November 18, 2020

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

M. Marin
mmarin@zacks.com
Ph (312) 265-9211

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Corecivic Inc (CXW-NYSE)

Unlocking Shareholder Value Through Deleveraging Measures & Share Repurchases

CoreCivic is one of the largest operators of private prisons in the country, a sector that has underperformed over the past year. Following the pending transition to a C-Corp, CXW intends to shift its capital allocation strategy to focus on measures to create long-term value for equity shareholders, including deleveraging and share repurchases.

Current Price (11/17/20)	$6.81
Valuation	**$15.60**

OUTLOOK

With the private prison sector having underperformed over the past year for reasons discussed in this report, we believe the pull-back in CXW shares creates a more attractive entry point. In part, the recent decline in the share price reflects the negative impact of COVID-19 on occupancy levels in CXW's facilities. We expect this to abate as a vaccine is introduced and disseminated. Other concerns overhanging the shares include political risk. We note that the company's cash flow has been stable through different political administrations. We see upside to CXW shares reflecting deleveraging measures and share buybacks, as well as expected multiple expansion narrowing the gap between the current multiple and historical averages. We also note that CXW had cash of $282.5 million at the end of 3Q 2020.

SUMMARY DATA

52-Week High	**$17.90**
52-Week Low	**$5.76**
One-Year Return (%)	**-55.66**
Beta	**1.29**
Average Daily Volume (sh)	**1,747,098**
Shares Outstanding (mil)	**120**
Market Capitalization ($mil)	**$815**
Short Interest Ratio (days)	**2.4**
Institutional Ownership (%)	**71**
Insider Ownership (%)	**1**
Annual Cash Dividend	**$0.88**
Dividend Yield (%)	**12.9**
5-Yr. Historical Growth Rates	
Sales (%)	**2.0**
Earnings Per Share (%)	**-1.6**
Dividend (%)	**-4.3**
P/E using TTM EPS	**3.1**
P/E using 2021 Estimate	**3.2**
P/E using 2022 Estimate	**2.8**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Mid-Value**
Industry	**Reit-Eqty Trust**

ZACKS ESTIMATES

Revenue
(in Mns of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2018	441	450	463	482	1836A
2019	484	490	509	498	1981A
2020	491	473	468	478E	1910E
2021					1938E

Earnings per Share

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2018	0.32	0.33	0.34	0.35	1.34A
2019	0.41	0.41	0.41	0.35	1.59A
2020	0.27	0.18	0.22	0.25E	0.92E
2021					0.80E

Quarters might not add to annual reflecting rounding

Disclosures on page 14

KEY POINTS

- CoreCivic is one of the country's largest operators of private prisons, with 76 owned and/or managed corrections facilities, detention centers and halfway houses located in 21 states and holding an aggregate 77,722 beds. CXW facilities house about 8% of the total U.S. prison population, according to management. CoreCivic also owns 57 properties totaling 3.3 million square feet that it has available to lease to third parties for use by government agencies.

- CXW is in the process of transitioning its operating structure to a C-Corp. CXW has been a REIT since 2013, a structure that provides certain tax benefits and also mandates the company to distribute at least 90% of taxable income each year. Although the conversion to C-Corp will require higher tax payments, the structure will also enable CXW to retain and build cash at a faster pace than it currently can, as the REIT structure requires the return of most capital to shareholders.

- Debt repayments and share buybacks will be top initiatives for CXW once the conversion is complete, with an initial priority on debt repayments. CXW had net debt of $1.8 billion at the end of 3Q 2020, in-line with year-end 2019 and up from $1.4 billion at year-end 2016. CXW's debt leverage was 4.2x and 3.7x, respectively at the end of 3Q 2020 and 2019, which is in-line with its historical norm of 3-4x. Post converting to a C-Corp, CXW targets a lower leverage ratio of 2.25x to 2.75x.

- CXW shares have fallen 54% over the past 12 months compared to a 16% gain for the S&P 500. The underperformance reflects concerns about political and other risk, as well as among ESG investors, despite CXW's efforts to begin publicly reporting on the education and vocational training programs it offers inmates to help facilitate their re-entrance into society. Some 30,000 inmates have earned high school equivalency diplomas or an industry trade certificate over the past five years.

- Management believes the shares are oversold at this level and expects to allocate a substantial portion of its free cash flow to returning capital to shareholders through share buybacks. Buying back outstanding shares is consistent with initiatives taken during the 2009 economic downturn when CXW was a C-Corp. From 2009 through 2011 when it converted to a REIT, the company bought $500 million of its stock.

- Several of CXW's government agency customers have reduced inmate populations during the stay-at-home orders of the pandemic. The company has been impacted mostly by the decision by the federal government to deny entry at the U.S. southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of COVID-19, affecting ICE detainee populations. As a result, occupancy rates in many of the company's facilities have come under pressure. Nevertheless, with COVID-19 also presenting health risks to inmates, agency awareness that newer facilities such as those owned and/or operated by CXW could present a competitive advantage from a health perspective that could help drive governments to transition inmates to CXW and other more modern facilities.

- The company had cash of $282.5 million on its balance sheet at the end of 3Q 2020, with another $329.2 million available under its revolver. In 1Q20, CXW drew down on the revolver to have added cash on its balance sheet for added liquidity as the economy slipped into a downturn.

