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): February 14, 2019

THE GEO GROUP, INC.
(Exact Name of Registrant as Specified in 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 February 14, 2019, The GEO Group, Inc. ("GEO" or the "Company") issued a press release (the “Earnings Press Release”) announcing its financial results for the fourth quarter and year ended December 31, 2018, and issuing financial guidance for the full year and first quarter 2019. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on February 14, 2019 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 fourth quarter and year ended December 31, 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, gain/loss on real estate assets, pre-tax, 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 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, escrow releases, pre-tax, and close-out 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 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, escrow releases, pre-tax, close-out expenses, 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 real estate assets, pre-tax, loss on extinguishment of debt, , start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax, close-out expenses, 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 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 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, 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 2019, 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.

**Item 9.01. Financial Statements and Exhibits.**

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
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<tr>
<td>99.2</td>
<td>Transcript of Conference Call discussing GEO’s financial results for the fourth quarter and year ended December 31, 2018.</td>
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THE GEO GROUP REPORTS FOURTH QUARTER AND FULL-YEAR 2018 RESULTS

Boca Raton, Fla. — February 14, 2019 — 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 fourth quarter and full-year 2018.

Fourth Quarter 2018 Highlights

- Net Income Attributable to GEO of $33.4 million or $0.28 per diluted share
- Adjusted Net Income of $0.36 per diluted share
- Net Operating Income of $155.3 million
- Normalized FFO of $0.51 per diluted share
- AFFO of $0.65 per diluted share

GEO reported fourth quarter 2018 net income attributable to GEO of $33.4 million, or $0.28 per diluted share, compared to $36.4 million, or $0.30 per diluted share, for the fourth quarter 2017. GEO reported total revenues for the fourth quarter 2018 of $599.4 million up from $569.0 million for the fourth quarter 2017.

Fourth quarter 2018 results reflect the following pre-tax items: $2.5 million in start-up expenses primarily related to the activation of the company-owned, 1,000-bed Montgomery ICE Processing Center in Texas and the company-owned, 661-bed Eagle Pass Correctional Facility in Texas; a $1.6 million loss on real estate assets; $4.2 million in close-out expenses primarily related to the previously disclosed reorganization of reentry operations in Pennsylvania and the previously announced transition of the Parklea Correctional Centre in Australia to a new operator; and $2.6 million in legal related expenses, which are expected to be non-recurring. Excluding these items, GEO reported fourth quarter 2018 Adjusted Net Income of $43.0 million, or $0.36 per diluted share.

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Contact: Pablo E. Paez

(866) 301 4436
GEO reported fourth quarter 2018 Normalized Funds From Operations (“Normalized FFO”) of $61.1 million, or $0.51 per diluted share, compared to $63.8 million, or $0.52 per diluted share, in the fourth quarter 2017. GEO reported fourth quarter 2018 Adjusted Funds From Operations (“AFFO”) of $78.0 million, or $0.65 per diluted share, compared to $82.0 million, or $0.67 per diluted share, in the fourth quarter 2017.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said, “We are pleased with the progress we made in 2018 and the financial and operational milestones achieved by our diversified business units during the year. We are particularly proud of the continued success of our GEO Continuum of Care, which has now expanded to 18 GEO-managed facilities and is delivering enhanced rehabilitation programs and post-release support services to tens of thousands of individuals in our care. We continue to be optimistic about our ability to pursue quality growth opportunities, and our management team remains focused on effectively allocating capital to enhance long-term value for our shareholders.”

**Full-Year 2018 Highlights**

- Net Income Attributable to GEO of $145.1 million or $1.20 per Diluted Share
- Adjusted Net Income of $1.36 per Diluted Share
- Net Operating Income of $618.3 million
- Normalized FFO of $1.94 per Diluted Share
- AFFO of $2.47 per Diluted Share

For the full-year 2018, GEO reported net income attributable to GEO of $145.1 million, or $1.20 per diluted share, compared to $146.2 million, or $1.21 per diluted share, for the full-year 2017. GEO reported total revenues for the full-year 2018 of $2.33 billion up from $2.26 billion for the full-year 2017.

