
Section 1: 8-K (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): August 2, 2018

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 August 2, 2018, The GEO Group, Inc. (“GEO” or the “Company”) issued a press release (the “Earnings Press Release”) announcing its financial results for the quarter ended June 30, 2018, updating its financial guidance for full year 2018 and issuing its financial guidance for the third and fourth quarters of 2018. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on August 2, 2018 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 six months ended June 30, 2018 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 provisions for income tax, interest expense, net of interest income, depreciation and amortization, and gain/loss 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 merger and acquisition (“M&A”) related expenses, pre-tax, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, 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 net income attributable to GEO.

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 net Tax Cuts and Jobs Act ("TCJA") impact, M&A related expenses, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, pre-tax, and tax effect of adjustments to FFO.

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 net TCJA impact, M&A related expenses, pre-tax, gain/loss on sale of real estate assets, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax, and tax effect of adjustments to Net Income Attributable to GEO.

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 net income attributable to GEO but have no impact on GEO's cash flows, or GEO 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 Net Income Attributable to GEO.

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, Adjusted Net Income, Funds from Operations, Normalized Funds from Operations, and Adjusted Funds from Operations.

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, Adjusted Net Income, 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 2018, 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 August 2, 2018, announcing GEO's financial results for the second quarter and six months ended June 30, 2018.</u>
99.2	<u>Transcript of Conference Call discussing GEO's financial results for the second quarter and six months ended June 30, 2018.</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.

August 8, 2018
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 SECOND QUARTER 2018 RESULTS

- **2Q18 Net Income Attributable to GEO of \$0.31 per diluted share**
- **2Q18 Adjusted Net Income of \$0.33 per diluted share**
- **2Q18 AFFO of \$0.60 per diluted share**
- **Updated FY2018 guidance for Net Income Attributable to GEO of \$1.27-\$1.31; Adjusted Net Income of \$1.32-\$1.36; and AFFO of \$2.47-\$2.51 per diluted share**

Boca Raton, Fla. – August 2, 2018 – 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 second quarter 2018.

Second Quarter 2018 Highlights

- **Net Income Attributable to GEO of \$0.31 per diluted share**
- **Adjusted Net Income of \$0.33 per diluted share**
- **Net Operating Income of \$153.7 million**
- **Normalized FFO of \$0.48 per diluted share**
- **AFFO of \$0.60 per diluted share**
- **Repurchased 1.3 million shares of common stock for approximately \$30.3 million during 2Q18**

GEO reported second quarter 2018 net income attributable to GEO of \$37.4 million, or \$0.31 per diluted share, compared to \$31.0 million, or \$0.25 per diluted share, for the second quarter 2017. GEO reported total revenues for the second quarter 2018 of \$583.5 million up from \$577.1 million for the second quarter 2017.

Second quarter 2018 results reflect a \$0.6 million loss on extinguishment of debt and \$3.7 million, after-tax, in expenses related to a legal settlement in Mississippi associated with management contracts previously held by GEO and Cornell Companies, a corporation GEO acquired in 2010. These items were partially offset by \$2.1 million, after-tax, in escrow releases in connection with GEO’s acquisition of Community Education Centers in 2017. Excluding these items, GEO reported second quarter 2018 Adjusted Net Income of \$40.2 million, or \$0.33 per diluted share.

GEO reported second quarter 2018 Normalized Funds From Operations (“Normalized FFO”) of \$57.7 million, or \$0.48 per diluted share, compared to \$55.4 million, or \$0.45 per diluted share, in the second quarter 2017. GEO reported second quarter 2018 Adjusted Funds From Operations (“AFFO”) of \$72.2 million, or \$0.60 per diluted share, compared to \$74.7 million, or \$0.61 per diluted share, in the second quarter 2017.

— More —

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

(866) 301 4436

George C. Zoley, Chairman and Chief Executive Officer of GEO, said, “We are pleased with our second quarter results and our outlook for the second half of 2018. We continue to be optimistic about the demand for our services and are pursuing a number of quality growth opportunities. Our board and our management team remain focused on effectively allocating capital to drive long-term, sustainable value for our shareholders.”

First Six Months 2018 Highlights

- **Net Income Attributable to GEO of \$0.60 per Diluted Share**
- **Adjusted Net Income of \$0.62 per Diluted Share**
- **Net Operating Income of \$299.7 million**
- **Normalized FFO of \$0.91 per Diluted Share**
- **AFFO of \$1.17 per Diluted Share**

For the first six months of 2018, GEO reported net income attributable to GEO of \$72.4 million, or \$0.60 per diluted share, compared to \$71.4 million, or \$0.60 per diluted share, for the first six months of 2017. GEO reported total revenues for the first six months of 2018 of \$1.15 billion up from \$1.13 billion for the first six months of 2017.