COMPANY BACKGROUND

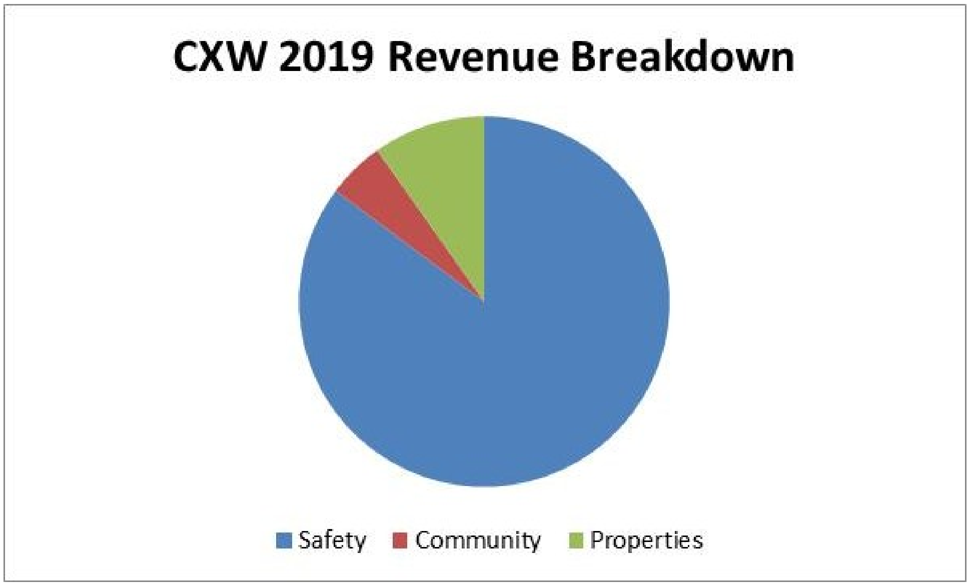
Tennessee-based CoreCivic (NYSE: CXW), founded in 1983, is the nation's largest owner of partnership correctional, detention, and residential reentry facilities and one of the largest private prison operators in the country. The company owns and manages private corrections, detention and reentry facilities (halfway houses) and also provides prisoner transportation, electronic monitoring and case management services to its government customers to complement its core operations. With 49 correctional and detention facilities with capacity for up to an aggregate of 72,000 beds, CXW has grown its footprint over its more than 35 year operating history to reach a position where it owns or controls roughly 58% of the country's privately-owned prison beds and is among the two largest private owners and providers of community corrections services in the

U.S. The company is also among the largest private owners of real estate that is leased to various U.S. government agencies.

The company’s operations are conducted through three business segments: CoreCivic Safety, CoveCivic Community and CoreCivic Properties. These segments generate revenue from various government sources under contracts that generally range from three to five year terms, with an average contract renewal rate of about 94%. In the company’s CoreCivic Properties or real estate division, lease agreements with various government entities generally have terms ranging from five to 20 years, with a weighted average lease term of 4.2 years remaining at year-end 2019.
:

- CoreCivic Safety – 49 owned or managed correctional & detention facilities - 72,000-bed capacity
- CoreCivic Community - 27 O&O residential reentry centers - 5,000-bed capacity
- CoreCivic Properties - 57 properties totaling 3.3 million SF for lease primarily to government agencies

CoreCivic Safety is the largest operating segment. It accounts for over 85% of total annual revenue.



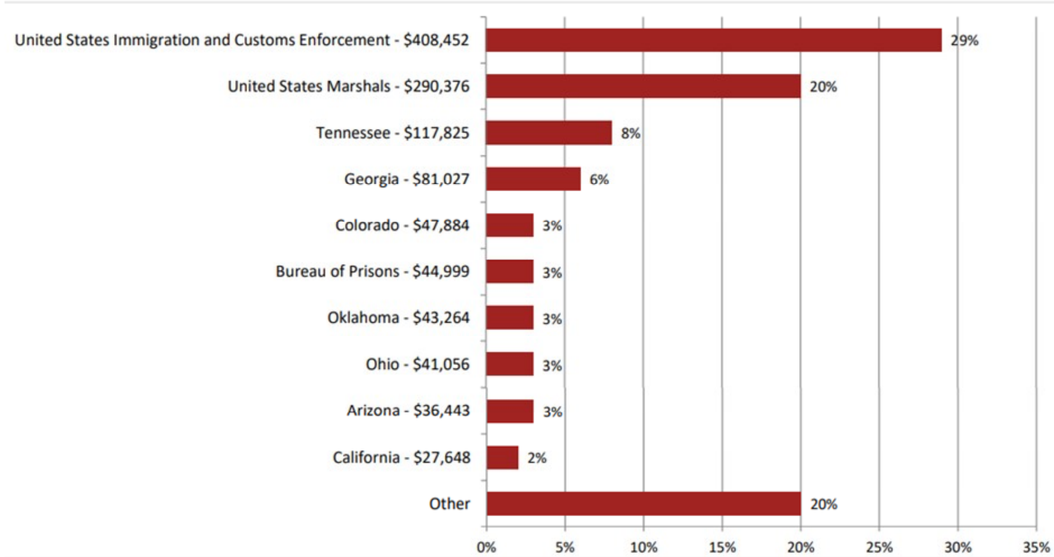
Source: corecivic.com

CXW owns 42 of the centers it manages. The average compensated occupancy rate of the company’s correctional, detention, and halfway house facilities in 2019 was 82%, which is in-line to slightly above historical averages. However, as government agencies contended with stay-at-home orders mandated by the COVID-19 pandemic, many agencies either released prisoners and / or were constrained in sentencing activities. As a result, the occupancy rate fell to 75% during 2Q 2020.