Full-year 2018 results reflect the following pre-tax items: $6.6 million in start-up expenses; $4.3 million loss on real estate assets; $4.2 million in close-out expenses; $7.1 million in legal related expenses; $0.3 million net charge related to the Tax Cuts and Jobs Act; and $0.6 million loss on extinguishment of debt. These items were partially offset by $2.3 million in escrow releases, pre-tax. Excluding these items, GEO reported Adjusted Net Income of $164.0 million, or $1.36 per diluted share for the full-year 2018.

For the full-year 2018, GEO reported Normalized FFO of $234.3 million, or $1.94 per diluted share, compared to $236.1 million, or $1.95 per diluted share, for the full-year 2017. For full-year 2018, GEO reported AFFO of $297.8 million, or $2.47 per diluted share, compared to $307.7 million, or $2.55 per diluted share, for the full-year 2017.

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**Contact:** Pablo E. Paez  
Executive Vice President, Corporate Relations  
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GEO Continuum of Care Highlights

In January 2018, the GEO Continuum of Care received the prestigious “Innovation in Corrections” Award at the American Correctional Association Winter Conference in Orlando, Florida. The GEO Continuum of Care integrates enhanced in-custody rehabilitation programming, including cognitive behavioral treatment, with post-release support services. To date, the GEO Continuum of Care has been expanded to 18 GEO-managed facilities.

During 2018, GEO Continuum of Care programs achieved several important milestones:

- Completed more than 6.7 million hours of rehabilitation programming
- Averaged approximately 13,000 daily participants in academic programs
- Awarded 2,779 GEDs and high school equivalency degrees
- Averaged more than 32,000 daily participants in vocational training programs
- Awarded 9,131 vocational training certifications
- Averaged approximately 18,000 daily participants in substance abuse treatment programs
- Awarded 8,842 substance abuse treatment program completions

Quarterly Dividend

On February 4, 2019, GEO’s Board of Directors declared a quarterly cash dividend of $0.48 per share. The quarterly cash dividend will be paid on February 22, 2019 to shareholders of record as of the close of business on February 15, 2019. 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.

Stock Repurchase Program

During the fourth quarter 2018, GEO repurchased approximately 1.1 million shares of its common stock for approximately $24.7 million. During 2018, GEO repurchased approximately 4.2 million shares of its common stock for approximately $95.2 million under the $200 million stock repurchase program approved by GEO’s Board of Directors, which is effective through October 20, 2020.

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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          Executive Vice President, Corporate Relations

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2019 Financial Guidance

GEO issued its initial financial guidance for the full-year and first quarter 2019. GEO expects full-year 2019 total revenue to be approximately $2.4 billion. GEO expects full-year 2019 Net Income Attributable to GEO to be in a range of $1.27 to $1.37 per diluted share. GEO expects full-year 2019 AFFO to be in a range of $2.50 to $2.60 per diluted share.

GEO’s full-year 2019 guidance reflects a year-over-year increase of approximately $16 million in net interest expense and a year-over-year increase of approximately $4 million in income taxes. Full-year 2019 guidance does not assume the reactivation of GEO’s approximately 4,700 idle beds or any additional share repurchases under GEO’s share repurchase program.

GEO expects full-year 2019 Adjusted EBITDA to be in a range of $464 million to $476 million dollars, representing a year-over-year increase from 2018 of approximately five to seven percent.

For the first quarter 2019, GEO expects total revenues to be in a range of $601 million to $606 million. GEO expects first quarter 2019 Net Income Attributable to GEO to be in a range of $0.28 to $0.30 per diluted share and AFFO to be in a range of $0.59 to $0.61 per diluted share.

In addition to the items impacting full-year 2019 guidance, compared to fourth quarter 2018 results, first quarter 2019 guidance reflects approximately $0.03 per diluted share in additional employment tax expense as a result of the seasonality in unemployment taxes, which are front-loaded in the first quarter of the year.

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 EBITDAre (EBITDA for real estate) and Adjusted EBITDAre (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 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 available on GEO’s investor 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 fourth quarter and full-year 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 February 28, 2019 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10128563.