Results for the first six months of 2018 reflect a \$0.6 million loss on extinguishment of debt and \$3.7 million, after-tax, in expenses related to a legal settlement in Mississippi associated with management contracts previously held by GEO and Cornell Companies, a corporation GEO acquired in 2010. These items were partially offset by \$2.1 million, after-tax, in escrow releases in connection with GEO’s acquisition of Community Education Centers in 2017. Excluding these items, GEO reported Adjusted Net Income of \$75.4 million, or \$0.62 per diluted share for the first six months of 2018.

For the first six months of 2018, GEO reported Normalized FFO of \$110.3 million, or \$0.91 per diluted share, compared to \$113.5 million, or \$0.96 per diluted share, for the first six months of 2017. For the first six months of 2018, GEO reported AFFO of \$142.0 million, or \$1.17 per diluted share, compared to \$148.7 million, or \$1.25 per diluted share, for the first six months of 2017.

Stock Repurchase Program

During the second quarter 2018, GEO repurchased approximately 1.3 million shares of its common stock for approximately \$30.3 million. During the first six months of 2018, GEO repurchased approximately 3.1 million shares of its common stock for approximately \$70.4 million under the \$200.0 million stock repurchase program approved by GEO’s Board of Directors.

The stock repurchase program is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission requirements. The stock repurchase program does not obligate GEO to purchase any specific amount of its common stock and may be suspended or extended at any time at the discretion of GEO’s Board of Directors.

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Quarterly Dividend

On July 10, 2018, GEO's Board of Directors declared a quarterly cash dividend of \$0.47 per share. The quarterly cash dividend was paid on July 27, 2018 to shareholders of record as of the close of business on July 20, 2018. 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.

2018 Financial Guidance

GEO updated its financial guidance for the full-year 2018 and issued financial guidance for the third quarter and fourth quarter 2018.

GEO expects full-year 2018 total revenue to be approximately \$2.3 billion. GEO expects full-year 2018 Net Income Attributable to GEO to be in a range of \$1.27 to \$1.31 per diluted share. GEO expects full-year 2018 Adjusted Net Income to be in a range of \$1.32 to \$1.36 per diluted share. GEO expects full-year 2018 AFFO to be in a range of \$2.47 to \$2.51 per diluted share.

For the third quarter 2018, GEO expects total revenues to be in a range of \$585 million to \$590 million. GEO expects third quarter 2018 Net Income Attributable to GEO to be in a range of \$0.32 to \$0.34 per diluted share. GEO expects third quarter 2018 Adjusted Net Income to be in a range of \$0.35 to \$0.37 per diluted share and AFFO to be in a range of \$0.65 to \$0.67 per diluted share.

For the fourth quarter 2018, GEO expects total revenues to be in a range of \$595 million to \$600 million. GEO expects fourth quarter 2018 Net Income Attributable to GEO to be in a range of \$0.35 to \$0.37 per diluted share. GEO expects fourth quarter 2018 AFFO to be in a range of \$0.65 to \$0.67 per diluted share.

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, Net Income to EBITDA (EBITDA for real estate) and Adjusted EBITDA (Adjusted EBITDA for real estate), Net Income Attributable to GEO to Adjusted Net Income, and Net Income Attributable to GEO to FFO, Normalized FFO and AFFO along with supplemental financial and operational information on GEO's business 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.

— More —

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

(866) 301 4436

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's second quarter 2018 financial results as well as its 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 August 16, 2018 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10122196.

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 139 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 Adjusted Net Income, 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 2018, 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.

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Executive Vice President, Corporate Relations

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EBITDAre (EBITDA for real estate) is defined as net income adjusted by adding provisions for income tax, interest expense, net of interest income, depreciation and amortization, and gain/loss 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 merger and acquisition (“M&A”) related expenses, pre-tax, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, 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.

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 net income attributable to GEO.

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 net Tax Cuts and Jobs Act (“TCJA”) impact, M&A related expenses, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, pre-tax, and tax effect of adjustments to FFO.

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 net TCJA impact, M&A related expenses, pre-tax, gain/loss on sale of real estate assets, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax, and tax effect of adjustments to Net Income Attributable to GEO.

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Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

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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.

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 net income attributable to GEO 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 Net Income Attributable to GEO.