In addition, through the company’s CoreCivic Properties segment, the company owns 57 properties for lease to third parties and used by government agencies, totaling 3.3 million square feet. CoreCivic also operates TransCor, which provides transportation services for prisoners and also provides some correctional alternative services such as electronic monitoring and case management services.

The company’s growth has been primarily through organic means, although CXW selectively has engaged in M&A transactions to complement organic growth. In 2015, CXW acquired Avalon Correctional Services for about $165 million, strengthening the CoreCivic Community operations. Avalon operated 11 facilities containing 3,157 re-entry beds. The company has also grown its footprint through the purchase of individual facilities. For instance, in 2018 CXW purchased a 540,566-square foot building in Baltimore, Maryland.

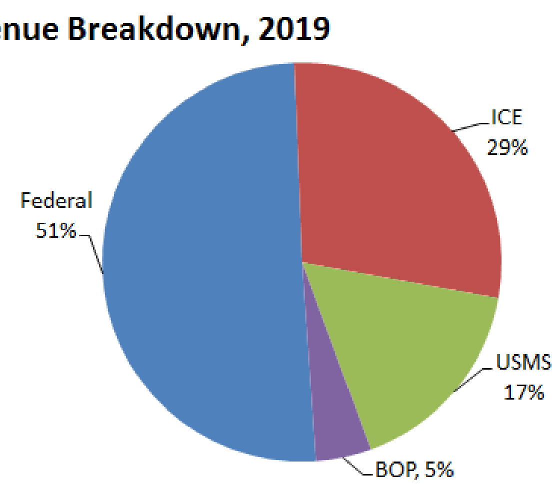
CXW Customer Breakdown, Sept 2020



Source: www.corecivic.com

The company's customers include federal to state government agencies, the U.S. Marshals Service (USMS), Bureau of Prisons (BOP) and the department of Immigration and Customs Enforcement (ICE). As of 2Q 2020, ICE represented the company's largest customer, followed by USMS.

Revenue Breakdown, 2019



Source: CoreCivic.com

In recent years, CXW has expanded the range of reentry and education programs it offers inmates, including providing opportunities for inmates to earn a high school equivalency diploma or obtain vocational training and sometimes even higher education. For instance, CXW expanded its relationship with Ashland University in 2019 to offer some college courses. Research suggests that education and training can help lower recidivism, as inmates who obtain GEDs while in prison are 30% less likely to return to prison and those who complete vocational training are 28% more likely to find employment after their release.[1]. CXW's facilities are accredited by the American Correctional Association (ACA), an independent agency, with an average 99.6% score.

Transition to C-Corp

CXW has been structured as a REIT since 2013. Although the REIT structure provides certain tax benefits, it also means that CXW is required to distribute at least 90% of its annual taxable income to shareholders every year. This mitigates the company's opportunity to build its cash position and to use cash for purposes other than dividend payments. On August 5, 2020, the company announced that its board of directors approved a

[1] RAND Corporation, "Evaluating the Effectiveness of Correctional Education," 2013.

plan to revoke its REIT election and become a taxable C Corporation, effective January 1, 2021. Because the company has met its 2020 dividend payment requirements and will continue to operate as a REIT through year-end 2020, it will be able to retain cash generated in 2H 2020. In 2019, CXW generated $354.4 million in cash from operations, with nearly $190 million of that produced in the second half of the year.

Once the company converts to a C-Corp structure, CXW expects to retain and build cash at a faster pace than it has over the past seven years as a REIT, despite the need to pay higher taxes. One key use of cash will be for debt repayments. CXW had net debt of $1.9 billion at the end of 2Q 2020, unchanged from year-end 2019 and up from $1.4 billion at the end of 2016. CXW's debt leverage was 3.7x in 2019, which is in-line with its historical norm of 3-4x. However, post the conversion to a C-Corp, the company targets a lower leverage ratio of 2.25x to 2.75x.

Prioritizing Free Cash Flow to Debt Repayment Followed by Return of Capital to Shareholders

Following its first priority of debt reduction, the company expects to allocate a substantial portion of its free cash flow to returning capital to shareholders through share buybacks or dividends. With the 54% share price decline over the past 12 months, management believes the shares are oversold at this level. The company is evaluating the potential sale of lower yielding non-core assets in the Properties segment, which could accelerate the benefits of the new capital allocation strategy following the revocation of its REIT election. The company has a history of buying its shares depending on market conditions. For instance, in 2009-2011, prior to the original conversion to a REIT structure, CXW repurchased about $500M of its shares.