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Contact:  Pablo E. Paez
Executive 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 135 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 2019, 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.

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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 full year and first quarter 2019, the assumptions underlying such guidance, the continued expansion and success of our GEO Continuum of Care, and statements regarding growth opportunities and allocation of capital to enhance long-term value for our shareholders. 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 2019 given the various risks to which its business is exposed; (2) GEO’s ability to implement its 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.

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations
Fourth quarter and full-year 2018 financial tables to follow:

**Condensed Consolidated Balance Sheets**
*(Unaudited)*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>As of December 31, 2018 (unaudited)</th>
<th>As of December 31, 2017 (unaudited)</th>
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<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$31,255</td>
<td>$81,377</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>51,678</td>
<td>44,932</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for doubtful accounts</td>
<td>445,526</td>
<td>389,916</td>
</tr>
<tr>
<td>Contract receivable, current portion</td>
<td>15,335</td>
<td>18,142</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>47,113</td>
<td>45,342</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$591,107</strong></td>
<td><strong>$579,709</strong></td>
</tr>
<tr>
<td>Restricted Cash and Investments</td>
<td>22,431</td>
<td>27,999</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>2,158,610</td>
<td>2,078,123</td>
</tr>
<tr>
<td>Contract Receivable</td>
<td>368,178</td>
<td>404,309</td>
</tr>
<tr>
<td>Assets Held for Sale</td>
<td>2,634</td>
<td>3,915</td>
</tr>
<tr>
<td>Deferred Income Tax Assets</td>
<td>29,924</td>
<td>26,277</td>
</tr>
<tr>
<td>Intangible Assets, Net (including goodwill)</td>
<td>1,008,719</td>
<td>1,034,290</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>65,860</td>
<td>72,286</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$4,247,463</strong></td>
<td><strong>$4,226,908</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$93,032</td>
<td>$92,587</td>
</tr>
<tr>
<td>Accrued payroll and related taxes</td>
<td>76,009</td>
<td>71,732</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>193,515</td>
<td>176,324</td>
</tr>
<tr>
<td>Current portion of capital lease obligations, long-term debt, and non-recourse debt</td>
<td>332,027</td>
<td>28,920</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$694,583</strong></td>
<td><strong>$369,563</strong></td>
</tr>
<tr>
<td>Deferred Income Tax Liabilities</td>
<td>13,681</td>
<td>8,757</td>
</tr>
<tr>
<td>Other Non-Current Liabilities</td>
<td>82,481</td>
<td>96,702</td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>4,570</td>
<td>6,059</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>2,397,227</td>
<td>2,181,544</td>
</tr>
<tr>
<td>Non-Recourse Debt</td>
<td>15,017</td>
<td>365,364</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td><strong>1,039,904</strong></td>
<td><strong>1,198,919</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td><strong>$4,247,463</strong></td>
<td><strong>$4,226,908</strong></td>
</tr>
</tbody>
</table>