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 third quarter, fourth quarter and full year 2018, 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 2018 given the various risks to which its business is exposed; (2) GEO's ability to fully implement its announced stock repurchase program and the timing and amounts of any future stock repurchases; (3) GEO's ability to declare future quarterly cash dividends and the timing and amount of such future cash dividends; (4) GEO's ability to successfully pursue further growth and continue to create shareholder value; (5) risks associated with GEO's ability to control operating costs associated with contract start-ups; (6) 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; (7) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (8) GEO's ability to obtain future financing on acceptable terms; (9) GEO's ability to sustain company-wide occupancy rates at its facilities; (10) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (11) the impact of any future regulations or guidance on the Tax Cuts and Jobs Act; (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
Executive Vice President, Corporate Relations

(866) 301 4436

Second quarter and first six months financial tables to follow:

Condensed Consolidated Statements of Operations*

(Unaudited)

	<u>Q2 2018</u> <i>(unaudited)</i>	<u>Q2 2017</u> <i>(unaudited)</i>	<u>YTD 2018</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>
Revenues	\$ 583,509	\$ 577,070	\$ 1,148,426	\$ 1,127,684
Operating expenses	437,797	438,445	864,506	853,152
Depreciation and amortization	31,313	31,866	63,239	60,815
General and administrative expenses	47,448	52,206	89,280	94,792
Operating income	66,951	54,553	131,401	118,925
Interest income	8,667	12,346	17,766	24,323
Interest expense	(36,919)	(35,983)	(72,788)	(70,983)
Income before income taxes and equity in earnings of affiliates	38,699	30,916	76,379	72,265
Provision for income taxes	3,715	1,400	8,470	3,870
Equity in earnings of affiliates, net of income tax provision	2,341	1,426	4,336	2,913
Net income	37,325	30,942	72,245	71,308
Less: Net loss attributable to noncontrolling interests	96	50	163	87
Net income attributable to The GEO Group, Inc.	\$ 37,421	\$ 30,992	\$ 72,408	\$ 71,395
Weighted Average Common Shares Outstanding:				
Basic	120,274	122,125	121,017	117,885
Diluted	120,659	122,895	121,461	118,702
Income per Common Share Attributable to The GEO Group, Inc. :				
Basic:				
Net income per share – basic	\$ 0.31	\$ 0.25	\$ 0.60	\$ 0.61
Diluted:				
Net income per share – diluted	\$ 0.31	\$ 0.25	\$ 0.60	\$ 0.60
Regular Dividends Declared per Common Share	\$ 0.47	\$ 0.47	\$ 0.94	\$ 0.94

* 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>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Net Income attributable to GEO	\$ 37,421	\$ 30,992	\$ 72,408	\$ 71,395
Add (Subtract):				
Net Tax Cuts and Jobs Act Impact	—	—	304	—
Loss on extinguishment of debt	574	—	574	—
Start-up expenses, pre-tax	98	—	98	—
M&A related expenses, pre-tax	—	10,336	—	12,956
Legal related expenses, pre-tax	4,500	—	4,500	—
Escrow releases, pre-tax	(2,273)	—	(2,273)	—
Gain/Loss on sale of real estate assets, pre-tax	590	—	492	(261)
Tax effect of adjustments to Net Income attributable to GEO	(713)	(2,487)	(713)	(2,523)
Adjusted Net Income	\$40,197	\$38,841	\$75,390	\$81,567
Weighted average common shares outstanding – Diluted	120,659	122,895	121,461	118,702
Adjusted Net Income Per Diluted Share	\$ 0.33	\$ 0.32	\$ 0.62	\$ 0.69

— More —

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

(866) 301 4436

Condensed Consolidated Balance Sheets*

(Unaudited)

	<i>As of</i> June 30, 2018 <i>(unaudited)</i>	<i>As of</i> December 31, 2017 <i>(unaudited)</i>
ASSETS		
Cash and cash equivalents	\$ 65,451	\$ 81,377
Restricted cash and cash equivalents	58,720	44,932
Accounts receivable, less allowance for doubtful accounts	377,768	389,916
Contract receivable, current portion	9,398	18,142
Prepaid expenses and other current assets	35,763	45,342
Total current assets	\$ 547,100	\$ 579,709
<i>Restricted Cash and Investments</i>	25,297	27,999
<i>Property and Equipment, Net</i>	2,124,553	2,078,123
<i>Non-Current Contract Receivable</i>	396,360	404,309
<i>Assets Held for Sale</i>	—	3,915
<i>Deferred Income Tax Assets</i>	26,277	26,277
<i>Intangible Assets, Net (including goodwill)</i>	1,019,928	1,034,290
<i>Other Non-Current Assets</i>	67,055	72,286
Total Assets	\$ 4,206,570	\$ 4,226,908
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 90,327	\$ 92,587
Accrued payroll and related taxes	69,062	71,732
Accrued expenses and other current liabilities	189,261	176,324
Current portion of capital lease obligations, long-term debt, and non-recourse debt	25,127	28,920
Total current liabilities	\$ 373,777	\$ 369,563
<i>Non-Current Deferred Income Tax Liabilities</i>	8,757	8,757
<i>Other Non-Current Liabilities</i>	89,882	96,702
<i>Capital Lease Obligations</i>	5,329	6,059
<i>Long-Term Debt</i>	2,289,409	2,181,544
<i>Non-Recourse Debt</i>	346,479	365,364
<i>Shareholders' Equity</i>	1,092,937	1,198,919
Total Liabilities and Shareholders' Equity	\$ 4,206,570	\$ 4,226,908

