in 2023. We expect the contract non-renewals to be partly offset by new wins. The company was recently awarded a new BOP residential reentry contract in the Tampa area, the first in several years. We project the operating margin will improve 240 basis points to 12.8% in 2021 on greater efficiencies and lower COVID-related costs before narrowing to 12.2% in 2022-2023, primarily on the soft top line.

We expect a change in federal policy by the Biden administration to be an issue 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. 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. 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 that on October 7, 2021, GEO announced that it entered 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 when it expired in 2Q:21. We note that in 2Q:21, GEO successfully renewed five BOP reentry contracts, which are not expected to be impacted by the executive order. 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 suspension of the dividend in 2Q:21 has provided GEO with greater flexibility to repay debt and internally fund growth. During the first nine months of the year, GEO reduced net recourse debt by \$175 million and has already met the recently raised target of \$150-\$175 million for the year. The company expects to reduce net recourse debt by an additional \$10-\$20 million in 4Q:21. 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. During the first nine months of 2021, the company completed the sale of five real estate assets, totaling some 1,000 beds in addition to the divestiture of the youth services contracts. These sales generated combined net proceeds of approximately \$46 million. The board is 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 3Q:21, GEO had \$537 million in cash. We project average annual free cash flow for 2021-2023 of \$249 million (\$2.06 per share).

Valuation	We maintain a Moderately Risky rating and \$15 price target on GEO shares, which declined 7% in the last 12 months, compared with a 45% 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 for privately-operated facilities. The Biden administration may implement further executive orders that 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. We value the shares in line with their average three-year trailing P/E. Thus, our unchanged \$15 target is based on 13x our 2022 EPS estimate of \$1.15.		
Key Risks	Reduced access to capital	Decreased occupancy	Contract terminations

GEO GROUP INC.

Exhibit 1: GEO 3Q:21 Results and Variance

	3Q:21 A	3Q:21 E	\$ Variance	% Variance	3Q:20 A	\$ Difference Y/Y	% Change Y/Y
Revenue (thou.)	\$557,277	\$549,600	\$7,677	1%	\$579,136	(\$21,859)	-4%
Operating income	74,019	70,624	3,395	5%	64,733	9,286	14%
	13.3%	12.9%			11.2%		
Pretax income	41,396	44,874	(3,478)	-8%	41,545	(149)	0%
Adjusted Net income	44,012	40,303	3,709	9%	44,377	(365)	-1%
Diluted EPS	\$0.36	\$0.33	\$0.03	9%	\$0.37	(\$0.01)	-2%

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

GEO GROUP INC.