* all figures in ‘000s

---

**Contact:** Pablo E. Paez  
Executive Vice President, Corporate Relations  
(866) 301 4436
Condensed Consolidated Statements of Operations*  
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Q4 2018 (unaudited)</th>
<th>Q4 2017 (unaudited)</th>
<th>FY 2018 (unaudited)</th>
<th>FY 2017 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$599,430</td>
<td>$568,977</td>
<td>$2,331,386</td>
<td>$2,263,420</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>456,460</td>
<td>424,209</td>
<td>1,755,772</td>
<td>1,700,495</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>31,898</td>
<td>31,833</td>
<td>126,434</td>
<td>124,297</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>47,588</td>
<td>46,477</td>
<td>184,515</td>
<td>190,343</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>63,484</td>
<td>66,458</td>
<td>264,665</td>
<td>248,285</td>
</tr>
<tr>
<td>Interest income</td>
<td>8,560</td>
<td>12,705</td>
<td>34,755</td>
<td>51,676</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(39,324)</td>
<td>(38,322)</td>
<td>(150,103)</td>
<td>(148,024)</td>
</tr>
<tr>
<td><strong>Income before income taxes and equity in earnings of affiliates</strong></td>
<td>32,720</td>
<td>40,841</td>
<td>149,317</td>
<td>151,937</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>1,924</td>
<td>12,368</td>
<td>14,117</td>
<td>17,958</td>
</tr>
<tr>
<td>Equity in earnings of affiliates, net of income tax provision</td>
<td>2,557</td>
<td>7,790</td>
<td>9,627</td>
<td>12,045</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>33,353</td>
<td>36,263</td>
<td>144,827</td>
<td>146,024</td>
</tr>
<tr>
<td><strong>Net income attributable to The GEO Group, Inc.</strong></td>
<td>$33,392</td>
<td>$36,357</td>
<td>$145,089</td>
<td>$146,241</td>
</tr>
<tr>
<td>Weighted Average Common Shares Outstanding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>119,273</td>
<td>122,286</td>
<td>120,241</td>
<td>120,095</td>
</tr>
<tr>
<td>Diluted</td>
<td>119,861</td>
<td>122,919</td>
<td>120,747</td>
<td>120,814</td>
</tr>
<tr>
<td><strong>Income per Common Share Attributable to The GEO Group, Inc.:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share — basic</td>
<td>$0.28</td>
<td>$0.30</td>
<td>$1.21</td>
<td>$1.22</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share — diluted</td>
<td>$0.28</td>
<td>$0.30</td>
<td>$1.20</td>
<td>$1.21</td>
</tr>
<tr>
<td>Regular Dividends Declared per Common Share</td>
<td>$0.47</td>
<td>$0.47</td>
<td>$1.88</td>
<td>$1.88</td>
</tr>
</tbody>
</table>

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

--- More ---

Contact:  Pablo E. Paez  
Executive Vice President, Corporate Relations (866) 301 4436
Reconciliation of Net Income Attributable to GEO to Adjusted Net Income
(In thousands, except per share data)(Unaudited)

<table>
<thead>
<tr>
<th>Net Income attributable to GEO</th>
<th>Q4 2018</th>
<th>Q4 2017</th>
<th>FY 2018</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income attributable to GEO</td>
<td>$33,392</td>
<td>$36,357</td>
<td>$145,089</td>
<td>$146,241</td>
</tr>
</tbody>
</table>

Add (Subtract):
- Net Tax Cuts and Jobs Act Impact: $-9,584
- Loss on extinguishment of debt: $574
- Start-up expenses, pre-tax: $2,473
- Loss on extinguishment of debt: $-6,632
- M&A related expenses, pre-tax: $1,129
- Legal related expenses, pre-tax: $7,147
- Escrow releases, pre-tax: $-2,273
- Close-out expenses, pre-tax: $4,245
- Gain/Loss on real estate assets, pre-tax: $4,347
- Tax effect of adjustments to Net Income attributable to GEO: $(2,031)

Adjusted Net Income: $43,011

| Weighted average common shares outstanding - Diluted | 119,861 | 122,919 | 120,747 | 120,814 |

Adjusted Net Income Per Diluted Share: $0.36

Contact: Pablo E. Paez
Executive Vice President, Corporate Relations
(866) 301 4436

