
Section 1: 8-K (FORM 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 31, 2017

THE GEO GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Florida
(State or Other Jurisdiction
of Incorporation)

1-14260
(Commission
File Number)

65-0043078
(IRS Employer
Identification No.)

621 NW 53rd Street, Suite 700, Boca Raton, Florida
(Address of Principal Executive Offices)

33487
(Zip Code)

Registrant's telephone number, including area code (561) 893-0101

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Section 2 Financial Information**Item 2.02. Results of Operations and Financial Condition.**

On October 31, 2017, The GEO Group, Inc. (“GEO” or the “Company”) issued a press release (the “Earnings Press Release”) announcing its financial results for the quarter ended September 30, 2017, and confirmed its financial guidance for the fourth quarter of 2017 and updated its financial guidance for full year 2017. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on October 31, 2017 to discuss these matters, a transcript of which is furnished hereto as Exhibit 99.2.

In the Earnings Press Release, GEO provided Net Operating Income, EBITDAre, Adjusted EBITDAre, Funds From Operations, Normalized Funds From Operations, Adjusted Funds From Operations and Adjusted Net Income for the quarter and nine months ended September 30, 2017 and the comparable prior-year periods that were not calculated in accordance with Generally Accepted Accounting Principles (the “Non-GAAP Information”) and are presented as supplemental disclosures. Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Earnings Press Release presents the financial measure calculated and presented in accordance with GAAP, which is the most directly comparable to the Non-GAAP Information, with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Earnings Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is the most directly comparable to the Non-GAAP Information.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax. Net Operating Income is calculated as net income adjusted by subtracting equity in earnings of affiliates, net of income tax provision, and by adding income tax (benefit) provision, interest expense, net of interest income, loss on extinguishment of debt, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax.

EBITDAre (EBITDA for real estate) is defined as net income adjusted by adding taxes, interest, depreciation and amortization, and gain on sale of real estate assets, pre-tax. Adjusted EBITDAre (Adjusted EBITDA for real estate) is defined as EBITDAre adjusted for net income/loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented M&A related expenses (including transition related expenses), pre-tax and start-up expenses, pre-tax. Given the nature of GEO’s business as a real estate owner and operator, GEO believes that EBITDAre and Adjusted EBITDAre are helpful to investors as measures of its operational performance because they provide an indication of its ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into its business.

GEO believes that by removing the impact of its asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDAre and Adjusted EBITDAre provide its investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations.

The adjustments GEO makes to derive the non-GAAP measures of EBITDAre and Adjusted EBITDAre exclude items which may cause short-term fluctuations in income from continuing operations and which GEO does not consider to be the fundamental attributes or primary drivers of its business plan and they do not affect GEO's overall long-term operating performance. EBITDAre and Adjusted EBITDAre provide disclosure on the same basis as that used by GEO's management and provide consistency in its financial reporting, facilitate internal and external comparisons of its historical operating performance and its business units and provide continuity to investors for comparability purposes.

Funds From Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income/loss attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures. Normalized Funds from Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented loss on extinguishment of debt, M&A related expenses (including transition related expenses), start-up expenses, and tax adjustments related to M&A related expenses and start-up expenses.

Adjusted Funds From Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Adjusted Net Income is defined as Net Income Attributable to GEO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented loss on extinguishment of debt, M&A related expenses (including transition related expenses), net of tax, start-up expenses, net of tax, and gain on sale of real estate assets, net of tax.

Because of the unique design, structure and use of GEO's correctional facilities, the Company believes that assessing the performance of its correctional facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. GEO has modified FFO to derive Normalized FFO and AFFO that meaningfully reflect its operations.

GEO's assessment of its operations is focused on long-term sustainability. The adjustments GEO makes to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in income from continuing operations but have no impact on GEO's cash flows, or the Company does not consider them to be fundamental attributes or the primary drivers of GEO's business plan and they do not affect GEO's overall long-term operating performance. GEO may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of GEO's operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide GEO's investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from income from continuing operations.

GEO believes the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of GEO's ability to fund capital expenditures and expand its business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by GEO's management and provide consistency in its financial reporting, facilitate internal and external comparisons of its historical operating performance and its business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in GEO's industry as a real estate investment trust.

The Earnings Press Release contains reconciliation tables for Net Operating Income, EBITDAre and Adjusted EBITDAre, Funds from Operations, Normalized Funds from Operations, Adjusted Funds from Operations and Adjusted Net Income.

GEO has presented in the Earnings Press Release certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, Adjusted EBITDAre, Funds from Operations, Normalized Funds from Operations, and Adjusted Funds from Operations. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While GEO has provided a high level reconciliation for the guidance ranges for full year 2017, it is unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking non-GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

The Non-GAAP Information should be considered in addition to results that are prepared under current accounting standards but should not be considered a consolidated substitute for, or superior to, financial information prepared in accordance with GAAP. The Non-GAAP Information may differ from similarly titled measures presented by other companies. The Non-GAAP Information, as well as other information in the Earnings Press Release, should be read in conjunction with GEO's financial statements filed with the Securities and Exchange Commission. The information set forth in Item 2.02 in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information set forth in Item 2.02 in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Press Release, dated October 31, 2017, announcing GEO's financial results for the third quarter and nine months ended September 30, 2017.</u>
99.2	<u>Transcript of Conference Call discussing GEO's financial results for the third quarter and nine months ended September 30, 2017.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE GEO GROUP, INC.

November 6, 2017

Date

By: /s/ Brian R. Evans

Brian R. Evans
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

5

[\(Back To Top\)](#)

Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



NEWS RELEASE

One Park Place, Suite 700 ● 621 Northwest 53rd Street ● Boca Raton, Florida 33487 ● www.geogroup.com

THE GEO GROUP REPORTS THIRD QUARTER 2017 RESULTS

- **3Q17 Net Income Attributable to GEO of \$0.31 per Diluted Share**
- **3Q17 Adjusted Net Income of \$0.34 per Diluted Share**
- **3Q17 AFFO of \$0.63 per Diluted Share**
- **Updated FY17 Guidance for GAAP Net Income Attributable to GEO of \$1.25-\$1.27 per Diluted Share and Adjusted Net Income of \$1.37-\$1.39 per Diluted Share**
- **Updated FY17 AFFO Guidance of \$2.52-\$2.54 per Diluted Share**

Boca Raton, Fla. – October 31, 2017 — **The GEO Group, Inc. (NYSE: GEO)** (“GEO”), a fully integrated equity real estate investment trust (“REIT”) and a leading provider of evidence-based offender rehabilitation and community reentry services around the globe, reported today its financial results for the third quarter 2017.