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

	2020				2020	2021E				2021E	2022E				2022E	2023E
	Mar	Jun	Sept	Dec		MarA	JunA	SeptA	DecE		MarE	JunE	SeptE	DecE		
Revenue	\$605,017	\$587,829	\$579,136	\$578,116	\$2,350,098	\$576,377	\$565,419	\$557,277	\$557,882	\$2,256,955	\$544,676	\$548,456	\$549,475	\$564,434	\$2,207,041	\$2,256,875
Y-o-Y % change	-1%	-4%	-8%	-7%	-5%	-5%	-4%	-4%	-4%	-4%	-6%	-3%	-1%	7%	-2%	2%
Operating expenses	461,322	444,035	434,131	437,264	1,776,752	428,151	405,009	399,900	401,675	1,634,735	400,337	400,373	401,117	406,392	1,608,219	1,643,962
% of revenue	76.2%	75.5%	75.0%	75.6%	75.6%	74.3%	71.6%	71.8%	72.0%	72.4%	73.5%	73.0%	73.0%	72.0%	72.9%	72.8%
Depreciation and amortization	33,327	33,434	33,628	34,291	134,680	34,117	33,306	32,883	32,915	133,221	33,225	33,456	33,518	33,866	134,065	137,057
% of revenue	5.5%	5.7%	5.8%	5.9%	5.7%	5.9%	5.9%	5.9%	5.9%	5.9%	6.1%	6.1%	6.1%	6.0%	6.1%	6.1%
General and administrative expenses	53,782	45,543	46,644	47,402	193,371	48,479	54,688	50,475	46,862	200,504	47,932	48,264	48,903	50,799	195,898	200,334
% of revenue	8.9%	7.7%	8.1%	8.2%	8.2%	8.4%	9.7%	9.1%	8.4%	8.9%	8.8%	8.8%	8.9%	9.0%	8.9%	8.9%
OPERATING INCOME	56,586	64,817	64,733	59,159	245,295	65,630	72,416	74,019	76,430	288,495	63,182	66,363	65,937	73,376	268,859	275,522
Operating margin %	9.4%	11.0%	11.2%	10.2%	10.4%	11.4%	12.8%	13.3%	13.7%	12.8%	11.6%	12.1%	12.0%	13.0%	12.2%	12.2%
EBITDA	89,913	98,251	98,361	93,450	379,975	99,747	105,722	106,902	109,345	421,716	96,408	99,819	99,455	107,242	402,924	412,579
EBITDA margin %	14.9%	16.7%	17.0%	16.2%	16.2%	17.3%	18.7%	19.2%	19.6%	18.7%	17.7%	18.2%	18.1%	19.0%	18.3%	18.3%
OTHER INCOME AND EXPENSES																
Interest income/other	5,438	5,248	6,360	6,026	23,072	6,202	5,985	5,990	6,000	24,177	6,000	6,000	6,000	6,000	24,000	24,000
Interest expense	(34,180)	(30,610)	(30,749)	(31,299)	(126,838)	(31,844)	(32,053)	(32,525)	(32,500)	(128,922)	(32,500)	(32,500)	(32,500)	(32,500)	(130,000)	(130,000)
Other	0	(1,304)	1,201	0	(103)	16,367	(1,296)	(6,088)	(1,000)	7,983	0	0	0	0	0	0
Income before income taxes and equity in earnings of affiliates	27,844	38,151	41,545	33,886	141,529	56,355	45,052	41,396	48,930	191,733	36,682	39,863	39,437	46,876	162,859	169,522
Provision for income taxes	6,198	4,196	4,616	2,372	17,382	7,936	5,063	8,395	9,786	31,180	7,336	7,973	7,887	9,375	32,572	33,904
Equity in earnings of affiliates, net of income tax provision	2,260	2,699	2,243	1,968	9,170	2,064	1,942	1,640	2,100	7,746	2,150	2,250	2,250	2,250	8,900	8,900
Tax rate	22.3%	11.0%	11.1%	7.0%	12.3%	14.1%	11.2%	20.3%	20.0%	16.3%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income	23,906	36,654	39,172	33,482	133,317	50,483	41,931	34,641	41,244	168,299	31,496	34,141	33,800	39,751	139,187	144,518
Net loss attributable to noncontrolling interests	60	66	48	27	201	61	28	69	60	218	60	75	60	60	255	255
Net Income attributable to the GEO Group	23,966	36,720	39,220	33,509	133,518	50,544	41,959	34,710	41,304	168,517	31,556	34,216	33,860	39,811	139,442	144,773
Diluted EPS	\$0.20	\$0.31	\$0.33	\$0.28	\$1.11	\$0.41	\$0.29	\$0.24	\$0.34	\$1.40	\$0.26	\$0.28	\$0.28	\$0.33	\$1.15	\$1.19
Y-o-Y % change	-41%	-22%	-14%	-11%	-22%	111%	14%	-12%	23%	26%	-38%	-18%	-2%	-4%	-17%	4%
Net nonrecurring loss	4,846	6,419	5,157	5,761	22,183	(16,459)	8,860	9,302	5,500	7,203	0	0	0	0	0	0
Adjusted Net Income	28,812	43,139	44,377	39,270	155,702	34,085	50,819	44,012	46,804	175,720	31,556	34,216	33,860	39,811	139,442	144,773
Adjusted EPS	\$0.24	\$0.36	\$0.37	\$0.33	\$1.30	\$0.28	\$0.42	\$0.36	\$0.39	\$1.45	\$0.26	\$0.28	\$0.28	\$0.33	\$1.15	\$1.19
Y-o-Y % change	-32%	-13%	-17%	-15%	-19%	17%	17%	-2%	18%	12%	-7%	-33%	-23%	-15%	-21%	4%
Diluted shares (mill.)	119,933	119,964	120,032	120,105	119,991	120,417	120,470	120,872	120,900	120,665	120,950	121,000	121,050	121,100	121,025	121,225

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

GEO GROUP INC.