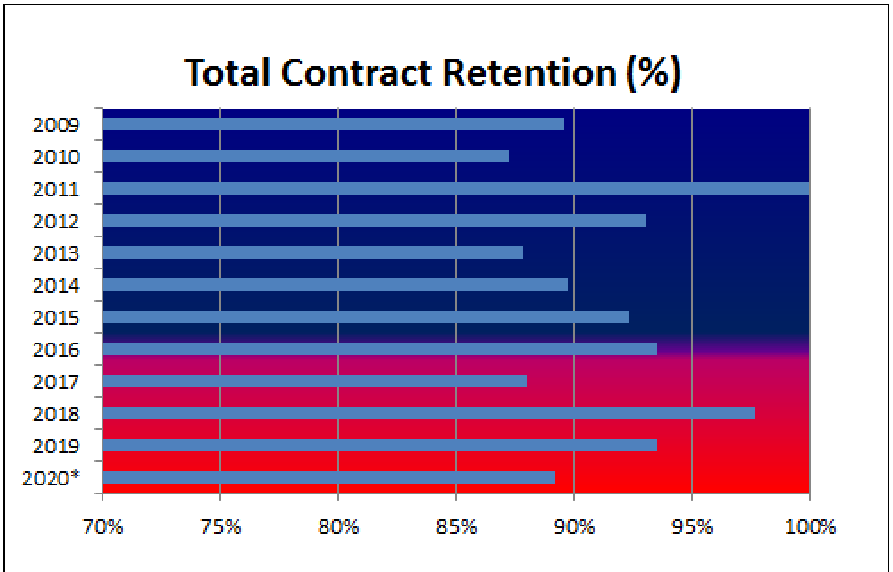
ESG Initiatives

In part, the above noted price decline also reflects ESG concerns, despite CXW's investment in educational tools for the inmates in its facilities, focus on providing transparency regarding ESG with annual reporting and efforts to restore access to Pell financing. As noted, CXW has expanded its educational and vocational training offerings and holds an average American Corrections Association (ACA) accreditation score of 99.6%. CXW released its first annual ESG report in 2019. In the 2020 ESG report, the company provided an update regarding measures to ensure prisoner safety measures during the COVID-19 pandemic. The company intends to publish its ESG report on an annual basis.

Last month CXW announced its intention to advocate for Pell Grants for the prison population, as well as the restoration of voting rights upon release and initiatives to make it easier for former convicts to obtain employment opportunities. Pell grants are intended to assist prisoners continue their education while they are incarcerated. A study by the Rand Corp. supports the view that providing access to education has a positive impact on recidivism, concluding that inmates who pursue education while they are incarcerated are 43% less likely to return to prison within three years.

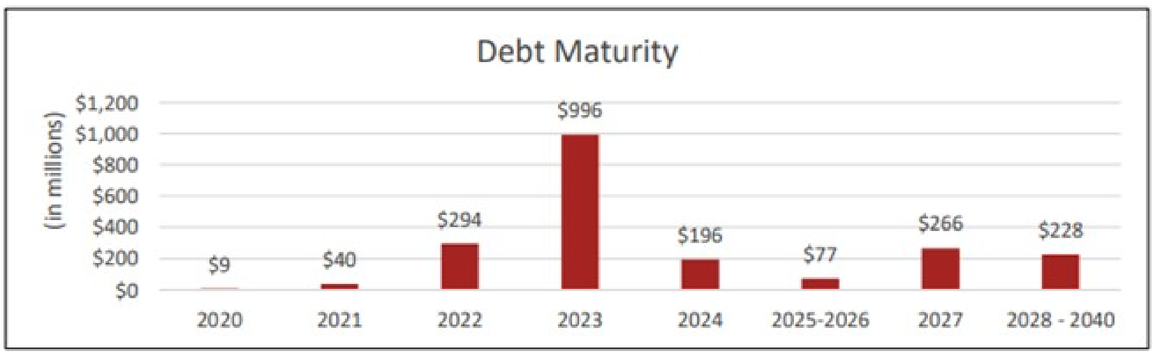
Perceived Political Risk

At the same time, the industry also is challenged by political risk, particularly with the recent presidential election. Nevertheless, since 2009, CXW has renewed, on average, nearly 92% of contracts up for renewal each year regardless of the administration in office (see chart below). Moreover, while sentencing reform might lead to lower numbers of people being sentenced, there remains a sizable inmate population that needs to be housed. Neither the federal government nor state governments have sufficient facilities to house the aggregate prison population independently of private operators, according to management.



Source: corecivic.com *YTD

Finally, the financial sector has also shied away from extending credit to companies in this sector. This constrains liquidity and boosts the company's cost of capital. The company has about $1.3 billion in debt that comes due by or before 2023 and had $282.5 million of cash on hand at the end of 3Q 2020. By building internally generated cash, CXW will be able to pay down a substantial amount of this before maturity and expect the refinance the remainder.



Source: corecivic.com

The ability to retain cash under the C-Corp. structure will also enable CXW to reduce its reliance on banks and other external sources of cash, as it will be able to reinvest internally generated cash flow into growing its business and returning capital to its shareholders. CXW has generated cash flow from operations of more than $1.0 billion cumulatively over the past three years. Another source of funds will be the expected sale of certain non-core real estate assets. CXW expects to generate up to $150 million in net proceeds from real estate sales, which could be used for growing the business and/or deleveraging and repurchasing shares.