Third Quarter 2017 Highlights

- **Net Income Attributable to GEO of \$38.5 million, or \$0.31 per Diluted Share**
- **Adjusted Net Income of \$0.34 per Diluted Share**
- **Net Operating Income of \$151.4 million**
- **Normalized FFO of \$0.48 per Diluted Share**
- **AFFO of \$0.63 per Diluted Share**

GEO reported third quarter 2017 net income attributable to GEO of \$38.5 million, or \$0.31 per diluted share, compared to \$43.7 million, or \$0.39 per diluted share, for the third quarter 2016. GEO’s results for the third quarter 2017 include approximately \$3.5 million, net of tax, in mergers and acquisitions related expenses. Adjusting for these expenses, GEO reported adjusted net income for the third quarter 2017 of \$42.0 million, or \$0.34 per diluted share.

GEO reported third quarter 2017 Normalized Funds From Operations (“Normalized FFO”) of \$58.8 million, or \$0.48 per diluted share, compared to \$59.1 million, or \$0.53 per diluted share, in the third quarter 2016. GEO reported third quarter 2017 Adjusted Funds From Operations (“AFFO”) of \$77.0 million, or \$0.63 per diluted share, compared to \$71.5 million, or \$0.64 per diluted share, in the third quarter 2016. GEO reported third quarter 2017 Net Operating Income (“NOI”) of \$151.4 million compared to \$145.2 million in the third quarter 2016.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said, “We are pleased with our third quarter results and outlook for the balance of the year. Our financial performance continues to be underpinned by our diversified platform of real estate, management and programmatic services. We continue to be optimistic about the opportunities to reactivate our approximately 7,000 existing available beds in inventory and to expand the delivery of our services and programs across the entire spectrum of correctional and rehabilitation services. Our management team remains focused on effectively allocating capital to drive the continued enhancement of long-term value for our shareholders.”

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

GEO reported total revenues for the third quarter 2017 of \$566.8 million up from \$554.4 million for the third quarter 2016. Third quarter 2017 revenues include \$21.4 million in construction revenues associated with the development of the 1,300-bed Ravenhall Facility in Australia (the “Ravenhall, Australia project”) compared to \$69.7 million in construction revenues for the third quarter 2016.

Compared to third quarter 2016, GEO’s third quarter 2017 operating results reflect several developments:

- The activation of a new contract with ICE at GEO’s 780-bed Folkston ICE Processing Center in Georgia in January 2017;
- the issuance of 10.4 million shares of GEO common stock on a post-split basis in March 2017;
- the refinancing of GEO’s senior credit facility in March 2017; and
- the closing of the Community Education Centers (“CEC”) acquisition in April 2017.

First Nine Months 2017 Highlights

- **Net Income Attributable to GEO of \$109.9 million, or \$0.91 per Diluted Share**
- **Adjusted Net Income of \$1.03 per Diluted Share**
- **Net Operating Income of \$440.3 million**
- **Normalized FFO of \$1.43 per Diluted Share**
- **AFFO of \$1.88 per Diluted Share**

GEO reported net income attributable to GEO of \$109.9 million, or \$0.91 per diluted share, for the first nine months of 2017, compared to \$99.3 million, or \$0.89 per diluted share, for the first nine months of 2016. GEO’s results for the first nine months of 2017 include approximately \$14.0 million, net of tax, in mergers and acquisitions related expenses and approximately \$0.3 million gain on sale of real estate assets, net of tax. Adjusting for these items, GEO reported adjusted net income for the first nine months of 2017 of \$123.6 million, or \$1.03 per diluted share.

For the first nine months of 2017, GEO reported Normalized FFO of \$172.3 million, or \$1.43 per diluted share, compared to \$162.1 million, or \$1.45 per diluted share, for the first nine months of 2016. GEO reported AFFO for the first nine months of 2017 of \$225.7 million, or \$1.88 per diluted share, compared to \$201.5 million, or \$1.81 per diluted share, for the first nine months of 2016. For the first nine months of 2017, GEO reported NOI of \$440.3 million compared to \$419.6 million for the first nine months of 2016.

GEO reported total revenues for the first nine months of 2017 of \$1.69 billion up from total revenues of \$1.61 billion for the first nine months of 2016. Revenues for the first nine months of 2017 include \$112.6 million in construction revenues associated with GEO’s contract for the development and operation of the Ravenhall, Australia project compared to \$182.3 million in construction revenues for the first nine months of 2016.

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

2017 Financial Guidance

GEO confirmed its financial guidance for the fourth quarter 2017 and updated its financial guidance for the full-year 2017. For the fourth quarter 2017, GEO expects total revenues to be in a range of \$557 million to \$562 million, including approximately \$3 million in construction revenue associated with GEO's contract for the development and operation of the Ravenhall, Australia project. For the fourth quarter 2017, GEO expects Net Income Attributable to GEO to be in a range of \$0.34 to \$0.36 per diluted share and AFFO to be in a range of \$0.63 to \$0.65 per diluted share.

For the full-year 2017, GEO expects total revenue to be approximately \$2.25 billion, including approximately \$119 million in construction revenue associated with GEO's contract for the development and operation of the Ravenhall, Australia project. GEO expects full-year 2017 guidance for Net Income Attributable to GEO to be in a range of \$1.25 to \$1.27 per diluted share; Adjusted Net Income to be in a range of \$1.37 to \$1.39 per diluted share; and AFFO to be in a range of \$2.52 to \$2.54 per diluted share.

Quarterly Dividend

On October 12, 2017, GEO's Board of Directors declared a quarterly cash dividend of \$0.47 per share. The quarterly cash dividend was paid on October 30, 2017 to shareholders of record as of the close of business on October 23, 2017. The declaration of future quarterly cash dividends is subject to approval by GEO's Board of Directors and to meeting the requirements of all applicable laws and regulations. GEO's Board of Directors retains the power to modify its dividend policy as it may deem necessary or appropriate in the future.