* all figures in '000s

— More —

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

(866) 301 4436

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

(Unaudited)

	<u>Q2 2018</u> <i>(unaudited)</i>	<u>Q2 2017</u> <i>(unaudited)</i>	<u>YTD 2018</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 37,421	\$ 30,992	\$ 72,408	\$ 71,395
<i>Add (Subtract):</i>				
Real Estate Related Depreciation and Amortization	17,509	\$ 16,550	\$ 34,897	\$ 31,936
Gain/Loss on real estate assets **	590	—	\$ 492	\$ (261)
Equals: NAREIT defined FFO	<u>\$ 55,520</u>	<u>\$ 47,542</u>	<u>\$ 107,797</u>	<u>\$ 103,070</u>
<i>Add (Subtract):</i>				
Net Tax Cuts and Jobs Act Impact	—	—	304	—
Loss on extinguishment of debt	574	—	574	—
Start-up expenses, pre-tax	98	—	98	—
M&A related expenses, pre-tax	—	10,336	—	12,956
Legal related expenses, pre-tax	4,500	—	4,500	—
Escrow releases, pre-tax	(2,273)	—	(2,273)	—
Tax Effect of adjustments to Funds From Operations ***	(713)	(2,487)	(713)	(2,523)
Equals: FFO, normalized	<u>\$ 57,706</u>	<u>\$ 55,391</u>	<u>\$ 110,287</u>	<u>\$ 113,503</u>
<i>Add (Subtract):</i>				
Non-Real Estate Related Depreciation & Amortization	13,804	15,316	28,342	28,879
Consolidated Maintenance Capital Expenditures	(6,076)	(4,934)	(11,399)	(11,357)
Stock Based Compensation Expenses	4,960	5,030	10,787	9,993
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	1,855	3,870	3,992	7,676
Equals: AFFO	<u>\$ 72,249</u>	<u>\$ 74,673</u>	<u>\$ 142,009</u>	<u>\$ 148,694</u>
Weighted average common shares outstanding – Diluted	120,659	122,895	121,461	118,702
FFO/AFFO per Share – Diluted				
Normalized FFO Per Diluted Share	\$ 0.48	\$ 0.45	\$ 0.91	\$ 0.96
AFFO Per Diluted Share	\$ 0.60	\$ 0.61	\$ 1.17	\$ 1.25
Regular Common Stock Dividends per common share	\$ 0.47	\$ 0.47	\$ 0.94	\$ 0.94

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

** no tax impact

*** tax adjustments related to Start-up, M&A, Legal expenses and Escrow releases

— More —

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations

(866) 301 4436

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

(Unaudited)

	<u>Q2 2018</u> <i>(unaudited)</i>	<u>Q2 2017</u> <i>(unaudited)</i>	<u>YTD 2018</u> <i>(unaudited)</i>	<u>YTD 2017</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 37,421	\$ 30,992	\$ 72,408	\$ 71,395
<i>Less</i>				
Net loss attributable to noncontrolling interests	96	50	163	87
Net Income	\$ 37,325	\$ 30,942	\$ 72,245	\$ 71,308
<i>Add (Subtract):</i>				
Equity in earnings of affiliates, net of income tax provision	(2,341)	(1,426)	(4,336)	(2,913)
Income tax provision	3,715	1,400	8,470	3,870
Interest expense, net of interest income	27,678	23,637	54,448	46,660
Loss on extinguishment of debt	574	—	574	—
Depreciation and amortization	31,313	31,866	63,239	60,815
General and administrative expenses	47,448	52,206	89,280	94,792
Net Operating Income, net of operating lease obligations	\$ 145,712	\$ 138,625	\$ 283,920	\$ 274,532
<i>Add:</i>				
Operating lease expense, real estate	7,914	7,879	15,695	14,362
Start-up expenses, pre-tax	98	—	98	—
Net Operating Income (NOI)	\$ 153,724	\$ 146,504	\$ 299,713	\$ 288,894
	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net Income	\$ 37,325	\$ 30,942	\$ 72,245	\$ 71,308
<i>Add (Subtract):</i>				
Income tax provision **	3,446	1,998	8,906	5,078
Interest expense, net of interest income ***	28,252	23,637	55,022	46,660
Depreciation and amortization	31,313	31,866	63,239	60,815
Gain/Loss on real estate assets, pre-tax	590	—	492	(261)
EBITDAre	\$ 100,926	\$ 88,443	\$ 199,904	\$ 183,600
<i>Add (Subtract):</i>				
Net loss attributable to noncontrolling interests	96	50	163	87
Stock based compensation expenses, pre-tax	4,960	5,030	10,787	9,993
M&A related expenses, pre-tax	—	10,336	—	12,956
Start-up expenses, pre-tax	98	—	98	—
Legal related expenses, pre-tax	4,500	—	4,500	—
Escrow Releases, pre-tax	(2,273)	—	(2,273)	—
Adjusted EBITDAre	\$ 108,307	\$ 103,859	\$ 213,179	\$ 206,636