COVID-19 IMPACT

Management believes that the COVID-19 pandemic has had a two-fold impact on the company's business. The interruption to business operations caused a slowdown in the justice system generally and release of prisoners for health reasons resulted in fewer sentencings and lower prison occupancy for CXW and other prison facilities. However, the health risks also have shone a light on the advantages of more modern prison infrastructure in protecting inmate's health. On average, CXW facilities are 20 years old compared to 30 to 40 old for the overall prison system, according to management.

Growth Opportunities

Moreover, despite the perceived risk that the share price reflects at current levels, the company believes that it has strong growth opportunities going forward as states such as Alabama and Kentucky (see below) seek to increase and upgrade obsolete and often dangerously inadequate prison capacity. Moreover, management believes that COVID-19 has also raised awareness, as noted, of the need for more modern facilities to protect inmates and ensure public safety.

Alabama

Alabama recently announced plans to lease three privately-built prisons, with construction expected to begin in 2021 concurrent with the planned closure of 11 obsolete state facilities. Alabama estimates the total construction cost at nearly $1.0 billion. Alabama would operate the facilities owned and leased by the private sector. The Alabama Department of Corrections has entered into negotiations with CoreCivic and with Alabama Prison Transformation Partners. The prisons are expected to provide an aggregate up to 10,000 beds.

The current plan is for CXW to construct two new Alabama prisons. One advantage of the new prisons, in addition to more modern infrastructure, is the ability to expand drug abuse treatment programs and educational services.

Kentucky

CXW entered into a 10-year lease with the Kentucky Department of Corrections in December 2019 for a 656-bed facility that previously had been idled since 2012. The lease commenced July 1, 2020.

Mississippi

In January 2020, CXW entered into an emergency contract with the state of Mississippi to care for up to 375 of Mississippi's inmates to be placed at the company’s Tallahatchie, Mississippi facility for 90-days. The contract was expanded up to 1,000 beds and extended through October 4, 2020, with discussions ongoing for further extension.

Idaho

In August 2020, CXW entered into a new contract with the state of Idaho to care for up to 1,200 adult male offenders at the company's Saguaro facility in Arizona. Subject to availability, the company may also care for offenders at its Central Arizona Correctional Complex under terms of the contract, which commenced August 18, 2020, and has an initial term of five years, with unlimited extension options thereafter upon mutual agreement.

USMS

In September 2020, CXW entered into a new contract under an Intergovernmental Services Agreement between the city of Cushing, Oklahoma and the USMS to utilize the company's 1,692-bed Cimarron Correctional Facility. In 3Q 2020, CXW had announced its intention to idle the Cimarron facility, primarily because of lower Oklahoma inmate populations as a result of the COVID-19 pandemic, combined with the impact of the economic slowdown resulting from the pandemic on the state budget. The new three-year contract commenced on September 15, 2020, and includes unlimited 24-month extension options.

BOP

In October 2020, the company obtained a new BOP contract for residential reentry and home confinement services at its 289-bed center in Tulsa, Oklahoma and at its 494-bed re-entry center in Oklahoma City, Oklahoma. CXW intends to reactivate the Tulsa center in 1Q 2021 to expand the capacity it can supply to the BOP to fulfill the contract.

INDUSTRY OVERVIEW

The United States accounts for about 25% of the world's prison population versus about 5% of the total global population. One reason for this is that reflecting stricter sentencing policies in the 1970s (war on drugs), the domestic prison population increased from fewer than 300,000 inmates in 1972 to two million by 2000 and about 1.4 million by year-end 2019. Not surprisingly given this trend, the U.S. also has the world's largest private prison population, with some 8.5% of the country's inmates incarcerated in private prisons.

Private prisons were initially established in the 1980s; CXW began operations three years later in 1983. As the federal government and state and local jurisdictions required facilities in which to house a growing prison population, the growth of the number of prisoners in private institutions outpaced that of the aggregate prison population. According to the non-profit Sentencing Project group, the number of people in private prisons increased 39.3% from 2000 to 2017 compared to an overall 7.8% rise in the total prison population.

The First Step Act (FSA) of 2018 was signed into law on December 21, 2018. FSA is intended to improve criminal justice outcomes and reduce the size of the federal prison population while simultaneously setting up the framework to maintain public safety, including targeting the reduction in recidivism. The FSA included sentencing reforms such as lowering sentences for many first-time offenders and eliminating the previously-mandated life-time sentences for three-time offenders, as well as giving judges more flexibility in sentencings on some drug-related offenses, among other changes. In 2019, the U.S. imprisonment rate reached its lowest level since 1995, according to the DOJ, registering a 3% year-over-year decline (in the percentage of people sentenced compared to 2018). CXW shares declined from about $22 per share on the day the FSA was signed to roughly $16 by year-end 2019.

We note that in recent years, pressure on the shares has also reflected concerns about the sector's prospects with prison reform and financial institutions reducing funding options, among other factors. In fact, in 2016, the Obama administration initiated moves to begin phasing out private prison contracts, citing safety and security concerns and criticisms from anti-prison groups. Moreover, in 2020 political risk and negative publicity regarding inmate disturbances or perceived poor operational performance has led to negative investor and public sentiment regarding the private prison sector. Prison reform and activist entities have petitioned for the reduction or elimination of private sector involvement in the prison system. Moreover, over the past several years, Core Civic and other private prison operators have diversified into adjacent areas. For example, CXW has grown its Community operations with residential reentry centers and its Properties segment with government leased properties.