Table 2: GEO Group, Inc. Cash Flow (\$ in thousands, except per share amounts)										
	Mar	Jun	Sep	Dec	2020	MarA	JunA	2021E	2022E	2023E
Operating Activities										
Net Income	\$25,121	\$36,654	\$39,172	\$11,884	\$112,831	\$50,483	\$41,933	\$175,502	\$139,187	\$144,518
Net loss attributable to noncontrolling interests	60	66	48	27	201	61	27	218	255	255
Net income attributable to The Geo Group, Inc.	25,181	36,720	39,220	11,911	113,032	50,544	41,960	175,720	139,442	144,773
Depreciation & amortization expense	33,327	33,434	33,628	34,291	134,680	34,117	33,306	133,221	134,065	137,057
Deferred tax provision	-	-	-	11,221	11,221	-	-	-	-	-
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	1,670	1,708	1,775	1,739	6,892	1,683	1,903	7,000	7,500	7,500
Goodwill impairment charge	-	-	-	21,146	21,146	-	-	-	-	-
Stock-based compensation	9,768	4,706	4,689	4,733	23,896	7,402	4,024	22,500	23,000	24,000
Gain on extinguishment of debt	(1,563)	-	(1,472)	(2,284)	(5,319)	(3,038)	(1,655)	(4,693)	-	-
Provision for doubtful accounts	25	159	104	(25)	263	614	(614)	250	250	250
Equity in earnings of affiliates, net of tax	(2,260)	(2,699)	(2,243)	(1,964)	(9,166)	(2,064)	(1,943)	(7,746)	(8,900)	(8,900)
Loss on sale/disposal of property and equipment, net	304	2,477	1,963	3,033	7,777	1,664	2,665	8,000	8,500	8,500
Loss on assets held for sale	-	774	-	-	774	-	-	1,000	1,000	1,000
Gain on sale of real estate	(424)	-	-	-	(424)	(13,329)	2,950	(10,379)	-	-
Dividends received from unconsolidated joint venture	633	2,259	2,404	638	5,934	1,399	2,786	8,750	10,000	10,000
Changes in accounts receivable, prepaid expenses and other assets	53,210	16,437	(11,149)	9,683	68,181	26,846	26,179	27,276	(7,250)	(7,500)
Changes in contract receivable	1,206	1,251	1,330	1,369	5,156	1,611	1,625	(217)	500	(250)
Changes in accounts payable, accrued expenses and other	7,182	30,867	31,102	(11,461)	57,690	17,468	(32,542)	(20,604)	1,068	1,500
Cash from Operations	128,259	128,093	101,351	84,030	441,733	124,917	80,644	340,078	309,175	317,929
Free Cash Flow	97,607	105,275	71,004	59,047	332,933	97,641	63,573	271,078	234,175	242,929
FCF/sh.	\$0.81	\$0.88	\$0.59	\$0.49	\$2.77	\$0.81	\$0.53	\$2.25	\$1.93	\$2.01
Adjusted Free Cash Flow*	87,839	100,569	66,315	54,314	309,037	90,239	59,549	248,578	211,175	218,929
Adjusted FCF/sh.*	\$0.73	\$0.84	\$0.55	\$0.45	\$2.58	\$0.75	\$0.49	\$2.06	\$1.74	\$1.81
Investing Activities										
Insurance proceeds - damaged property	-	4,597	4,900	-	9,497	469	558	1,027	-	-
Proceeds from sale of property and equipment	264	(127)	(54)	57	140	39	3,256	3,295	-	-
Proceeds from sale of assets held for sale	1,300	-	216	890	2,406	15,673	(2,433)	13,240	-	-
Change in restricted investments	3,363	(5,112)	(2,706)	(2,962)	(7,417)	(2,191)	(3,361)	(10,000)	(7,500)	(7,500)
Capital expenditures	(30,652)	(22,818)	(30,347)	(24,983)	(108,800)	(27,276)	(17,071)	(69,000)	(75,000)	(75,000)
Cash from Investing	(25,725)	(23,460)	(27,991)	(26,998)	(104,174)	(13,286)	(19,051)	(61,438)	(82,500)	(82,500)
Financing activities										
Proceeds from long-term debt	96,000	129,579	86,000	649,000	960,579	240,000	195,000	595,000	-	-
Payments on long-term debt	(125,505)	(136,906)	(117,644)	(436,136)	(816,191)	(298,522)	(58,309)	(585,000)	(150,000)	(150,000)
Proceeds from non-recourse debt	-	-	-	-	-	-	-	-	-	-
Payments on non-recourse debt	(1,362)	(1,546)	(1,622)	(9,275)	(13,805)	(1,755)	(2,042)	(3,797)	-	-
Debt issuance costs	-	-	-	-	-	(9,587)	-	(9,587)	-	-
Taxes paid related to net share settlements of equity awards	(2,632)	(157)	-	-	(2,789)	(1,901)	(101)	(2,002)	-	-
Proceeds from issuance of common stock in connection with ESPP	150	146	169	151	616	116	64	500	500	500
Payments for repurchases of common stock	(9,009)	-	(553)	553	(9,009)	-	-	-	-	-
Proceeds from the exercise of stock options	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	(57,703)	(58,457)	(57,974)	(42,011)	(216,145)	(30,486)	(1)	(30,487)	-	-
Cash from Financing	(100,061)	(67,341)	(91,624)	162,282	(96,744)	(102,135)	134,611	(35,373)	(149,500)	(149,500)
Beginning Cash & Equivalent	\$67,472	\$62,581	\$106,277	\$88,664	\$67,472	\$311,853	\$320,692	\$311,853	\$554,620	\$631,295
Effect of exchange rate changes	(7,364)	6,404	651	3,875	3,566	(657)	208	(500)	(500)	(500)
Net change in cash	(4,891)	43,696	(17,613)	223,189	244,381	8,839	196,412	242,767	76,675	85,429
Ending Cash & Equivalent	\$62,581	\$106,277	\$88,664	\$311,853	\$311,853	\$320,692	\$517,104	\$554,620	\$631,295	\$716,725