Reconciliation Tables and Supplemental Information

GEO has made available Supplemental Information which contains reconciliation tables of Net Income Attributable to GEO to Net Operating Income, EBITDAre, and Adjusted EBITDAre, and Net Income Attributable to GEO to FFO, Normalized FFO and AFFO along with supplemental financial and operational information on GEO's business segments and other important operating metrics. The reconciliation tables are also presented herein. Please see the section of this press release below titled "Note to Reconciliation Tables and Supplemental Disclosure - Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines these supplemental Non-GAAP financial measures and reconciles them to the most directly comparable GAAP measures. GEO's Reconciliation Tables can be found herein and in GEO's Supplemental Information which is available on GEO's Investor Relations webpage at investors.geogroup.com.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's third quarter financial results as well as its progress and outlook. The call-in number for the U.S. is 1-877-250-1553 and the international call-in number is 1-412-542-4145. In addition, a live audio webcast of the conference call may be accessed on the Events and Webcasts section of GEO's investor relations webpage at investors.geogroup.com. A replay of the webcast will be available on the website for one year. A telephonic replay of the conference call will be available until November 14, 2017 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10113828.

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is the first fully integrated equity real estate investment trust specializing in the design, financing, development, and operation of correctional, detention, and community reentry facilities around the globe. GEO is the world's leading provider of diversified correctional, detention, community reentry, and electronic monitoring services to government agencies worldwide with operations in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the ownership and/or management of 140 facilities totaling approximately 96,000 beds, including projects under development, with a growing workforce of approximately 23,000 professionals.

Note to Reconciliation Tables and Supplemental Disclosure –**Important Information on GEO's Non-GAAP Financial Measures**

Net Operating Income, EBITDAre, Adjusted EBITDAre, Funds from Operations, Normalized Funds from Operations, Adjusted Funds from Operations, and Adjusted Net Income are non-GAAP financial measures that are presented as supplemental disclosures. GEO has presented herein certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, Adjusted EBITDAre, FFO, Normalized FFO, and AFFO. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While we have provided a high level reconciliation for the guidance ranges for full year 2017, we are unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking non-GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax. Net Operating Income is calculated as net income adjusted by subtracting equity in earnings of affiliates, net of income tax provision, and by adding income tax (benefit) provision, interest expense, net of interest income, loss on extinguishment of debt, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax.

EBITDAre (EBITDA for real estate) is defined as net income adjusted by adding taxes, interest, depreciation and amortization, and gain on sale of real estate assets, pre-tax. Adjusted EBITDAre (Adjusted EBITDA for real estate) is defined as EBITDAre adjusted for net income/loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented M&A related expenses (including transition related expenses), pre-tax and start-up expenses, pre-tax. Given the nature of our business as a real estate owner and operator, we believe that EBITDAre and Adjusted EBITDAre are helpful to investors as measures of our operational performance because they provide an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business.

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

We believe that by removing the impact of our asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDAre and Adjusted EBITDAre provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations.

The adjustments we make to derive the non-GAAP measures of EBITDAre and Adjusted EBITDAre exclude items which may cause short-term fluctuations in income from continuing operations and which we do not consider to be the fundamental attributes or primary drivers of our business plan and they do not affect our overall long-term operating performance. EBITDAre and Adjusted EBITDAre provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes.

Funds From Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income/loss attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures. Normalized Funds from Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented loss on extinguishment of debt, M&A related expenses (including transition related expenses), start-up expenses, and tax adjustments related to M&A related expenses and start-up expenses.

Adjusted Funds From Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Adjusted Net Income is defined as Net Income Attributable to GEO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented loss on extinguishment of debt, M&A related expenses (including transition related expenses), net of tax, start-up expenses, net of tax, and gain on sale of real estate assets, net of tax.

Because of the unique design, structure and use of our correctional facilities, we believe that assessing the performance of our correctional facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations.

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in income from continuing operations but have no impact on our cash flows, or we do not consider them to be fundamental attributes or the primary drivers of our business plan and they do not affect our overall long-term operating performance. We may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of our operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from income from continuing operations.

We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Safe-Harbor Statement

This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding financial guidance for the fourth quarter of 2017 and full year 2017, the assumptions underlying such guidance, and statements regarding future project activations and growth opportunities. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to meet its financial guidance for 2017 given the various risks to which its business is exposed; (2) the risk that synergies from the CEC transaction may not be fully realized or may take longer than expected to realize; (3) the risk that the expected increased revenues and Adjusted EBITDA from CEC may not be fully realized or may take longer than expected to realize; (4) GEO's ability to declare future quarterly cash dividends and the timing and amount of such future cash dividends; (5) GEO's ability to successfully pursue further growth and continue to create shareholder value; (6) risks associated with GEO's ability to control operating costs associated with contract start-ups; (7) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (8) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (9) GEO's ability to obtain future financing on acceptable terms; (10) GEO's ability to sustain company-wide occupancy rates at its facilities; (11) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (12) GEO's ability to remain qualified as a REIT; (13) the incurrence of REIT related expenses; and (14) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports.

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

Third quarter and first nine months financial tables to follow:

Condensed Consolidated Statements of Operations*

(Unaudited)

	<u>Q3 2017</u> <i>(unaudited)</i>	<u>Q3 2016</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>	<u>YTD 2016</u> <i>(unaudited)</i>
Revenues	\$ 566,759	\$ 554,376	\$ 1,694,443	\$ 1,612,911
Operating expenses	423,134	415,659	1,276,286	1,221,002
Depreciation and amortization	31,649	28,783	92,464	85,886
General and administrative expenses	49,074	37,483	143,866	108,448
Operating income	62,902	72,451	181,827	197,575
Interest income	14,648	7,928	38,971	18,387
Interest expense	(38,719)	(33,428)	(109,702)	(93,864)
Loss on extinguishment of debt	—	—	—	(15,885)
Income before income taxes and equity in earnings of affiliates	38,831	46,951	111,096	106,213
Provision for income taxes	1,720	4,970	5,590	12,000
Equity in earnings of affiliates, net of income tax provision	1,342	1,693	4,255	4,943
Net income	38,453	43,674	109,761	99,156
Less: Net loss attributable to noncontrolling interests	36	46	123	123
Net income attributable to The GEO Group, Inc.	\$ 38,489	\$ 43,720	\$ 109,884	\$ 99,279
Weighted Average Common Shares Outstanding:				
Basic	122,251	111,162	119,356	111,015
Diluted	122,887	111,504	120,114	111,425
Income per Common Share Attributable to The GEO Group, Inc. :				
Basic:				
Net income per share — basic	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.92</u>	<u>\$ 0.89</u>
Diluted:				
Net income per share — diluted	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.91</u>	<u>\$ 0.89</u>
Regular Dividends Declared per Common Share	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 1.41</u>	<u>\$ 1.30</u>