FINANCIAL REVIEW

In 3Q 2020, CoreCivic reported revenue of $468.3 million, which represented a 7.9% year-over-year decline. The decline primarily reflected lower occupancy rates with Immigration and Customs Enforcement (ICE) and, to a lesser degree, prison facilities as a result of COVID-19. The impact of this was partially offset by new contracts signed in 2019, including one with USMS for a 1,422-bed facility in Texas, among others.

Results were also impacted by pressure on occupancy levels as government entities seek to curb the spread of COVID-19 among the prison and general population. Specifically, lower occupancy rates – i.e. lower utilization of CXW's facilities – primarily reflects lower numbers of people housed under existing contracts with ICE, as the administration essentially closed the southern U.S. border to contain the spread of COVID-19. Financial results were also negatively impacted by the transition at CXW's Cimarron Correctional Facility in Oklahoma to house prisoners under a new (see below) September 2020 USMS contract. Results in the CoreCivic Properties operating unit reflect the benefit of new 2020 leases with Kentucky and Kansas.

The company planned to idle the 1,692-bed Cimarron Correctional Facility in Oklahoma after transferring its residents to a nearby facility and idled two reentry facilities. However, during September 2020, the company entered into a new contract with USMS to utilize the Cimarron facility. Federal facilities normally generate higher returns than state contracts, which should result in an increase in margins at this facility going forward. CXW reported net income of $26.7 million and EPS of $0.22 compared to $49.0 million and $0.41, respectively, produced in 3Q 2019.

However, after adjusting for non-recurring items including $4.7 million related to the transition to a C-Corp. and $2.8 million related to COVID-19, among other non-recurring charges, 3Q 2020 net income and adjusted EPS were $34.1 million and $0.28 compared with $55.9 million and $0.47 in 3Q 2019, on the same basis.

The company reported funds from operations (FFO) of $53.4 million, down from $76.3 million in 3Q19. Adjusted for the same 1-time items, FFO was $62.3 million compared with $83.1 million. Adjusted EBITDA was $94.6 million compared with $115.4 million in 3Q 2019 on the same basis, which represents an 18.0 % year-over-year decline largely on lower occupancy rates related to COVID-19. Subsequent to the quarter, CXW decided to terminate contracts for 1,046-bed and 1,348-bed managed-only facilities in Tennessee that together produced a combined operating loss of $0.8 million in 2019.

We expect the COVID-19 pandemic to continue to impact utilization levels of CXW's facilities in 4Q 2020 and into 2021. However, we expect improvements beginning in 2021 as people potentially have access to a vaccine. We believe there could be upside to our 1.5% 2021 revenue growth forecast depending on the timing of the vaccine dissemination.

Balance Sheet

CXW had $282.5 million of cash at the end of 3Q 2020, as noted, plus restricted cash of $11.2 million and an additional $329.2 million available under its revolver. CXW expects to continue to repay debt through year-end 2020 and going forward once the transition to a C-Corp is completed. As noted, cumulative cash flow from operations over the past three years exceeds $1.0 billion and CXW also expects to generate up to $150 million through the sale of non-core real estate assets.

MANAGEMENT

Damon Hininger joined the Company in 1992 as a correctional officer at the Leavenworth Detention Center and has been CXW's CEO since 2009. Prior to that, he served in a number of senior and mid-level management positions, including as COO from 2008 through 2009.

David Garfinkle became CXW's CFO in May 2014 after some 13 years with the company in its finance department. Prior to joining CoreCivic, he was vice president and controller for publicly-traded Bradley Real Estate, a, $1 billion Chicago-based REIT company. Prior to that, he worked at KPMG Peat Marwick.

Although the company does not have a formal policy separating the position of chairman of the board from the CEO role, two separate executives have held those roles since October 2009. Mark Emkes, CXW''s chairman, joined the company's board in 2014 and was named chairman in 2016. He was Commissioner of Finance and Administration for the State of Tennessee until 2013 and previously was chairman and CEO of Bridgestone Americas Holdings.

VALUATION

Pressure on CXW shares reflects concerns about the sector's prospects with potential reform measures, as noted, and negative publicity around ESG issues, among other factors. Nevertheless over the past 10+ years, contract renewals have averaged 92% per annum regardless of the administration in office and we anticipate that will continue in the foreseeable future. Government entities need to house the prison population and also face budgetary issues that likely constrain construction of new facilities in the near-term. Moreover, over the past several years, Core Civic has diversified into adjacent areas, growing its residential reentry centers, for example.

We are optimistic about CXW's opportunity to continue generating stable cash flow. Historically, CXW shares have been valued on a price to forward FFO basis, commanding an average multiple of about 13-14x this metric. However, given the concerns outlined above, the multiple has contracted to the 3-4x range.

We think the current share price of about $6.80 does not reflect the fundamental value of the company's pipeline and prospects or its real estate holdings. We would anticipate multiple expansion as CXW continues to generate stable cash flow. We also believe the company's ESG initiatives will contribute positively to anticipated multiple expansion.