— More —
## Reconciliation of Net Income Attributable to GEO to FFO, Normalized FFO, and AFFO*
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Q4 2018 (unaudited)</th>
<th>Q4 2017 (unaudited)</th>
<th>FY 2018 (unaudited)</th>
<th>FY 2017 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 33,392</td>
<td>$ 36,357</td>
<td>$ 145,089</td>
<td>$ 146,241</td>
</tr>
<tr>
<td>Add (Subtract):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Related Depreciation and Amortization</td>
<td>18,061</td>
<td>$ 17,005</td>
<td>$ 70,592</td>
<td>$ 65,723</td>
</tr>
<tr>
<td>Gain/Loss on real estate assets **</td>
<td>1,646</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Equals: NAREIT defined FFO</strong></td>
<td>$ 53,099</td>
<td>$ 53,362</td>
<td>$ 220,028</td>
<td>$ 211,703</td>
</tr>
<tr>
<td>Add (Subtract):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Tax Cuts and Jobs Act Impact</td>
<td>—</td>
<td>9,584</td>
<td>304</td>
<td>9,584</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>—</td>
<td>—</td>
<td>574</td>
<td>—</td>
</tr>
<tr>
<td>Start-up expenses, pre-tax</td>
<td>2,473</td>
<td>—</td>
<td>6,290</td>
<td>—</td>
</tr>
<tr>
<td>M&amp;A related expenses, pre-tax</td>
<td>—</td>
<td>1,129</td>
<td>—</td>
<td>19,059</td>
</tr>
<tr>
<td>Legal related expenses, pre-tax</td>
<td>2,647</td>
<td>—</td>
<td>7,147</td>
<td>—</td>
</tr>
<tr>
<td>Escrow releases, pre-tax</td>
<td>—</td>
<td>—</td>
<td>(2,273)</td>
<td>—</td>
</tr>
<tr>
<td>Close-out expenses, pre-tax</td>
<td>4,245</td>
<td>—</td>
<td>4,245</td>
<td>—</td>
</tr>
<tr>
<td>Tax Effect of adjustments to Funds From Operations ***</td>
<td>(1,392)</td>
<td>(321)</td>
<td>(2,031)</td>
<td>(4,274)</td>
</tr>
<tr>
<td><strong>Equals: FFO, normalized</strong></td>
<td>$ 61,072</td>
<td>$ 63,754</td>
<td>$ 234,293</td>
<td>$ 236,072</td>
</tr>
<tr>
<td>Add (Subtract):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Real Estate Related Depreciation &amp; Amortization</td>
<td>13,837</td>
<td>14,828</td>
<td>55,842</td>
<td>58,574</td>
</tr>
<tr>
<td>Consolidated Maintenance Capital Expenditures</td>
<td>(5,077)</td>
<td>(6,192)</td>
<td>(22,638)</td>
<td>(23,371)</td>
</tr>
<tr>
<td>Stock Based Compensation Expenses</td>
<td>5,699</td>
<td>4,992</td>
<td>22,049</td>
<td>19,844</td>
</tr>
<tr>
<td>Amortization of debt issuance costs, discount and/or premium and other non-cash interest</td>
<td>2,422</td>
<td>4,618</td>
<td>8,282</td>
<td>16,540</td>
</tr>
<tr>
<td><strong>Equals: AFFO</strong></td>
<td>$ 77,953</td>
<td>$ 82,000</td>
<td>$ 297,828</td>
<td>$ 307,659</td>
</tr>
</tbody>
</table>

Weighted average common shares outstanding - Diluted

|                     | 119,861 | 122,919 | 120,747 | 120,814 |

**FFO/AFFO per Share - Diluted**

<table>
<thead>
<tr>
<th></th>
<th>FFO Per Diluted Share</th>
<th>AFFO Per Diluted Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normalized FFO Per Diluted Share</td>
<td>$ 0.51</td>
<td>$ 0.52</td>
</tr>
<tr>
<td>AFFO Per Diluted Share</td>
<td>$ 0.65</td>
<td>$ 0.67</td>
</tr>
</tbody>
</table>

Regular Common Stock Dividends per common share

|                     | $ 0.47 | $ 0.47 | $ 1.88 | $ 1.88 |

---

* all figures in ‘000s, except per share data
** no tax impact
*** tax adjustments related to Start-up, M&A, Legal expenses, Escrow releases, and Close-out expenses