* all figures in '000s, except per share data

Reconciliation of Net Income Attributable to GEO to Adjusted Net Income

(In thousands, except per share data)(Unaudited)

	<u>Q3 2017</u>	<u>Q3 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Net Income attributable to GEO	\$ 38,489	\$ 43,720	\$ 109,884	\$ 99,279
Add:				
Loss on extinguishment of debt	—	—	—	15,885
Start-up expenses, net of tax	—	—	—	1,190
M&A related expenses, net of tax	3,544	—	13,977	—
Gain on sale of real estate assets, net of tax	—	—	(261)	—
Adjusted Net Income	\$42,033	\$43,720	\$123,600	\$116,354
Weighted average common shares outstanding - Diluted	122,887	111,504	120,114	111,425
Adjusted Net Income Per Diluted Share	\$ 0.34	\$ 0.39	\$ 1.03	\$ 1.04

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

Condensed Consolidated Balance Sheets*

(Unaudited)

	As of <u>September 30, 2017</u> <i>(unaudited)</i>	As of <u>December 31, 2016</u>
ASSETS		
Cash and cash equivalents	\$ 51,526	\$ 68,038
Restricted cash and investments	12,452	17,133
Accounts receivable, less allowance for doubtful accounts	386,898	356,255
Current deferred income tax assets	—	—
Contract receivable, current portion	243,531	224,033
Prepaid expenses and other current assets	36,073	32,210
Current assets of discontinued operations	0	0
Total current assets	\$ 730,480	\$ 697,669
<i>Restricted Cash and Investments</i>	31,032	20,848
<i>Property and Equipment, Net</i>	2,055,982	1,897,241
<i>Non-Current Contract Receivable</i>	405,780	219,783
<i>Direct Finance Lease Receivable</i>	—	—
<i>Deferred Income Tax Assets</i>	31,831	30,039
<i>Intangible Assets, Net (including goodwill)</i>	1,043,762	819,317
<i>Other Non-Current Assets</i>	70,474	64,512
Total Assets	\$ 4,369,341	\$ 3,749,409
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 91,617	\$ 79,637
Accrued payroll and related taxes	48,780	55,260
Accrued expenses and other current liabilities	174,321	131,096
Current portion of capital lease obligations, long-term debt, and non-recourse debt	260,046	238,065
Current liabilities of discontinued operations	—	—
Total current liabilities	\$ 574,764	\$ 504,058
<i>Non-Current Deferred Income Tax Liabilities</i>	—	—
<i>Other Non-Current Liabilities</i>	92,804	88,656
<i>Capital Lease Obligations</i>	6,412	7,431
<i>Long-Term Debt</i>	2,157,882	1,935,465
<i>Non-Recourse Debt</i>	323,387	238,842
<i>Shareholders' Equity</i>	1,214,092	974,957
Total Liabilities and Shareholders' Equity	\$ 4,369,341	\$ 3,749,409

* all figures in '000s

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

Reconciliation of Net Income Attributable to GEO to FFO, Normalized FFO, and AFFO*

(Unaudited)

	<u>Q3 2017</u> <i>(unaudited)</i>	<u>Q3 2016</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>	<u>YTD 2016</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 38,489	\$ 43,720	\$ 109,884	\$ 99,279
<i>Add:</i>				
Real Estate Related Depreciation and Amortization	16,782	15,334	48,718	45,697
Gain on sale of real estate assets **	—	—	(261)	—
Equals: NAREIT defined FFO	<u>\$ 55,271</u>	<u>\$ 59,054</u>	<u>\$ 158,341</u>	<u>\$ 144,976</u>
<i>Add:</i>				
Loss on extinguishment of debt	—	—	—	15,885
Start-up expenses	—	—	—	1,939
M&A related expenses	4,974	—	17,930	—
Tax Effect of adjustments to Funds From Operations ***	(1,430)	—	(3,953)	(749)
Equals: FFO, normalized	<u>\$ 58,815</u>	<u>\$ 59,054</u>	<u>\$ 172,318</u>	<u>\$ 162,051</u>
<i>Add:</i>				
Non-Real Estate Related Depreciation & Amortization	14,867	13,449	43,746	40,189
Consolidated Maintenance Capital Expenditures	(5,822)	(7,526)	(17,179)	(18,720)
Stock Based Compensation Expenses	4,859	3,186	14,852	9,675
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	4,246	3,303	11,922	8,330
Equals: AFFO	<u>\$ 76,965</u>	<u>\$ 71,466</u>	<u>\$ 225,659</u>	<u>\$ 201,525</u>
Weighted average common shares outstanding - Diluted	122,887	111,504	120,114	111,425
FFO/AFFO per Share - Diluted				
Normalized FFO Per Diluted Share	<u>\$ 0.48</u>	<u>\$ 0.53</u>	<u>\$ 1.43</u>	<u>\$ 1.45</u>
AFFO Per Diluted Share	<u>\$ 0.63</u>	<u>\$ 0.64</u>	<u>\$ 1.88</u>	<u>\$ 1.81</u>
Regular Common Stock Dividends per common share	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 1.41</u>	<u>\$ 1.30</u>

* all figures in '000s, except per share data

** no tax impact

*** tax adjustments relate to start-up expenses and M&A expenses

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

**Reconciliation of Net Income Attributable to GEO to
Net Operating Income, EBITDAre and Adjusted EBITDAre***
(Unaudited)

