



GEO Group Inc. (GEO)

We View Change In Corporate Structure As A Long-Term Positive; Lower EPS Estimates To Reflect The Resulting Higher Tax Rate; Maintain Moderately Risky Rating, \$15 Price Target

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.24	\$0.28A		\$0.26	\$0.25	\$0.28	\$0.26	
June	0.36	0.42A		0.28	0.26	0.29	0.27	
Sep.	0.37	0.36A		0.28	0.26	0.28	0.27	
Dec.	<u>0.33</u>	<u>0.39</u>	<u>0.29</u>	<u>0.33</u>	<u>0.31</u>	<u>0.35</u>	<u>0.33</u>	
EPS	\$1.30	\$1.45	\$1.36	\$1.15	\$1.08	\$1.19	\$1.14	

P/E **5.4x** **6.8x** **6.4x**

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2020 exclude \$0.19 of net one-time gains and \$0.92 of net one-time losses. 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	\$1.36	\$1.08	\$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.

- **On December 1, GEO announced that its Board of Directors approved a plan to terminate its Real Estate Investment Trust (REIT) status and become a taxable C corporation, effective for fiscal 2021. The decision stems from the Board's evaluation of GEO's corporate tax structure and REIT status, which was announced on April 7, 2021.**
- **The Board also voted to discontinue GEO's quarterly dividend (suspended in April 2021). We view the changes favorably since they provide GEO with additional flexibility to allocate free cash flow towards reducing net recourse debt.**
- **Factoring the updated tax guidance, we estimate an EPS advance of 16% in 2021 followed by a decline of 15% in 2022 and an increase of 5% in 2023. We estimate that a higher tax will reduce annual EPS by approximately \$0.18.**
- **We note GEO's 2021 guidance for revenue of \$2.26 billion and adjusted EBITDA of \$451.5-\$455 million remains unchanged.**
- **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 \$212 million (\$1.75 per share) in 2021-2023.**
- **We maintain a Moderately Risky rating and a price target of \$15, which is based on a steady 13x our newly revised 2022 EPS estimate of \$1.14.**

We view the decision to de-REIT as consistent with the company's focus on addressing future debt maturities, which includes net recourse debt reduction and deleveraging, the review of potential sales of company-owned assets and businesses, and ongoing evaluation of capital structure alternatives. As a REIT, GEO began paying regular quarterly dividends in 2013. In 2020, the company paid \$216 million in dividends. The elimination of the dividend provides GEO with greater flexibility to repay debt and internally fund growth. GEO reduced net recourse debt by approximately \$100 million in 2020 and an additional \$175 million the first three quarters of 2021. This has already met the recently

NR

Price Target: \$15

Price: \$7.35

Risk Rating: M

Mitra Ramgopal
(212) 453-7022
(mramgopal@sidoti.com)

Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$900
Enterprise Value	\$3,491
52-Week Range (NYSE)	11-5
5-Year EPS CAGR	10%
Avg. Daily Trading Volume	2,110,00
Shares Out (Mil)	122.535
Float Shares (Mil)	117.272
Insider Ownership	3%
Institutional Holdings	85%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)	\$1.71
FCF Yield (2023E)	23.3%
Net Cash Per Share (2023E)	(\$16.61)
Price to Book Value	1.0x
Return on Equity (2023E)	10.9%
Total Debt to Capital	75%
Interest Coverage Ratio	2.3x
Short Interest %	19.1%
Short Interest Days To Cover	8.2
Russell 2000	2,187
Russell 2000 – Last 12 Months	17.0%
GEO – Last 12 Months	-15.2%



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 that generated combined net proceeds of \$46 million. At the end of 3Q:21, GEO had \$537 million in cash. We project average annual free cash flow for 2021-2023 of \$212 million (\$1.75 per share).