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---

**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)

<table>
<thead>
<tr>
<th></th>
<th>Q4 2018 (unaudited)</th>
<th>Q4 2017 (unaudited)</th>
<th>FY 2018 (unaudited)</th>
<th>FY 2017 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income attributable to GEO</strong></td>
<td>$33,392</td>
<td>$36,357</td>
<td>$145,089</td>
<td>$146,241</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to noncontrolling interests</td>
<td>39</td>
<td>94</td>
<td>262</td>
<td>217</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$33,353</td>
<td>$36,263</td>
<td>$144,827</td>
<td>$146,024</td>
</tr>
<tr>
<td><strong>Add (Subtract):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of affiliates, net of income tax provision</td>
<td>(2,557)</td>
<td>(7,790)</td>
<td>(9,627)</td>
<td>(12,045)</td>
</tr>
<tr>
<td>Income tax provision</td>
<td>1,924</td>
<td>12,368</td>
<td>14,117</td>
<td>17,958</td>
</tr>
<tr>
<td>Interest expense, net of interest income</td>
<td>30,763</td>
<td>25,617</td>
<td>114,774</td>
<td>96,348</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>—</td>
<td>—</td>
<td>574</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>31,898</td>
<td>31,833</td>
<td>126,434</td>
<td>124,297</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>47,588</td>
<td>46,477</td>
<td>184,515</td>
<td>190,343</td>
</tr>
<tr>
<td><strong>Net Operating Income, net of operating lease obligations</strong></td>
<td>$142,969</td>
<td>$144,768</td>
<td>$575,614</td>
<td>$562,925</td>
</tr>
<tr>
<td><strong>Add:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease expense, real estate</td>
<td>8,485</td>
<td>7,884</td>
<td>32,290</td>
<td>29,996</td>
</tr>
<tr>
<td>Gain/Loss on real estate assets, pre-tax</td>
<td>1,646</td>
<td>—</td>
<td>4,347</td>
<td>(261)</td>
</tr>
<tr>
<td>Start-up expenses, pre-tax</td>
<td>2,473</td>
<td>—</td>
<td>6,299</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td>$155,573</td>
<td>$152,652</td>
<td>$618,550</td>
<td>$592,660</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$33,353</td>
<td>$36,263</td>
<td>$144,827</td>
<td>$146,024</td>
</tr>
<tr>
<td><strong>Add (Subtract):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax provision **</td>
<td>2,176</td>
<td>6,884</td>
<td>15,005</td>
<td>14,259</td>
</tr>
<tr>
<td>Interest expense, net of interest income ***</td>
<td>30,763</td>
<td>25,617</td>
<td>115,348</td>
<td>96,348</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>31,898</td>
<td>31,833</td>
<td>126,434</td>
<td>124,297</td>
</tr>
<tr>
<td>Gain/Loss on real estate assets, pre-tax</td>
<td>1,646</td>
<td>—</td>
<td>4,347</td>
<td>(261)</td>
</tr>
<tr>
<td><strong>EBITDAre</strong></td>
<td>$99,836</td>
<td>$100,597</td>
<td>$405,961</td>
<td>$380,667</td>
</tr>
<tr>
<td><strong>Add (Subtract):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss attributable to noncontrolling interests</td>
<td>39</td>
<td>94</td>
<td>262</td>
<td>217</td>
</tr>
<tr>
<td>Stock based compensation expenses, pre-tax</td>
<td>5,699</td>
<td>4,992</td>
<td>22,049</td>
<td>19,844</td>
</tr>
<tr>
<td>M&amp;A related expenses, pre-tax</td>
<td>—</td>
<td>1,129</td>
<td>—</td>
<td>19,059</td>
</tr>
<tr>
<td>Start-up expenses, pre-tax</td>
<td>2,473</td>
<td>—</td>
<td>6,299</td>
<td>—</td>
</tr>
<tr>
<td>Legal related expenses, pre-tax</td>
<td>2,647</td>
<td>—</td>
<td>7,147</td>
<td>—</td>
</tr>
<tr>
<td>Escrow Releases, pre-tax</td>
<td>—</td>
<td>—</td>
<td>(2,273)</td>
<td>—</td>
</tr>
<tr>
<td>Close-out expenses, pre-tax</td>
<td>4,245</td>
<td>—</td>
<td>4,245</td>
<td>—</td>
</tr>
<tr>
<td><strong>Adjusted EBITDAre</strong></td>
<td>$114,939</td>
<td>$106,812</td>
<td>$443,690</td>
<td>$419,787</td>
</tr>
</tbody>
</table>