* 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
Executive Vice President, Corporate Relations

(866) 301 4436

2018 Outlook/Reconciliation

(In thousands, except per share data)

(Unaudited)

	FY 2018	
Net Income Attributable to GEO	\$ 154,000	to \$ 159,000
Real Estate Related Depreciation and Amortization	72,000	72,000
Loss on Sale of Real Estate Assets	1,300	1,300
Funds from Operations (FFO)	\$227,300	to \$232,300
Adjustments		
Start-Up Expenses	2,500	2,500
Loss on Extinguishment of Debt	300	300
Legal Related Expenses	4,500	4,500
Escrow Releases	(2,300)	(2,300)
Tax Effect of Adjustments to FFO	(800)	(800)
Normalized Funds from Operations	\$231,500	to \$236,500
Non-Real Estate Related Depreciation and Amortization	58,000	58,000
Consolidated Maintenance Capex	(22,500)	(22,500)
Non-Cash Stock Based Compensation	22,000	22,000
Non-Cash Interest Expense	9,000	9,000
Adjusted Funds From Operations (AFFO)	\$298,000	to \$303,000
Net Cash Interest Expense	107,000	107,000
Consolidated Maintenance Capex	22,500	22,500
Income Taxes	16,000	16,000
Adjusted EBITDAre	\$443,500	to \$448,500
G&A Expenses	179,000	179,000
Non-Cash Stock Based Compensation	(22,000)	(22,000)
Equity in Earnings of Affiliates	(8,000)	(8,000)
Loss on Sale of Real Estate Assets	(1,300)	(1,300)
Legal Related Expenses	(4,500)	(4,500)
Real Estate Related Operating Lease Expense	31,000	31,000
Net Operating Income	\$617,700	to \$622,700
Adjusted Net Income Per Diluted Share	\$ 1.32	to \$ 1.36
AFFO Per Diluted Share	\$ 2.47	to \$ 2.51
Weighted Average Common Shares Outstanding-Diluted	120,800	to 120,800

— End —

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

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

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

Ann M. Schlarb
President-GEO Care & Senior Vice President, 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

Management Discussion Section

Operator

Good morning and welcome to The GEO Group Second Quarter 2018 Earnings Conference Call and Webcast. 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, this event is being recorded.

I would now like to turn the conference over to Pablo Paez. Please go ahead.

Pablo E. Paez

Executive 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 second quarter 2018 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 & Detention.

This morning, we will discuss our second 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 Form 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, The GEO Group, Inc.

Thank you, Pablo, and good morning to everyone. We are pleased with our second quarter operating results and with our forecast for the balance of the year, which reflects improving trends across our diversified business segments. During the second quarter, we experienced higher utilization rates across our federal segment, which we expect to continue into the second half of the year.

Consistent with these trends is the contract for our Folkston ICE Processing Center in Georgia, which was recently modified to add 338 beds at an existing company-owned annex that was previously idle. This contract modification took effect this past month and it is indicative of our ability to respond quickly to the evolving needs of our government partners. We have also substantially completed the development of a new 1,000-bed ICE Processing Center in Montgomery County, Texas, which is scheduled to open in September of this year.

At the state level, we were awarded a two-year contract with the State of Idaho for approximately 670 out-of-state beds, which will result in the September reactivation of our idle Eagle Pass, Texas facility, which is presently undergoing renovations to meet Idaho's standards. This represents an expansion and extension of the emergency agreement we had entered into earlier this year to house 250 Idaho inmates at our Karnes Correctional Center in Texas.

Our GEO Care business segment have also delivered strong operational results during the second quarter and we continue to be optimistic about the overall trends for our GEO Care division. We've also continued to implement our GEO Continuum of Care programs across 18 facilities in the United States and at the Ravenhall, Australia center of enhanced offender rehabilitation services.

We are very proud of our efforts to reduce recidivism through daily enhanced rehabilitation and post-release services and have already started to expand these programs at additional correctional facilities in our community reentry segment. Our efforts in this important area of criminal justice reform underscore our belief that as a company, we are best when helping those in our care, reenter society as productive and employable citizens.