The shares trade at roughly 3x TTM FFO per share and 3.9x our 2021 FFO per share forecast of $1.75. This compares to a normalized historic multiple in the double digit range and a multiple of 8x within the past 12 months. We see upside to CXW share price from two sources in the near-term: 1) as the company continues its deleveraging measures, we expect the equity component of enterprise value will rise and 2) we anticipate multiple expansion that narrows – if not eliminates – the gap between the current multiple and historical averages as investors become more comfortable with the company's outlook.

Even if the shares attained only a 9x multiple of forward FFO in the near-term, which is in-line with their 52-week high but implies a significant discount from recent averages, that equates to a share price of about $16, and implies considerable upside from current levels. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

RISKS

We believe risks to CXW achieving continued stable cash flow, and to our valuation, include the following.

- Prison reform measures might result in cut-backs in federal and USMS usages of privately run prisons and detention centers. However, given the ongoing need to house the prison population, we believe that any changes as a result of prison reform would be implemented over a fairly long period as BOP and others would need to replace the venues.

- Occupancy levels have been pressured by the impact of COVID-19. As we move into another spike in the COVID-19 pandemic, CXW faces the risk that the impact will last longer than expected.

- Justice system reforms might result in lower aggregate prison populations. However, CXW's efforts at diversification in recent years have led to community operating unit and reentry houses.

- Negative publicity and/or increased activism regarding the private prison operators could further pressure the share price.

- The company operates under long-term contracts with BOP and USMS. If a substantial number of contracts are not renewed upon expirations, the company would face declines in revenue and cash flow.

- In addition to normalized start-up costs related to opening new facilities, some jurisdictions have also begun to require private operators to make significant upfront investments towards the financing of new projects while at the same time banks have pulled back from extending financing to sector players. The combination of these two trends could result in pressure on the company's cash balance.

- The company could be subject to litigation risk.

- The company derives revenue from a small number of clients. If a single customer exited the industry, the company's revenue likely would come under pressure.

RECENT NEWS

- On November 4, 2020, CoreCivic reported 3Q 2020 operating and financial results.
- CXW announced its support for the restoration of Pell Grants and voting rights to people who had been incarcerated and the reform of licensure policies on October 21, 2020.
- On September 15, 2020, the company announced that it had entered into new management contract with the United States Marshals Service.
- CoreCivic entered Into a new management contract with Idaho on August 17, 2020.
- CoreCivic announced its intention to change its corporate structure and launch a new capital allocation strategy on August 5, 2020.