Factoring updated tax impact and excluding one-time items associated with the corporate restructuring, we forecast an EPS advance of 16% in 2021 followed by a decline of 15% in 2022 and an advance of 5% in 2023. As a result of the restructuring to a taxable C corporation, GEO expects to incur a one-time, non-cash deferred tax charge of approximately \$75 million in 4Q:21 and approximately \$34 million in incremental income tax expense due to the resulting higher corporate tax rate for 2021, including a catch-up tax expense of approximately \$26 million in connection with the first three quarters of 2021. Excluding these items, GEO expects 4Q:21 adjusted EPS of \$0.29-\$0.31 (prior guidance was \$0.37-\$0.39 per share), which reflects the higher corporate tax rate GEO expects to pay as a taxable C corporation. GEO confirmed its previously issued full-year 2021 adjusted EBITDA guidance in a range of \$451.5 million to \$455 million. We estimate annual revenue declines of 2%-4% in 2021-2022 before an increase of 2% in 2023. We expect 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 in 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.

Market capitalization	GEO \$993		CXW \$1,252	
	2021E	2022E	2021E	2022E
Revenue (millions)	\$2,257	\$2,179	\$1,872	\$1,956
EPS	\$1.28	\$1.08	\$1.01	\$0.96
P/E	5.7	6.8	10.2	10.7
EBITDA (millions)	\$437	\$421	\$398	\$422
EV (millions)	\$3,393	\$3,393	\$2,442	\$2,442
EV/EBITDA	7.8	8.1	6.1	5.8
Long-term debt/capital	71%	67%	54%	54%

Sources: Company reports, Factset

Valuation	We maintain a Moderately Risky rating and \$15 price target on GEO shares, which have declined 23% in the last 12 months, compared with a 16% 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 steady and the business is supported by long-term real estate assets. We view the aforementioned corporate restructuring favorably since they provide GEO with additional flexibility to allocate free cash flow towards reducing net recourse debt. We value the shares in line with their average three-year trailing P/E. Our unchanged \$15 target is based on a steady 13x our revised 2022 EPS estimate of \$1.14. We find the valuation attractive on a P/E basis relative to the only other publicly-traded competitor, CoreCivic (NYSE: CXW, NC).		
Key Risks	Reduced access to capital	Decreased occupancy	Contract terminations

GEO GROUP INC.