Looking forward to the balance of 2018, we remain optimistic about our ability to pursue growth opportunities across our diversified platform of real estate, management and programmatic solutions.

There are several active procurements which we are participating in, which total approximately 12,000 beds and could result in the opening of some of our idle or underutilized facilities. We are pleased that we have already begun to reactivate some of our idle capacity with the activation of our Folkston, Georgia annex in the Eagle Pass, Texas facility.

We remain focused on the effective allocation of capital to enhance long-term value for our shareholders and we believe our dividend is supported by stable and predictable operational cash flows.

We also recognize that we can enhance shareholder value with stock repurchases at times when we believe our stock is undervalued. To that end, we repurchased 3.1 million shares of our common stock for approximately \$70 million during the first half of this year.

Finally, before I begin and turn the call over to Brian, I would like to briefly address the recent coverage of immigration policies and separation of families. To be clear, our company does not manage any facility that house unaccompanied minors nor has our company ever provided transportation or any other services for that purpose.

For the last three decades, our company has managed ICE processing centers providing services for adults in the care of federal authorities under both Democratic and Republican administrations. We have also managed the Karnes Family Residential Center, which has cared exclusively for mothers, together with their children, since 2014, when it was established by the Obama administration.

GEO ICE facilities are under constant operational scrutiny by on-site ICE monitors and special inspections by federal agencies and the accrediting organization. As a three-decade long service provider to the Federal government, our focus has always been and remains on providing high-quality services and we have never advocated for or against immigration enforcement or detention policies.

At this time, I'll ask our CFO, Brian Evans, to review our quarterly results and outlook.

Brian R. Evans

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

Thank you, George. Good morning, everyone. Today, we reported second quarter net income attributable to GEO of \$0.31 per diluted share on quarterly revenues of approximately \$584 million. Our quarterly results reflect a number of items, including a \$600,000 loss on the extinguishment of debt, \$3.7 million, after-tax, in expenses associated with a legal settlement in Mississippi involving management contracts previously held by GEO and Cornell Companies, which we acquired in 2010. These items are offset by \$2.1 million, after-tax, related to the release to GEO of escrow amounts in connection with our acquisition of CEC last year. Excluding these items, we reported adjusted net income of \$0.33 and AFFO of \$0.60 per diluted share.

Compared to the first quarter of 2017, our first quarter 2018 results also reflect the following items: the year-over-year increase of approximately \$4.6 million of net interest expense attributable to higher interest rate, as well as higher overall outstanding debt balances; revised pricing terms under the new 10-year contracts for our Big Spring, Texas facilities, which, as we had previously disclosed, began on December 1, 2017; the activation of the Ravenhall, Australia project in November 2017; and the activation of the emergency contract with State of Idaho for 250 out-of-state beds during the first quarter of 2018.

Moving to the outlook for the balance of 2018, we have updated our guidance for the full year and have issued guidance for the third and fourth quarters. We expect full-year net income attributable to GEO to be in a range of \$1.27 to \$1.31 per diluted share, and adjusted net income to be in a range of \$1.32 to \$1.36 per diluted share on annual revenues of approximately \$2.3 billion. We expect full-year AFFO to be in a range of \$2.47 to \$2.51 per share.

For the third quarter of 2018, we expect net income attributable to GEO to be in a range of \$0.32 to \$0.34 per share, and adjusted net income to be in a range of \$0.35 to \$0.37 per share, on quarterly revenues of \$585 million to \$590 million. We expect AFFO for the third quarter of 2018 to be between \$0.65 and \$0.67 per diluted share.

For the fourth quarter of 2018, we expect net income attributable to GEO to be in a range of \$0.35 to \$0.37 per share on quarterly revenues of \$595 million to \$600 million. We expect AFFO for the fourth quarter of 2018 to be between \$0.65 and \$0.67 per diluted share.

Looking at our liquidity position, we have approximately \$450 million in available capacity under our revolving credit facility, in addition to an accordion feature of \$450 million under our revolving credit facility.

Turning to our uses of cash, our growth CapEx is expected to be approximately \$120 million in 2018, of which, approximately \$78 million was spent during the first half of the year. We also have approximately \$10 million in scheduled annual principal payments of debt.

Last month, our board declared a quarterly cash dividend of \$0.47 per share or \$1.88 per share annualized. Our dividend payment is well within our guided payout ratio of 75% to 80% of AFFO and we believe it is supported by the stable and predictable operational cash flows of the company.

At this time, I'll turn the call over to Dave Donahue for a review of our GEO Corrections & Detention segment.