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

*Free Cash Flow less stock-based comp. expense

GEO GROUP INC.

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

	2019	Mar	Jun	Sep	2020	MarA	JunA	2021E	2022E	2023E
ASSETS										
Current Assets										
Cash and cash equivalents	\$32,463	\$32,414	\$75,734	\$53,676	\$283,524	\$289,391	\$483,048	\$527,880	\$601,094	\$686,524
Restricted cash and cash equivalents	32,418	27,865	28,345	27,229	26,740	29,317	29,892	30,201	30,201	30,201
Accounts receivable, net of allowances	430,982	375,453	361,030	380,072	362,668	346,817	313,831	335,000	340,000	345,000
Contract receivable	11,199	4,686	6,078	5,703	6,283	6,357	6,420	6,500	6,000	6,250
Prepaid expenses/other	40,716	36,108	39,133	33,393	32,108	29,081	35,449	32,500	34,750	37,250
Total current assets	547,778	476,526	510,320	500,073	711,323	700,963	868,640	932,081	1,012,045	1,105,225
Restricted cash and investments	30,923	27,271	32,703	40,970	37,338	39,924	45,465	60,732	60,732	60,732
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	2,025,126	2,005,126
Assets held for sale	6,059	4,405	4,526	9,521	9,108	6,926	28,197	9,717	9,717	9,717
Contract receivable	360,647	319,819	355,964	368,887	396,647	389,713	382,829	366,155	366,155	366,155
Operating lease right-of-use assets, net	121,527	123,465	123,401	121,805	124,727	125,269	120,208	125,073	125,073	125,073
Deferred income tax assets	36,278	36,278	36,278	36,278	36,604	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	755,239
Intangible assets, net	210,070	204,387	198,826	193,265	187,747	182,481	177,514	173,395	155,260	137,125
Other	83,174	76,860	74,219	74,234	79,187	76,265	74,563	89,716	80,308	78,112
Total assets	4,317,534	4,187,847	4,242,712	4,247,835	4,460,126	4,427,447	4,563,609	4,603,838	4,626,259	4,679,108
LIABILITIES AND STOCKHOLDERS' EQUITY										
Current liabilities										
Accounts payable	99,232	92,887	86,155	91,955	85,861	84,469	75,329	65,155	70,500	75,500
Accrued payroll and related taxes	54,672	63,005	76,925	64,812	67,797	87,466	65,298	75,005	75,750	77,250
Accrued expenses and other	191,608	178,834	186,272	212,127	202,378	195,763	189,770	195,272	190,250	185,250
Operating lease liabilities	26,208	26,968	26,992	27,910	29,080	28,223	28,095	28,982	28,982	28,982
Finance lease liabilities, long-term-debt and non-recourse debt	24,208	23,625	24,577	25,073	26,180	27,135	27,240	27,010	27,010	27,010
Total current liabilities	395,928	385,319	400,921	421,877	411,296	423,056	385,732	391,424	392,492	393,992
Deferred income tax	19,254	19,254	19,254	19,254	30,726	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	90,789	100,789	115,789
Operating lease	97,291	99,314	99,264	96,675	101,375	103,491	98,474	95,357	95,357	115,357
Finance lease	2,954	2,563	2,608	2,979	2,988	2,890	2,614	2,147	2,147	2,147