* 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
## 2019 Outlook/Reconciliation

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

<table>
<thead>
<tr>
<th>FY 2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Attributable to GEO</td>
<td>$152,000 to $164,000</td>
</tr>
<tr>
<td>Real Estate Related Depreciation and Amortization</td>
<td>77,000 to 77,000</td>
</tr>
<tr>
<td><strong>Funds from Operations (FFO)</strong></td>
<td>$229,000 to $241,000</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
</tr>
<tr>
<td>Normalized Funds from Operations</td>
<td>$229,000 to $241,000</td>
</tr>
<tr>
<td>Non-Real Estate Related Depreciation and Amortization</td>
<td>61,000 to 61,000</td>
</tr>
<tr>
<td>Consolidated Maintenance Capex</td>
<td>(28,000) to (28,000)</td>
</tr>
<tr>
<td>Non-Cash Stock Based Compensation</td>
<td>24,000 to 24,000</td>
</tr>
<tr>
<td>Non-Cash Interest Expense</td>
<td>12,500 to 12,500</td>
</tr>
<tr>
<td><strong>Adjusted Funds From Operations (AFFO)</strong></td>
<td>$298,500 to $310,500</td>
</tr>
<tr>
<td>Net Interest Expense</td>
<td>131,000 to 131,000</td>
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<tr>
<td>Non-Cash Interest Expense</td>
<td>(12,500) to (12,500)</td>
</tr>
<tr>
<td>Consolidated Maintenance Capex</td>
<td>28,000 to 28,000</td>
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<tr>
<td>Income Taxes</td>
<td>19,000 to 19,000</td>
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<tr>
<td><strong>Adjusted EBITDAre</strong></td>
<td>$464,000 to $476,000</td>
</tr>
<tr>
<td>G&amp;A Expenses</td>
<td>183,000 to 183,000</td>
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<tr>
<td>Non-Cash Stock Based Compensation</td>
<td>(24,000) to (24,000)</td>
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<tr>
<td>Equity in Earnings of Affiliates</td>
<td>(9,000) to (9,000)</td>
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<tr>
<td>Real Estate Related Operating Lease Expense</td>
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<tr>
<td>Net Operating Income</td>
<td>$646,000 to $658,000</td>
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<tr>
<td>Net Income Attributable to GEO Per Diluted Share</td>
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<tr>
<td>AFFO Per Diluted Share</td>
<td>$2.50 to $2.60</td>
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<tr>
<td>Weighted Average Common Shares Outstanding-Diluted</td>
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</tbody>
</table>

- End -

Contact: Pablo E. Paez  
Executive Vice President, Corporate Relations  
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### 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  
Senior Vice President & President, GEO Care, The GEO Group, Inc.

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

**OTHER PARTICIPANTS**

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

Mark W. Strouse  
Analyst, JPMorgan Securities LLC

Kevin A. McClure  
Analyst, Wells Fargo Securities LLC
Good morning and welcome to The GEO Group Fourth Quarter 2018 Earnings Conference Call. All participants will be in listen-only mode. After today’s presentation, there will be an opportunity to ask questions. Please note, this event is being recorded.

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

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 fourth quarter and full year 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 and Detention.

This morning, we will discuss our fourth quarter and full year 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 Investor 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 that was 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 overall operational and financial results during the very active fourth quarter of 2018. We completed the startup and activation of two important projects in Texas. First our company-owned and newly renovated 661-bed Eagle Pass Facility, completed the intake of out-of-state inmates under a two year contract with the state of Idaho. And, second, our new $120 million company-owned 1,000-bed Montgomery Processing Center completed the intake process under a 10-year contract with ICE.

Throughout the entire year, our diversified business units focused on delivering high quality services for our customers and achieved several important operational milestones. The GEO Corrections & Detention business units served over 300,000 individuals throughout 2018, while managing an average daily population of more than 60,000 in the United States.

The GEO Care business unit served approximately 700,000 individuals during the year, while managing an average daily census of more than 200,000 program participants. On a combined basis our employees, facilities and programs served approximately 1 million individuals during 2018. This past year was also the most active with respect to contract renewals and extensions in our company’s history.