J. David Donahue

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

Thanks, Brian. Good morning, everyone. I'd like to give you an update on our GEO Corrections & Detention business unit. Looking at our state segment, during the second quarter, we entered into a two-year contract with the Idaho Department of Correction for the housing of 670 medium-security inmates at our company-owned Karnes Correctional and Eagle Pass facilities in Texas.

This contract represents an expansion of the emergency agreement we had entered into with the State of Idaho earlier this year to house 250 inmates at our Karnes Correctional Center. We are renovating our 661-bed Eagle Pass facility to meet Idaho's standards, and are scheduled for full activation on September 1. The new contract is expected to generate approximately \$17 million in annualized revenue.

In California, we're pleased to have entered into a five-year contract renewals for our four company-owned correctional facilities during the second quarter. We also entered into a new five-year contract for continued operation of our company-owned 2,682-bed Lawton facility in Oklahoma with improved funding.

And in Virginia, we successfully retained the management contract for the Lawrenceville Correctional Center, which was under competitive rebid. This past month, we entered into a new 15-year contract, inclusive of renewal options, with the Virginia Department of Corrections.

Several states continue to face capacity constraints and many of our state customers are facing challenges related to older facilities, which need to be replaced with new and more cost-efficient facilities. In the states where we currently operate, the average age of state prisons ranges from approximately 30 to 60 years.

The State of Wisconsin has discussed the potential development of new facilities to replace one or more of the state's oldest prisons. The State of Vermont has also discussed a privately-developed and financed option for a new 1,000-bed correctional facility. A number of other state jurisdictions are exploring options for the development of new or replacement facilities or the use of out-of-state facilities.

Moving to our federal segment, we've seen a steady increase in our ICE populations throughout the country, and we expect this trend to continue as ICE seeks additional capacity. For example, the ICE contract for our company-owned Folkston ICE Processing Center in Georgia has been expanded from 780 beds to add an existing 338-bed company-owned annex, which was previously idle. The new ICE contract is for 1,118 beds. The modified contract became effective last month and we've begun the intake process at the annex two weeks ago.

Additionally, our contract for the Aurora ICE Processing Center, which also was expanded to add 128 beds, effective June of this year, which increased the total ICE contract capacity at the center to 976 beds.

In Texas, we have substantially completed the development of the new 1,000-bed ICE Processing Center in Montgomery County, which is expected to be activated in September as well. The new center is expected to cost approximately \$120 million and generate annualized revenues of \$44 million. The Montgomery ICE center is GEO's most expensed facility investment and is supported by a 10-year contract with ICE.

With respect to pending federal procurements, the Bureau of Prisons has two active solicitations for the exclusive housing of criminal aliens. Under the CAR 18 solicitation, the BOP is rebidding the management contract for the government-owned 2,355-bed Taft, California facility. An award decision for this management contract is expected from the BOP during the third quarter. Under the CAR 19 procurement, the BOP expects to award up to 9,500 beds at existing facilities. The proposals were submitted last July, with an award decision expected in the fourth quarter. We are also awaiting an award decision on the pending procurement from ICE for the management of the government-owned 700-bed Florence, Arizona processing center.

Now, moving to our international markets. We have begun operational readiness preparations with our GEOAmej joint venture for our new 12-year contract with the Scottish Prison Service for the provision of court custody and prisoner escort services in Scotland. This important new contract, which takes effect early next year, is expected to generate approximately \$39 million in annual revenues for our joint venture.

Finally, in Australia, growing inmate populations continue to drive the need for additional capacity in several state jurisdictions. Two of the facilities we currently operate in Australia, the Junee Centre in New South Wales and Arthur Gorrie Centre in Queensland, are undertaking expansion projects.

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

Ann M. Schlarb

President-GEO Care & Senior Vice President, The GEO Group, Inc.

Thank you, Dave, and good morning, everyone. I'd like to give you an update on our four GEO Care divisions, beginning with our GEO reentry division. Following the acquisition of Community Education Centers in April of last year, we have been undertaking an ongoing review to maximize the utilization of our acquired assets.

As part of this effort, we have identified a number of consolidation opportunities that have allowed us to maximize the use of our larger assets in order to more efficiently provide high-quality services for our customers and achieve economies of scale. We remain optimistic about the potential for continued revenue synergies under our expanded reentry and treatment services platform. We've identified a number of new business opportunities in our reentry segment, representing significant incremental annual revenue potential.

In terms of our youth services division, we have continued to experience stable utilization rates across our facilities during the first half of the year. Our youth segment has remained stable for several years after our team undertook a number of consolidation and marketing initiatives similar to our ongoing efforts in our reentry segment.

Moving to our BI electronic monitoring division, we experienced increased utilization of our ISAP contract with ICE during the second quarter, which we expect to carry over into the second half of the year. At the state and local level, BI continues to pursue a number of new business opportunities.