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

	2020					2021E					2022E					2022E	2023E
	Mar	Jun	Sept	Dec	2020	MarA	JunA	SeptA	DecE	2021E	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	400,922	401,117	406,392	1,608,768	1,641,705	
% of revenue	76.2%	75.5%	75.0%	75.6%	75.6%	74.3%	71.6%	71.8%	72.0%	72.4%	73.5%	73.1%	73.0%	72.0%	72.9%	72.7%	
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	65,815	65,937	73,376	268,311	277,779	
Operating margin %	9.4%	11.0%	11.2%	10.2%	10.4%	11.4%	12.8%	13.3%	13.7%	12.8%	11.6%	12.0%	12.0%	13.0%	12.2%	12.3%	
EBITDA	89,913	98,251	98,361	93,450	379,975	99,747	105,722	106,902	109,345	421,716	96,408	99,271	99,455	107,242	402,376	414,836	
EBITDA margin %	14.9%	16.7%	17.0%	16.2%	16.2%	17.3%	18.7%	19.2%	19.6%	18.7%	17.7%	18.1%	18.1%	19.0%	18.2%	18.4%	
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	39,315	39,437	46,876	162,311	171,779	
Provision for income taxes	6,198	4,196	4,616	2,372	17,382	15,936	5,063	8,395	15,677	45,071	9,171	9,829	9,859	11,719	40,578	42,945	
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	8,750	
Tax rate	22.3%	11.0%	11.1%	7.0%	12.3%	14.1%	11.2%	20.3%	32.0%	23.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Net Income	23,906	36,654	39,172	33,482	133,317	42,483	41,931	34,641	35,353	154,408	29,662	31,736	31,828	37,407	130,633	137,585	
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	42,544	41,959	34,710	35,413	154,626	29,722	31,811	31,888	37,467	130,888	137,840	
Diluted EPS	\$0.20	\$0.31	\$0.33	\$0.28	\$1.11	\$0.41	\$0.29	\$0.24	\$0.29	\$1.28	\$0.25	\$0.26	\$0.26	\$0.31	\$1.08	\$1.14	
Y-o-Y % change	-41%	-22%	-14%	-11%	-22%	78%	14%	-12%	6%	16%	-30%	-24%	-8%	6%	-15%	5%	
Net nonrecurring loss	4,846	6,419	5,157	5,761	22,183	(16,459)	8,860	9,302	0	1,703	0	0	0	0	0	0	
Adjusted Net Income	28,812	43,139	44,377	39,270	155,702	26,085	50,819	44,012	35,413	156,329	29,722	31,811	31,888	37,467	130,888	137,840	
Adjusted EPS	\$0.24	\$0.36	\$0.37	\$0.33	\$1.30	\$0.28	\$0.42	\$0.36	\$0.29	\$1.36	\$0.25	\$0.26	\$0.26	\$0.31	\$1.08	\$1.14	
Y-o-Y % change	-32%	-13%	-17%	-15%	-19%	17%	17%	-2%	-10%	5%	-12%	-38%	-28%	6%	-20%	5%	
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	SeptA	2021E	2022E	2023E
Operating Activities											
Net Income	\$25,121	\$36,654	\$39,172	\$11,884	\$112,831	\$50,483	\$41,933	\$34,641	\$156,111	\$130,633	\$137,585
Net loss attributable to noncontrolling interests	60	66	48	27	201	61	27	69	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	34,710	156,329	130,888	137,840
Depreciation & amortization expense	33,327	33,434	33,628	34,291	134,680	34,117	33,306	32,883	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	1,973	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	4,329	22,500	23,000	24,000
Gain on extinguishment of debt	(1,563)	-	(1,472)	(2,284)	(5,319)	(3,038)	(1,655)	0	(4,693)	-	-
Provision for doubtful accounts	25	159	104	(25)	263	614	(614)	0	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)	(1,640)	(7,746)	(8,900)	(8,750)
Loss on sale/disposal of property and equipment, net	304	2,477	1,963	3,033	7,777	1,664	2,665	2,782	8,000	8,500	8,500
Loss on assets held for sale/asset divestiture	-	774	-	-	774	-	-	5,031	5,031	1,000	1,000
Gain on sale of real estate	(424)	-	-	-	(424)	(13,329)	2,950	1,057	(9,322)	-	-
Dividends received from unconsolidated joint venture	633	2,259	2,404	638	5,934	1,399	2,786	1,001	5,750	5,000	5,000
Changes in accounts receivable, prepaid expenses and other assets	53,210	16,437	(11,149)	9,683	68,181	26,846	26,179	(8,686)	27,276	(7,250)	(7,500)
Changes in contract receivable	1,206	1,251	1,330	1,369	5,156	1,611	1,625	1,498	(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)	8,978	(20,604)	1,068	1,500
Cash from Operations	128,259	128,093	101,351	84,030	441,733	124,917	80,644	83,916	322,775	295,621	306,146
Free Cash Flow	97,607	105,275	71,004	59,047	332,933	97,641	63,573	70,881	253,775	220,621	231,146
FCF/sh.	\$0.81	\$0.88	\$0.59	\$0.49	\$2.77	\$0.81	\$0.53	\$0.59	\$2.10	\$1.82	\$1.91
Adjusted Free Cash Flow*	87,839	100,569	66,315	54,314	309,037	90,239	59,549	66,552	231,275	197,621	207,146
Adjusted FCF/sh.*	\$0.73	\$0.84	\$0.55	\$0.45	\$2.58	\$0.75	\$0.49	\$0.55	\$1.92	\$1.63	\$1.71
Investing Activities											
Insurance proceeds - damaged property	-	4,597	4,900	-	9,497	469	558	0	1,027	-	-
Proceeds from sale of property and equipment	264	(127)	(54)	57	140	39	3,256	823	4,118	-	-
Proceeds from sale of assets held for sale	1,300	-	216	890	2,406	15,673	(2,433)	5,341	18,581	-	-
Change in restricted investments	3,363	(5,112)	(2,706)	(2,962)	(7,417)	(2,191)	(3,361)	(1,255)	(10,000)	(7,500)	(7,500)
Capital expenditures	(30,652)	(22,818)	(30,347)	(24,983)	(108,800)	(27,276)	(17,071)	(13,035)	(69,000)	(75,000)	(75,000)
Cash from Investing	(25,725)	(23,460)	(27,991)	(26,998)	(104,174)	(13,286)	(19,051)	(8,126)	(55,274)	(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	0	435,000	-	-
Payments on long-term debt	(125,505)	(136,906)	(117,644)	(436,136)	(816,191)	(298,522)	(58,309)	(2,807)	(369,638)	(150,000)	(150,000)
Payments on non-recourse debt	(1,362)	(1,546)	(1,622)	(9,275)	(13,805)	(1,755)	(2,042)	(1,284)	(5,081)	-	-
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)	(89)	(2,091)	-	-
Proceeds from issuance of common stock in connection with ESPP	150	146	169	151	616	116	64	72	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)	0	(30,487)	-	-
Cash from Financing	(100,061)	(67,341)	(91,624)	162,282	(96,744)	(102,135)	134,611	(4,108)	18,616	(149,500)	(149,500)
Beginning Cash & Equivalent	\$67,472	\$62,581	\$106,277	\$88,664	\$67,472	\$311,853	\$320,692	\$517,104	\$311,853	\$597,470	\$660,591
Effect of exchange rate changes	(7,364)	6,404	651	3,875	3,566	(657)	208	(3,339)	(500)	(500)	(500)
Net change in cash	(4,891)	43,696	(17,613)	223,189	244,381	8,839	196,412	68,343	285,617	63,121	73,646
Ending Cash & Equivalent	\$62,581	\$106,277	\$88,664	\$311,853	\$311,853	\$320,692	\$517,104	\$585,447	\$597,470	\$660,591	\$734,237