	<u>Q3 2017</u> <i>(unaudited)</i>	<u>Q3 2016</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>	<u>YTD 2016</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 38,489	\$ 43,720	\$ 109,884	\$ 99,279
<i>Less</i>				
Net loss attributable to noncontrolling interests	36	46	123	123
Net Income	\$ 38,453	\$ 43,674	\$ 109,761	\$ 99,156
<i>Add (Subtract):</i>				
Equity in earnings of affiliates, net of income tax provision	(1,342)	(1,693)	(4,255)	(4,943)
Income tax provision	1,720	4,970	5,590	12,000
Interest expense, net of interest income	24,071	25,500	70,731	75,477
Loss on extinguishment of debt	—	—	—	15,885
Depreciation and amortization	31,649	28,783	92,464	85,886
General and administrative expenses	49,074	37,483	143,866	108,448
Net Operating Income, net of operating lease obligations	\$ 143,625	\$ 138,717	\$ 418,157	\$ 391,909
<i>Add:</i>				
Operating lease expense, real estate	7,750	6,481	22,112	25,726
Start-up expenses, pre-tax	—	—	—	1,939
Net Operating Income (NOI)	\$ 151,375	\$ 145,198	\$ 440,269	\$ 419,574
	<u>Q3 2017</u>	<u>Q3 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net Income	\$ 38,453	\$ 43,674	\$ 109,761	\$ 99,156
Income tax provision **	2,297	5,620	7,375	13,850
Interest expense, net of interest income***	24,071	25,500	70,731	91,362
Depreciation and amortization	31,649	28,783	92,464	85,886
Gain on sale of real estate assets, pre-tax	—	—	(261)	—
EBITDAre	\$ 96,470	\$ 103,577	\$ 280,071	\$ 290,254
Net loss attributable to noncontrolling interests	36	46	123	123
Stock based compensation expenses, pre-tax	4,859	3,186	14,852	9,675
M&A related expenses, pre-tax	4,974	—	17,930	—
Start-up expenses, pre-tax	—	—	—	1,939
Adjusted EBITDAre	\$ 106,339	\$ 106,809	\$ 312,975	\$ 301,991

* all figures in '000s

** including income tax provision on equity in earnings of affiliates

*** includes loss on extinguishment of debt

—More—

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

2017 Outlook/Reconciliation

(In thousands, except per share data)
(Unaudited)

	FY 2017	
Net Income Attributable to GEO	\$ 152,000	to \$ 154,000
Real Estate Related Depreciation and Amortization	67,000	67,000
Funds from Operations (FFO)	\$219,000	to \$221,000
Adjustments		
M&A Related Expenses, net of tax	14,000	14,000
Normalized Funds from Operations	\$233,000	to \$235,000
Non-Real Estate Related Depreciation and Amortization	59,500	59,500
Consolidated Maintenance Capex	(23,500)	(23,500)
Non-Cash Stock Based Compensation and Non-Cash Interest Expense	35,000	36,000
Adjusted Funds From Operations (AFFO)	\$304,000	to \$307,000
Net Cash Interest Expense	82,000	82,000
Consolidated Maintenance Capex	23,500	23,500
Income Taxes	12,000	12,000
Tax Effect of Adjustments to Funds From Operations*	4,000	4,000
Adjusted EBITDAre	\$425,500	to \$428,500
G&A Expenses	184,000	184,000
Non-Cash Stock Based Compensation	(20,000)	(20,000)
Equity in Earnings of Affiliates	(6,000)	(6,000)
M&A Related Expenses, pre-tax	(18,000)	(18,000)
Real Estate Related Operating Lease Expense	30,000	30,000
Net Operating Income	\$595,500	to \$598,500
Adjusted Net Income Per Diluted Share	\$ 1.37	to \$ 1.39
AFFO Per Diluted Share	\$ 2.52	to \$ 2.54
Weighted Average Common Shares Outstanding-Diluted	120,750	to 121,000

* Tax Adjustments relate to M&A Related Expenses

- End -

Contact: Pablo E. Paez
Vice President, Corporate Relations

(866) 301 4436

[\(Back To Top\)](#)

Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

Participants

CORPORATE PARTICIPANTS

Pablo E. Paez
Vice President-Corporate Relations, The GEO Group, Inc.

James David Donahue
Senior Vice President and President, U.S. Corrections and Detention,
& International Operations, The GEO Group, Inc.

George C. Zoley
Chairman, Chief Executive Officer, Founder & Director, The GEO Group,
Inc.

Ann M. Schlarb
Senior Vice President and President, GEO Care, The GEO Group, Inc.

Brian R. Evans
Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

OTHER PARTICIPANTS

Kwan Hong Kim
Analyst, SunTrust Robinson Humphrey, Inc.

Mark W. Strouse
Analyst, JPMorgan Securities LLC

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Management Discussion Section

Operator

Good morning and welcome to The GEO Group Third Quarter 2017 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note today's event is being recorded.

I would now like to turn the conference over to Pablo Paez, Vice President of Corporate Relations. Please go ahead, sir.

Pablo E. Paez

Vice President-Corporate Relations, The GEO Group, Inc.

Thank you, operator. Good morning, everyone, and thank you for joining us for today's discussion of the GEO Group's third quarter 2017 earnings results. With us today are George Zoley, Chairman and Chief Executive Officer; Brian Evans, Chief Financial Officer; Ann Schlarb, President of GEO Care; and David Donahue, President of GEO Corrections and Detention.

This morning, we will discuss our third quarter results and current business development activities. We will conclude the call with a question-and-answer session. This conference call is also being webcast live on our website at investors.geogroup.com. Today, we will discuss non-GAAP basis information. A reconciliation from non-GAAP basis information to GAAP basis results is included in the press release and supplemental disclosure we issued this morning. Additionally, much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and current expectations with respect to various matters.

These forward-looking statements are intended to fall within the Safe Harbor provisions of the Securities Laws. Our actual results may differ materially from those in the forward-looking statements as a result of various factors contained in our Securities and Exchange Commission filings, including the Forms 10-K, 10-Q and 8-K reports.

With that, please allow me to turn this call over to our Chairman and CEO, George Zoley. George?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Thank you, Pablo, and good morning to everyone joining us on today's conference call. We are very pleased with our strong quarterly results and outlook for the balance of the year. Our financial performance reflects continued growth across our diversified real estate and services portfolio.

During the third quarter, we experienced improved occupancy rates across a number of our ICE facilities. We also saw an increase in census at our New Jersey reentry programs, which led to the reactivation of our Delaney Hall facility. With our recent acquisition of CEC now fully integrated, we have approximately 96,000 beds worldwide, which makes GEO the largest private corrections and detention provider in the private sector, and to our knowledge, the fifth largest among all unified corrections organizations in the world. As of the end of the third quarter, we had approximately 5000 available beds at five idle facilities along with approximately 2000 underutilized beds across a number of our active facilities. We continue to actively market this available bed capacity and believe there are number of opportunities to deploy these assets.