FINANCIAL MODEL

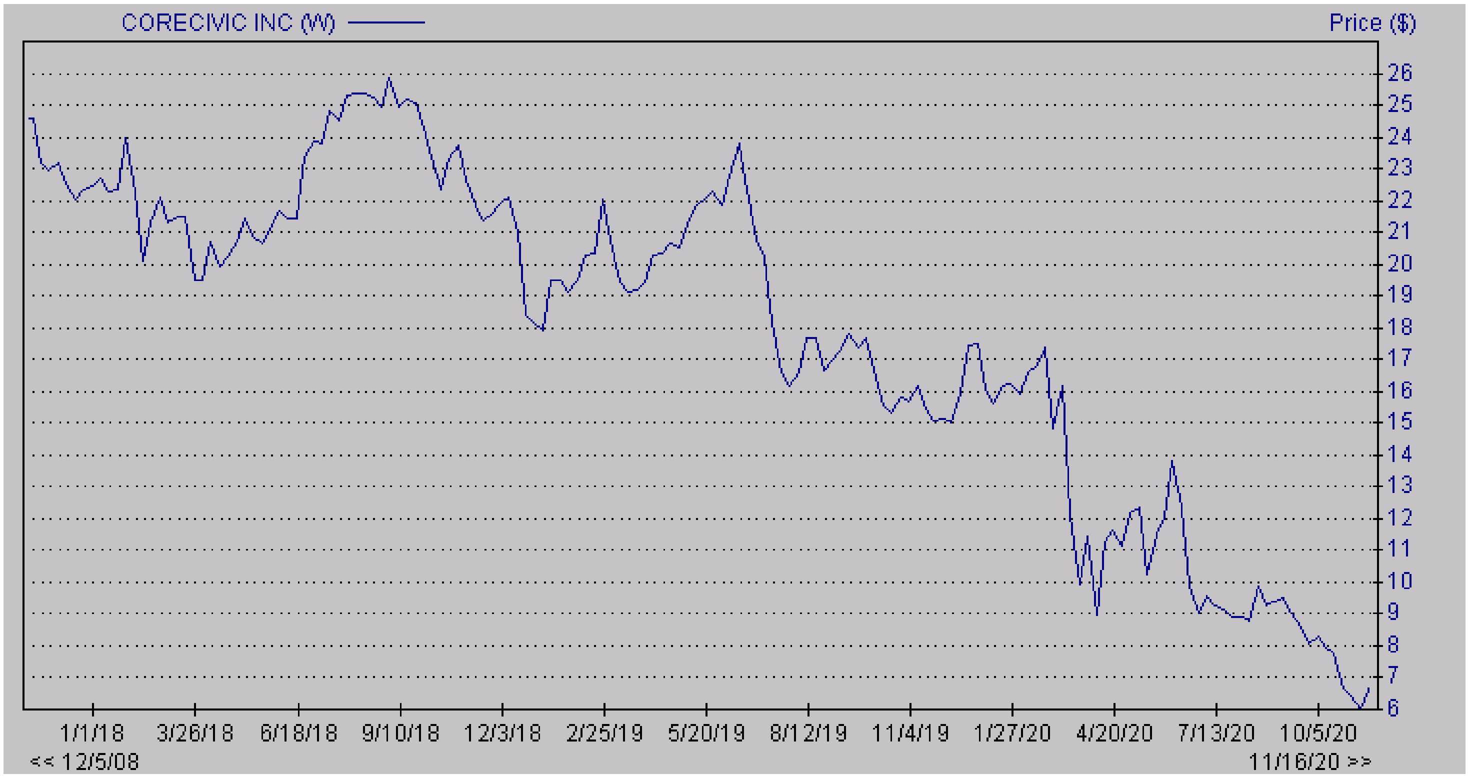
Core Civic

Core Civic Income Statement & Projections ($000s)

	2017	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20A	4Q20E	2020E	2021E
Revenue	$1,765,498	$1,835,766	$484,064	$490,294	$508,522	$497,809	$1,980,689	$491,101	$472,641	$468,266	$477,631	$1,909,639	$1,938,284
Y/Y % change	*-4.6%*	*4.0%*	*9.8%*	*9.0%*	*9.9%*	*3.2%*	*7.9%*	*1.5%*	*-3.6%*	*-7.9%*	*-4.1%*	*-3.6%*	*1.5%*
Operating expense	1,249,537	1,315,250	345,832	345,679	368,735	362,523	1,422,769	362,315	352,927	347,927	351,406	1,414,575	1,435,794
General and administrative	107,822	106,865	29,445	33,364	32,038	32,231	127,078	31,279	30,145	35,883	36,780	134,087	136,769
Depreciation and amortization	147,129	156,501	35,523	35,591	36,654	36,804	144,572	37,952	38,619	37,865	38,054	152,490	155,540
Related to business acquisitions	-	6,085	-	-			-	-	-	620	500	1,120	1,299
Impairments / other	614	1,580	-	4,706	-	-	4,706	536	11,717	805	400	13,458	-
Total operating expense	1,505,102	1,586,281	410,800	419,340	437,427	431,558	1,699,125	432,082	433,408	423,100	427,141	1,715,731	1,729,402
Operating income	260,396	249,485	73,264	70,954	71,095	66,251	281,564	59,019	39,233	45,166	50,491	193,909	208,882
Operating margin	14.7%	13.6%	15.1%	14.5%	14.0%	13.3%	14.2%	12.0%	8.3%	9.6%	10.6%	10.2%	10.8%
Interest expense, net	68,535	80,753	21,436	20,662	20,975	21,328	84,401	22,538	20,996	20,193	20,153	83,880	78,847
Other (income) expense	(90)	1,172	4	(258)	(360)	1,052	438	(533)	(2,987)	(2,113)	(845)	(6,478)	(4,535)
	68,445	81,925	21,440	20,404	20,615	22,380	84,839	22,005	18,009	18,080	19,307	77,401	74,312
Pretax income	191,951	167,560	51,824	50,550	50,480	43,871	196,725	37,014	21,224	27,086	31,183	116,507	134,570
Taxes	(13,911)	(8,353)	(2,484)	(1,972)	(1,486)	(1,897)	(7,839)	(3,776)	962	(369)	(376)	(3,559)	(37,007)
Minority interest								(1,181)	-	-	-	(1,181)	-
Net income	178,040	159,207	49,340	48,578	48,994	41,974	188,886	32,057	22,186	26,717	30,807	111,767	97,563
Per share data													
EPS	$1.50	$1.34	$0.41	$0.41	$0.41	$0.35	$1.59	$0.27	$0.18	$0.22	$0.25	$0.92	$0.80
Dividends	$1.68	$1.72					$1.76					$0.88	-
Average shares outstanding	118,465	118,716	118,918	119,262	119,189	119,287	119,164	120,725	120,974	120,980	121,030	120,927	121,327
Funds From Operation (FFO)													
Net income	$178,040	$159,207	$49,340	$48,578	$48,994	$41,974	$188,886	$33,238	$22,186	$26,717	$30,807	$111,767	$97,563
+ D&A of real estate assets	95,902	101,771	26,599	26,503	27,264	27,036	107,402	28,106	28,244	28,249	28,362	112,961	115,220
+ Impairment of real estate assets	355	1,580	-	4,428	-	-	4,428	405	9,750	-	-	10,155	-
- Gain on sale of real estate assets	-	-	-	(287)	-	-	(287)	-	(2,818)	(1,570)	-	(4,388)	-
FFO	274,297	262,558	75,939	79,222	76,258	69,010	300,429	61,749	57,362	53,396	59,169	230,495	212,783
FFO/share	$2.32	$2.21	$0.64	$0.66	$0.64	$0.58	$2.52	$0.51	$0.47	$0.44	$0.49	$1.91	$1.75

Source: Company reports, Zacks estimates

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, M. Marin, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are not based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.