Finally, we remain very excited about the implementation and expansion of our GEO Continuum of Care programs. Our GEO Continuum of Care integrates enhanced in-custody rehabilitation programs, including cognitive behavioral treatment with post-release support services that address the basic community needs of released individuals. We have implemented GEO Continuum of Care programs at 18 facilities operated by GEO, including our Rivers Correctional Institution, which houses Washington D.C. individuals on behalf of the Federal Bureau of Prisons. We have already begun expanding these programs at additional correctional facilities and within our GEO reentry segment.

We believe that our focus on rehabilitation and recidivism reduction programs is in line with criminal justice and prison reform efforts being undertaken at the federal and state levels in the U.S. We expect that our efforts will allow us to pursue new quality growth opportunities across our diversified GEO Care divisions.

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

George C. Zoley

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

Thank you, Ann. We are pleased with our quarterly operational performance and our outlook for the balance of the year, which reflect improving trends across our diversified business segments. We are excited about the two facility activations in September, which include our new 1,000-bed ICE facility in Montgomery County, Texas, and the reactivation of our idle 661-bed Eagle Pass, Texas facility for Idaho out-of-state inmates.

We are participating in several active procurements which could result in the reactivation of additional idle facilities. We continue to carefully evaluate our capital allocation in order to enhance long-term value for our shareholders. We remain excited about the success of our Continuum of Care-enhanced rehabilitation program and its expansion into 18 GEO facilities involving tens of thousands of offenders.

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, I would like to thank all of our employees worldwide, whose dedication and professionalism has created GEO's success.

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

Question And Answer Section

Operator

And thank you. We will now begin our question-and-answer session. [Operator Instructions] The first question will come from Tobey Sommer with SunTrust. Please go ahead.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Hi. This is Kwan Kim on for Tobey. Thank you for taking the questions. First, could you talk about the potential shift in timeline of new opportunities that you have been seeing? Are there opportunities that got pushed into 2019 and vice versa on state, federal and international levels? Thank you.

George C. Zoley

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

Well, I don't think we said that. Nothing comes to mind. At the federal level, the BOP procurement side, I think we always said would come in the latter half of the year, and now, more specifically, in the fourth quarter, although we don't know for certain when they'll occur. They could occur tomorrow. All these are just guesses. And there's – the Scottish contract was always scheduled to begin, I believe, in January of next year. So, that hasn't changed. So other than those two areas, I'm not certain how better to address your question.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. And could you comment on the implications of the elevated levels of Southwest border crossings on additional new contract activity with ICE in the second half of 2018 and beyond?

George C. Zoley

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

Yeah. I think you've seen in the daily media stories about the increased number of illegal border crossings around the country, and this has resulted in ICE seeking out additional capacity both with governmental entities as well as the private sector. I think we've seen our colleagues in other companies announce new contracts with their companies. We've announced in today's call all additional contracts with our company and I think there is a growing trend this year compared to last year where ICE is actively seeking out additional capacity because of the increased illegal crossings, and we expect that trend to continue.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Got it. Thank you very much. [Operator Instructions]

Operator

The next question will be from Mark Strouse with JPMorgan. Please go ahead.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Good morning. Thanks for taking our questions. So Brian, I think a couple for you. The fiscal year 2018 revenue guidance, it looks like you took that up by about \$20 million, \$25 million from the prior range, but the earnings guidance for EBITDA and proforma EPS were just simply narrow towards the midpoint. Can you just kind of give us some more color there? Is that just being conservatism or is there something we should think with regards to expenses?

Brian R. Evans

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

No. I don't think there's anything specific with the expenses. I think it's just as the contracts that we discussed that are coming online during the late third quarter and early fourth quarter, those are really more ramp-up periods, and then, we would see the performance for those normalize next year. There will be some positive impacts from a margin perspective from them this year, but it's more, I think, it'll normalize next year. So, there's a little disconnect there as those projects start up.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Okay. That makes sense. Thank you. And then, just lastly, just doing the rough math on the number of shares that you bought back and the amount that you spent. Looks like you bought the shares back below \$23. Just kind of curious how we should think about the pace of buybacks now that the stock is north of \$25.

Brian R. Evans

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

We'll continue to monitor. I don't think we've set a specific price target where we'll buy shares or not buy shares. But we'll look at our capital requirements going forward and continue to monitor the stock price. I think – and if we think it makes sense opportunistically to repurchase stock again, then we'll continue that effort. But as you noted, we've made those purchases at a lower average price than where we are today.

Mark W. Strouse

Analyst, JPMorgan Securities LLC

Got it. Okay. Very helpful. Thank you.

Operator

Ladies and gentlemen, 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, The GEO Group, Inc.

Well, thank you for participating in this conference call. We look forward to addressing you in our next one.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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