As we've disclosed in the past on a combined basis, these 7000 available beds could generate between \$50 and \$60 million in incremental annual adjusted EBITDA at full utilization. We are also involved in several publicly known new business development opportunities. At the federal level The Bureau of Prisons CAR 18 procurement provides an opportunity for us to compete for the management of the 2355 bed Taft, California facility currently under rebid. Proposals were due in June with an award expected in mid-2018. The BOP CAR 19 procurement provides for awards up to 9500 beds under 10-year contracts for existing facilities with not less than 1200 beds, but not more than 1800 beds located anywhere in the continental United States. We have no facilities at risk under rebid in this procurement. Instead, we are able to propose idle facilities in our inventory. Proposals were due in July with awards expected in late 2018.

In Texas, we're developing a new 1000 bed ICE processing center in the Houston area under a 10-year contract, which we expect to open in late 2018. ICE also has a pending procurement for the management of their government-own 700 bed Florence, Arizona processing center. Proposals were submitted in January and we're awaiting an award. Additionally, ICE has a procurement for the transportation services for the San Antonio area of responsibility. Proposals were submitted in January and we expect an award to be made by the end of the year. Earlier this month, ICE also issued a request for information for additional capacity in several locations including Detroit, Chicago, St. Paul, Salt Lake City totaling up to 3000 beds. At the state level, the Kansas Department of Corrections has a pending procurement for the development and ownership of a 2400 bed prison facility to replace one of the state's oldest prisons. Proposals were submitted in September and a contract decision is expected during the fourth quarter.

Turning to the international sector. Our 1300 bed Ravenhall project in Australia is scheduled to achieve operational readiness for prisoner transport intake tomorrow – November 1. The Ravenhall project is essentially a fixed price contract and is expected to begin generating \$75 million dollars in annualized revenues from day one. Additionally, our Junee and Parklea Centers in New South Wales are undergoing expansion projects that are expected to add approximately 680 and 650 beds respectively, and to be completed in 2018.

In the UK, our transportation joint venture submitted a proposal to the Scottish Government for court custody and prisoner escort services for which we expect a decision by March of next year. Finally, we remain excited about the expansion of our GEO Continuum of Care offender rehabilitation program which we have implemented at 15 GEO facilities in the U.S. This year we've doubled our investment in the GEO Continuum of Care to \$10 million dollars compared to \$5 million dollars in 2016. We believe strongly that we are at our best when helping those in our care, reenter society as productive and employable citizens. And as always, we remain focused on effectively allocating capital to maximize value for our shareholders with the goal of growing our dividend in tandem with our growth in our earnings and cash flows.

Now I will ask our CFO, Brian Evans, to review our results and guidance.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Thank you, George. Good morning to everyone. This morning we reported third quarter GAAP earnings per share of \$0.31 cents and AFFO per share of \$0.63 cents on quarterly revenues of \$567 million dollars, including \$21 million dollars in construction revenue.

Excluding M&A related expenses, we reported adjusted net income of \$0.34 cents per share. Compared to third quarter 2016, our third quarter 2017 results reflect several items including the activation of the new ICE contract at our company-owned 780 bed Folkston, Georgia facility in January, the issuance of 10.4 million shares of common stock on a post-split basis in March, the refinancing of our credit facility in March and the acquisition of CEC which closed in April. Sequentially from the second quarter this year, our third quarter results reflect higher occupancy rates across a number of our ICE facilities. Looking at the most recent data from U.S. Customs and Border Protection, monthly apprehensions along the Southwest border more than doubled from April to August of this year.

During the third quarter, we also experienced a higher overall census in our New Jersey reentry programs as a result of the restoration of funding following the state government's shutdown in earlier July. The increase in overall census in our New Jersey operations also led to the reactivation of our Delaney Hall facility in Newark, although we continue to have available capacity at the facility. Moving to our guidance for the balance of the year, we have confirmed our fourth quarter earnings per share guidance in a range of \$0.34 to \$0.36 cents and AFFO per share in a range of \$0.63 to \$0.65 cents, on quarterly revenues of \$557 to \$562 million dollars.

Our fourth quarter guidance reflects the following operational and financial items. The continuation of the improved occupancy rates at our ICE facilities and higher overall census at our New Jersey reentry programs, which we began to experience during the third quarter. The continuation of current contract terms for our company-owned Big Spring Texas facilities through the end of November with our new 10-year contract terms with the BOP beginning on December 1st. The November 1st activation of the Ravenhall facility in Australia at approximately 1000-beds, which is expected to generate approximately \$75 million dollars annually at that occupancy level.

The final transition cost related to the CEC acquisition with normalized financial results expected in the first quarter of 2018 and the previously announced discontinuation of the 1,500 bed Allen, Louisiana managed-only contract at the end of August. For the full year we expect net income attributable to GEO to be in a range of \$1.25 to \$1.27 per share on annual revenues of approximately \$2.25 billion. We expect full year adjusted net income per share of \$1.37 to \$1.39 and full year AFFO of \$2.52 to \$2.54 per share.

Looking at our liquidity position, we have approximately \$550 million dollars in available capacity under our revolving credit facility in addition to an accordion feature of \$450 million dollars under the credit facility. In terms of our uses of cash, our growth CapEx is expected to be approximately \$105 million dollars in 2017, of which approximately \$77 million dollars spent through the end of the third quarter. We also have approximately \$17 million dollars in scheduled annual principal payments of debt. Earlier this month, our board declared a quarterly cash dividend of \$0.47 cents per share or \$1.88 per share annualized. As we have committed to you in the past, we will continue to evaluate our dividend on a quarterly basis with a targeted payout ratio of 75% to 80% of AFFO.

With that, I will turn the call to Dave Donahue for a review of our GEO Corrections and Detention segment.

James David Donahue

Senior Vice President and President, U.S. Corrections and Detention, & International Operations, The GEO Group, Inc.

Thanks, Brian. Good morning, everyone. Looking at our GEO Corrections and Detention segments in the U.S., our state segment has remained stable throughout the entire year. We have long-standing partnerships in eight states, including Florida, Georgia, Oklahoma, Arizona, New Mexico, California, Virginia and Indiana. In four of these states, California, Georgia, Oklahoma and New Mexico, we owned and managed our facilities. In the remaining four states, Florida, Arizona, Virginia, and Indiana, we operate one or more state-owned facilities through managed-only contracts. As we look at the state budget picture, all of our current state customers have stable budgets and our correctional facilities have been able to provide high quality services without being impacted by budgetary constraints. Across our eight state customers, we've been expanding the delivery of our GEO Continuum of Care programs, which we have now launched at more than a dozen GEO state facilities. And we are excited about the opportunity to expand our relationships within those states.