Long-term debt	2,408,297	2,370,890	2,371,556	2,343,342	2,561,881	2,494,987	2,632,332	2,619,010	2,469,010	2,319,010
Non-recourse debt	309,236	270,460	300,213	309,899	324,223	317,603	311,390	297,456	297,456	297,456
Total liabilities	3,321,486	3,230,391	3,298,417	3,315,551	3,548,044	3,487,274	3,578,541	3,526,909	3,387,977	3,274,477
Stockholders' equity										
Common stock	1,254	1,262	1,262	1,262	1,262	1,272	1,273	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	1,303,500	1,325,076
Distributions in excess of earnings	(119,779)	(152,301)	(174,038)	(193,345)	(222,892)	(202,834)	(160,875)	(77,659)	61,783	206,556
Other comprehensive loss	(20,335)	(33,499)	(29,554)	(27,073)	(22,589)	(20,110)	(21,132)	(20,500)	(22,000)	(22,000)
Treasury stock	(95,175)	(104,184)	(104,457)	(104,737)	(104,946)	(105,099)	(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	1,078,029	1,239,457	1,405,806
Noncontrolling interests	(782)	(890)	(955)	(999)	(1,020)	(1,083)	(1,113)	(1,100)	(1,175)	(1,175)
Total shareholders' equity	996,048	957,456	944,295	932,284	912,082	940,173	985,068	1,076,929	1,238,282	1,404,631
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	4,603,838	4,626,259	4,679,108
SELECTED RATIOS:										
Current Ratio	1.4	1.2	1.3	1.2	1.7	1.7	2.3	2.4	2.6	2.8
DSO	63	57	56	60	56	55	51	54	56	56
Net Debt/EBITDA	(6.21)	(7.24)	(6.60)	(6.60)	(6.85)	(6.32)	(5.81)	(5.66)	(5.37)	(4.67)
Interest Coverage	2.0	1.7	2.1	2.1	1.9	2.1	2.3	2.2	2.1	2.1
Book Value/Share	\$8.35	\$7.99	\$7.88	\$7.78	\$7.61	\$7.84	\$8.19	\$8.93	\$10.25	\$11.62
Total Debt/Total Capital	73%	74%	74%	74%	76%	75%	75%	73%	69%	65%
Net Cash (debt) per share	(\$22.44)	(\$21.72)	(\$21.61)	(\$21.64)	(\$21.69)	(\$21.01)	(\$20.41)	(\$19.77)	(\$17.88)	(\$15.92)
Return on Assets (ROA)	4.0%	2.3%	3.5%	3.7%	3.0%	4.6%	3.7%	3.7%	3.0%	3.1%
Return on Equity (ROE)	17.2%	10.0%	15.6%	16.8%	14.6%	21.5%	17.0%	15.6%	11.3%	10.3%

Source: Company reports; Sidoti & Company, LLC estimates

Appendix
Required Disclosures

Required Disclosures

GEO Group Inc. (GEO-\$8.88) 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	
PT	10/11/21	8.5		15	



Valuation	We maintain a Moderately Risky rating and \$15 price target on GEO shares, which declined 7% in the last 12 months, compared with a 45% 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 for privately-operated facilities. The Biden administration may implement further executive orders that 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. We value the shares in line with their average three-year trailing P/E. Thus, our unchanged \$15 target is based on 13x our 2022 EPS estimate of \$1.15.		
Key Risks	Reduced access to capital	Decreased occupancy	Contract terminations

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