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	SeptA	2021E	2022E	2023E
ASSETS											
Current Assets											
Cash and cash equivalents	\$32,463	\$32,414	\$75,734	\$53,676	\$283,524	\$289,391	\$483,048	\$537,070	\$570,730	\$630,390	\$704,036
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	30,201
Accounts receivable, net of allowances	430,982	375,453	361,030	380,072	362,668	346,817	313,831	327,723	335,000	340,000	345,000
Contract receivable	11,199	4,686	6,078	5,703	6,283	6,357	6,420	6,313	6,500	6,000	6,250
Prepaid expenses/other	40,716	36,108	39,133	33,393	32,108	29,081	35,449	31,682	32,500	34,750	37,250
Total current assets	547,778	476,526	510,320	500,073	711,323	700,963	868,640	932,989	974,931	1,041,341	1,122,737
Restricted cash and investments	30,923	27,271	32,703	40,970	37,338	39,924	45,465	60,732	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	2,055,406	2,035,126	2,015,126	2,000,126
Assets held for sale	6,059	4,405	4,526	9,521	9,108	6,926	28,197	9,717	9,717	9,717	9,717
Contract receivable	360,647	319,819	355,964	368,887	396,647	389,713	382,829	366,155	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	118,073	120,073	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	36,604
Goodwill	776,356	776,306	776,349	776,364	755,250	755,244	755,239	755,222	730,739	710,239	690,239
Intangible assets, net	210,070	204,387	198,826	193,265	187,747	182,481	177,514	172,794	168,675	150,540	132,405
Other	83,174	76,860	74,219	74,234	79,187	76,265	74,563	81,104	81,695	78,308	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	4,588,796	4,584,447	4,593,835	4,621,900
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current liabilities											
Accounts payable	99,232	92,887	86,155	91,955	85,861	84,469	75,329	67,411	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	80,798	75,005	75,750	77,250
Accrued expenses and other	191,608	178,834	186,272	212,127	202,378	195,763	189,770	216,404	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	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	27,010
Total current liabilities	395,928	385,319	400,921	421,877	411,296	423,056	385,732	420,605	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	30,726
Other	88,526	82,591	104,601	121,525	115,555	114,521	117,273	95,789	90,789	96,310	113,310
Operating lease	97,291	99,314	99,264	96,675	101,375	103,491	98,474	95,357	95,357	95,357	95,357
Finance lease	2,954	2,563	2,608	2,979	2,988	2,890	2,614	2,147	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	2,629,010	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	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	3,571,090	3,526,909	3,383,498	3,251,998
Stockholders' equity											
Common stock	1,254	1,262	1,262	1,262	1,262	1,272	1,273	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	1,272,725	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)	(126,165)	(97,050)	33,838	171,677
Other comprehensive loss	(20,335)	(33,499)	(29,554)	(27,073)	(22,589)	(20,110)	(21,132)	(23,854)	(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)	(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	1,018,880	1,058,638	1,211,512	1,370,927
Noncontrolling interests	(782)	(890)	(955)	(999)	(1,020)	(1,083)	(1,113)	(1,174)	(1,100)	(1,175)	(1,175)
Total shareholders' equity	996,048	957,456	944,295	932,284	912,082	940,173	985,068	1,017,706	1,057,538	1,210,337	1,369,752
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	4,588,796	4,584,447	4,593,835	4,621,750
SELECTED RATIOS:											
Current Ratio	1.4	1.2	1.3	1.2	1.7	1.7	2.3	2.2	2.5	2.7	2.8
DSO	63	57	56	60	56	55	51	54	54	56	56
Net Deb/EBITDA	(6.21)	(7.24)	(6.60)	(6.60)	(6.85)	(6.32)	(5.81)	(5.58)	(5.55)	(5.30)	(4.60)
Interest Coverage	2.0	1.7	2.1	2.1	1.9	2.1	2.3	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	\$8.46	\$8.77	\$10.02	\$11.33
Non-Recourse Debt/Total Capital	71%	71%	72%	72%	74%	73%	73%	72%	71%	67%	63%
Net Cash (debt) per share	(\$22.44)	(\$21.72)	(\$21.61)	(\$21.64)	(\$21.69)	(\$21.01)	(\$20.41)	(\$19.81)	(\$19.41)	(\$17.63)	(\$15.78)
Return on Assets (ROA)	4.0%	2.3%	3.5%	3.7%	3.0%	3.8%	3.7%	3.0%	3.4%	2.8%	3.0%
Return on Equity (ROE)	17.2%	10.0%	15.6%	16.8%	14.6%	18.1%	17.0%	13.6%	14.6%	10.8%	10.1%