In Florida earlier this year, the state legislature allocated \$2.9 million dollars in funding to expand the GEO Continuum of Care programs to four additional facilities beyond our company-funded program at Graceville Facility. We also remain optimistic about the opportunity to partner with new states across the country. Several states continue to face capacity constraints, and many of our state customers are facing challenges related to older prisons, which need to be replaced with new and more cost-efficient facilities.

In the states where we operate, the average age of state prisons ranges from approximately 30 to 60 years. The State of Kansas has undertaken a procurement process for the development and ownership of a new 2,400 bed facility to replace the state's oldest prison facility. Proposals under this procurement were submitted in September with the contract decision expected during the fourth quarter.

Similarly, the State of Wisconsin has begun policy discussions to consider the development of a new facility to replace one of the state's oldest prison facilities located in the Green Bay area, as well as potentially additionally replacement facilities for some of the state's oldest prisons.

In Colorado, the Department of Corrections issued a solicitation for the leasing of 250 beds at existing private correctional facilities. Proposals for this procurement were submitted earlier this month and we're currently awaiting the contract decision. Over the last couple of years, several other states including Michigan, Oklahoma, Alabama and others, have discussed proposals for the use of existing private facilities or the development of new facilities to replace older, more costly facilities.

Moving to our Federal segment. We have enjoyed a three-decade long partnership with the Federal Government and we currently providing services for the Bureau of Prisons, Immigration, Customs Enforcement and the U.S. Marshal Service. In Texas, we're developing a new 1,000 bed ICE processing center in the Houston area under a new 10-year contract we were awarded by ICE earlier this year. The new center is expected to cost approximately \$120 million dollars and will be completed in October of 2018 with expected annualized revenues of \$44 million dollars. As it relates to new opportunities, the BOP has two pending procurements for the housing of criminal alien populations.

Under the CAR 19 procurement, the BOP expects to award up to 9,500 beds at existing facilities. The proposals were submitted in July, and the BOP has begun touring the proposed facilities with a contract award decision expected in late-2018. Under the CAR 18 solicitation, the BOP is rebidding the management contract for the government-owned Taft, California facility. We previously operated this facility between 1997 and 2007 and submitted our proposal in June to manage the facility under a new 10-year contract.

ICE has a pending procurement for the management of their government-owned 700 bed Florence, Arizona processing center. Proposals were submitted in January and we're currently awaiting an award decision. ICE also has a solicitation for secure transportation services in San Antonio, Texas. Proposals were submitted in January with an expected contract decision by the end of the year. Finally, earlier this month, ICE issued a request for information for facilities which could be existing or new sites to be located in the Detroit, Chicago, St. Paul and Salt Lake City areas. On a combined basis, these facilities are expected to have up to 3000 beds.

Touching briefly on the Federal budget process as you may be aware the U.S. Congress passed the short-term continuing resolution in September funding the government through the end of the year. The current continuing resolution provides funds consistent with the prior fiscal year spending levels, which included funding for ICE for approximately 39,000 detention beds. As we reported last quarter, the House Appropriation's markup released this summer reflected an increase of \$700 million dollars for ICE enforcement and removal operations above the prior fiscal year's funding levels. This proposed increase would provide funding for 44,000 detention beds for ICE, an increase of 5000 beds as well as 1600 additional ICE officers, agents and support staff.

The House Appropriations markup for the Department of Justice included over \$1.5 billion dollars in funding for the federal detention under the U.S. Marshals budget. This represents an increase of approximately \$82 million dollars to support a projected increase in the average daily population of U.S. Marshals detainees from 51,000 in 2016 to 54,000 in 2018. With respect to the BOP the House Appropriations markup included approximately \$7.1 billion dollars in funding, which represents an increase of \$61 million dollars over the prior fiscal year. Congress is expected to work towards approval of the spending bill that will fund the government for the balance of the fiscal year following the expiration of the current continuing resolution at year end.

Moving to our International markets. Our 1300 bed Ravenhall Prison project in Australia is scheduled to achieve operational readiness for prisoner intake tomorrow November 1st. The Ravenhall facility cost approximately \$700 million dollars inclusive of a \$90 million dollar investment by GEO and is expected to generate approximately \$75 million dollars in annual revenues at 1000 bed occupancy under a 25-year contract with Corrections Victoria. This important contract will provide for quarterly fixed payments for the operation of the facility plus a service-linked payment tied to the delivery of rehabilitation and reentry outcomes.

Growing inmate populations have created the need for additional capacity in Australia. To meet this need, two of our facilities in New South Wales; the Junee and Parklea Centers, are undertaking expansion projects totaling approximately 680 and 650 beds respectively, which are expected to be completed in 2018. Finally, our UK joint venture submitted a proposal to the Scottish Government for the provision of court custody and prisoner escort services under a fixed monthly payment along with variable payments based on the number of vehicle trips and movements.

At this time, I'll turn the call over to Ann for a review of our GEO Care segment. Ann?

Ann M. Schlarb

Senior Vice President and President, GEO Care, The GEO Group, Inc.

Thank you, Dave, and good morning, everyone. GEO Care has had a very active year so far and we're very pleased with the operational and financial performance of our four divisions. During the third quarter, our reentry division experienced an overall higher census in our New Jersey programs. As you may recall, we had experienced a temporary decline in utilization rates in the State of New Jersey, which was the result of the state budgeting impasse and government shut down in early July. Ultimately, the enacted budget restored the funding for our programs and we experienced a ramp up in the utilization of our facilities over the last two months. In fact, we were able to reactivate our Delaney Hall facility in Newark during the third quarter to provide state funded reentry programs for Essex and Union counties. We remain very optimistic about our expanded reentry platform following the acquisition of CEC.

We've identified a number of new business opportunities and have submitted several proposals for residential and non-residential programs. These new potential projects represent more than \$85 million dollars in incremental annual revenue opportunity. In terms of our youth services business, we continued to experience stable utilization rates across our facilities. Our youth segment has been stable for the past couple of years after our team undertook a number of consolidation and marketing initiatives. We're constantly evaluating our youth facility portfolio to ensure we're maximizing the utilization of our assets and programs.

Moving to our BI electronic monitoring division, the utilization of our ISAP contract with ICE has steadily increased over the last quarter. At the state and local level, BI continues to pursue a number of new business opportunities.

Finally, as we've expressed to you in the past, we're very excited about our GEO Continuum of Care program. Our GEO Continuum of Care division oversees the integration of our industry leading evidence-based rehabilitation programs in prison with post-release support services. We have been implementing these programs at a number of our facilities around the country and we're already starting to see meaningful results and improved outcomes and reduced recidivism. We believe that our focus on improved rehabilitation and community reentry program is in line with efforts being undertaken by government agencies to invest in meaningful rehabilitation and recidivism reduction programs.

At this time, I'll turn the call back to George for his closing remarks.

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Thank you, Ann. We are very pleased with our strong financial performance and outlook for the balance of the year. Our management team remains focused on capturing new growth opportunities. We continue to carefully evaluate our capital allocation to create sustainable long-term value for our shareholders. We are excited about the continued success of our company and I'd like to thank all of our employees worldwide, many of them who are listening on this call. Their dedication and professionalism are unmatched and have allowed GEO to become the fifth largest corrections organization in the world, and to be recognized by our customers as best-in-class. We remain optimistic about the demands and the trends in our diversified business segments. And we look forward to furthering our commitment to better the lives of those entrusted to us through our GEO Continuum of Care rehabilitation programs. We believe strongly that we are at our best when helping those in our care reenter society as productive and employable citizens.

We are now happy to open the call to your questions.

Question And Answer Section

Operator

Thank you. [Operator Instructions] And our first question will come from Tobey Sommer of SunTrust.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Hi. This is Kwan Kim on for Tobey. Thank you for taking my questions. First up, where do we sit on the ramp up of ICE population from interior enforcement. Is the ramp up still in the beginning stages and how should we think about how border crossings versus interior enforcements will drive ICE population growth in 2018? Thank you.

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

I think we are still in the early stages of interior enforcement. And we expect a progressive, I guess, combination of interior enforcement with border crossings to steadily increase the overall census as we see it now as occurred during the third quarter and we forecast for the fourth quarter and for next year. So I think there's an awareness that ICE is issuing request for information for different additional locations around the country as they expect to establish additional facilities that are primarily driven by the need for additional capacity due to the interior enforcement. So in looking to the future, we believe that the census will continue to increase by virtue of a combination of stronger interior enforcement combined with border crossings.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Got it. And regarding the recent RFP for new ICE bed capacity in the four different cities, is there an appetite for new construction of facilities to meet the ICE requirements? How should we think about GEO's maximum CapEx acceptable to build new facilities for ICE?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

I think the new RFIs will provide a number of locations for a new builds and GEO has such an appetite for these kinds of facilities particularly with the contemplated length of the contracts, which we estimate to be approximately 10 years. So yes, we're very interested in those opportunities.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. And lastly for me. On real estate only solutions for GEO, what is the likelihood of signing a new real estate-only deal by the end of this year? Is it more likely now that it will get pushed off to 2018? Thank you.

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Well, there's only a few months left before the end of this year. We expect some decisions to be made towards the end of the year or at the beginning of next year – early part of next year.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Thank you very much.

Operator

And our next question comes from Kevin McVeigh of Deutsche Bank.

Kevin McVeigh

Analyst, Deutsche Bank Securities, Inc.

Great. Hey Brian, can you help us understand what drove the increase in the guidance on the revenue side. Was that specifically ICE or any other factors?

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

I think the main driver was just the timing of some of the Ravenhall construction related revenue that was off, I think, in the previous quarter, both quarters and then it was better in this third quarter as they catch up. Remember the project is basically winding down from a constructive perspective and the facility's expected to begin operations here in November.

Kevin McVeigh

Analyst, Deutsche Bank Securities, Inc.

Got it. And then, can you just remind us on Ravenhall, where does that sit on the income statement. Is that going to be up in the managed-only or in the owned at leased?

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Well, it's a managed-only facility but we do have an equity investment. So there'll be some return in either the revenue line or the interest income line related to that equity investment. And then obviously the operations piece will be in operations revenue and op margin.

Kevin McVeigh

Analyst, Deutsche Bank Securities, Inc.

Got it. Got it. And then my final question was any thoughts on Governor Brown kind of vetoing the use of out of state populations. Any thoughts on that in terms of potential impact for you folks?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Could you clarify that question? Vetoing?

Kevin McVeigh

Analyst, Deutsche Bank Securities, Inc.

Yep George. I think the legislature was trying to kind of enact a law that would have prohibited California from enacting the use of out of state facilities, and he vetoed that bill, as I understood it. So I think that's actually good for the industry. Is there anything kind of potentially out there in California, or is that just kind of keeping his options open?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Well, I think there's a hope that eventually they won't need these out of state beds and that remains to be seen whether they ever get to that point or not, because my understanding is, their population continues to increase.

Kevin McVeigh

Analyst, Deutsche Bank Securities, Inc.

Super. Thank you. [Operator Instructions]

Operator

And our next question will come from Mark Strouse of JPMorgan.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Good morning. Thanks for taking our questions. So I just wanted to kind of follow-up on an earlier question regarding the ICE RFI. Are you able to say what percentage or what kind of mix of those beds could potentially be met using your existing facilities or your idle beds?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

We certainly have a couple of facilities that qualify for the use. In response to the RFI, I can't really say what, maybe 25% to 50%.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Okay. Okay. That's helpful. And then just I understand it's still in RFI and not an RFP but what are your expectations as far as timing of when those beds could potentially come on line?

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Well, if the RFI is followed upon meaning that they like what they receive as far as additional capacity and locations, I would think they would move forward with an RFP early next year, decisions by late next year, then the construction of a facility. If it's a new one, we'll take another year. If it's an existing facility, I would think that contract would come on line, let's say, January 2019.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Understood. Okay. Thank you very much.

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to George Zoley for any closing remarks.

George C. Zoley

Chairman, Chief Executive Officer, Founder & Director, The GEO Group, Inc.

Okay. Thank you all for listening into this third quarter conference call. We look forward to addressing you on the next call. Thank you.

Operator

This conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

[\(Back To Top\)](#)