Source: Company reports; Sidoti & Company, LLC estimates

Appendix
Required Disclosures

Required Disclosures

GEO Group Inc. (GEO-\$7.35) 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	
PT	11/5/21	8.9		15	



Source: FactSet Prices

Valuation	<p>We maintain a Moderately Risky rating and \$15 price target on GEO shares, which have declined 23% in the last 12 months, compared with a 16% 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 steady and the business is supported by long-term real estate assets. We view the aforementioned corporate restructuring favorably since they provide GEO with additional flexibility to allocate free cash flow towards reducing net recourse debt. We value the shares in line with their average three-year trailing P/E. Our unchanged \$15 target is based on a steady 13x our revised 2022 EPS estimate of \$1.14. We find the valuation attractive on a P/E basis relative to the only other publicly-traded competitor, CoreCivic (NYSE: CXW, NC).</p>		
Key Risks	Reduced access to capital	Decreased occupancy	Contract terminations

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and

utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “*Moderately Risky*” (M) and “*Highly Risky*” (H) ratings. “*Moderately Risky*” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “*Highly Risky*” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 12/02/21 and immediately prior to the publication of this report, Company Sponsored Research provides research on 31 companies, of which 27 (87.1%) are rated Moderately Risky and 4 (12.9%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee up to \$6,000 per conference to presenting companies depending on the event. Sidoti does not currently have a current

investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for providing institutional investors with securities related services by virtue of commission sharing agreements. Sidoti & Company, LLC has received and expects to continue to receive compensation for non-investment banking services from companies under coverage from attendance fees for conferences sponsored by Sidoti and the arrangement of non-deal roadshow days. Sidoti *may* receive or seek to receive non-investment banking compensation from covered companies for investor relations-related serves, or certain advisory, research analysis, financial modeling or similar services.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. Mitra Ramgopal certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

Source

Key Statistics data is sourced from FactSet Research Systems