During 2018, we successfully executed contract renewals or extensions for approximately 22,000 beds in the U.S. and overseas. Additionally, we were awarded expansions at five facilities involving approximately 1,800 beds in the U.S. and Australia. We also continue to be pleased with the implementation and expansion of our GEO Continuum of Care programs. We have now rolled out our Continuum of Care program to 18 facilities in the U.S. and internationally.

GEO presently provides an annual funding commitment of $10 million for the Continuum of Care program. During 2018, our Continuum of Care sites, delivered approximately 6.7 million hours of programming, while awarding close to 2,800 high school equivalency degrees more than 9,100 vocational training certifications and over 8,800 substance abuse treatment completions.

As we have previously discussed in 2018, the GEO Continuum of Care program received the Innovation in Corrections Award from The American Correctional Association. We are extremely proud of this important recognition and believe that our GEO Continuum of Care program will continue to set GEO apart as the industry’s leading provider of offender rehabilitation and post-release support programs.

Looking forward to 2019, while we continue to expect some headwinds related to higher interest rates, we believe, our core business remained stable and our dividend payments are supported by predictable operational cash flows.

We have issued our initial guidance for 2019, which reflects year-over-year growth in our adjusted EBITDA and provides assurance for the sustainability of our dividend, which remains well within our guided payout ratio of 75% to 80% of AFFO. We also remain optimistic about our ability to pursue growth opportunities across our diversified platform of real estate management and rehabilitation solutions.

We have taken note of the Homeland Security budget compromise, which increases the budget authority for detention capacity from approximately 40,500 beds to approximately 45,300 beds with the ability for the administration to further increase total detention capacity by reallocating funds from other accounts. This new budget authority may provide additional opportunities for our company this year.

Further, there are two active procurements, we are participating in for the Federal Bureau of Prisons totaling close to 12,000 beds. While the timing of these procurements was impacted by the recent government shutdown, we still expect contracts to be awarded during this year, which could result in upside to our initial guidance.

Finally, our board of directors and management team remain focused on the effective allocation of capital to enhance long-term value for our shareholders. As we have expressed in the past, we recognize that we can enhance shareholder value with stock repurchases at times when we believe our stock is undervalued.

During the fourth quarter, we repurchased approximately 1.1 million shares for $24.7 million. We currently have approximately $105 million available in capacity under the two-year stock repurchase program that was authorized by our board last year.
At this time, I’ll ask our CFO, Brian Evans to review our quarterly results and outlook. Brian?

**Brian R. Evans**

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

Thank you, George. Good morning, everyone. Today we reported fourth quarter net income attributable to GEO of $0.28 per diluted share and quarterly revenues of approximately $599 million. Our fourth quarter results reflect the following pre-tax items, a $1.6 million loss on real estate assets, approximately half of which relates to close out of smaller GEO Care facilities primarily in Pennsylvania and the balance to losses caused by Hurricane Michael in Florida.

$4.2 million in non-recurring close-out expenses primarily related to the previously disclosed reorganization of our reentry operations in Pennsylvania, and the previously announced transition of the Parklea Correctional Centre in Australia to a new operator. $2.5 million in startup expenses associated with the activation of the new 1,000-bed Montgomery ICE Processing Center and the previously idle, 661-bed Eagle Pass Correctional Facility in Texas. And $2.6 million in legal expenses related to some of our federal contracts, which have been ongoing for some time across several states.

During the fourth quarter, we recognized or reorganized our legal representation and strategy with respect to certain legal cases and incurred one-time legal transition expenses. We believe, we have adequately accounted for known legal cases in our guidance for 2019. Excluding these items, we reported adjusted net income of $0.36 and AFFO of $0.65 per diluted share. Compared to the same period of last year, our fourth quarter 2018 results reflect the following items. The startup costs for the activation of Ravenhall Australia Correctional Centre in November 2017.

The startup cost for the activation of a previously idle 338-bed annex at our Folkston ICE Processing Center in Georgia, in July 2018. The startup costs for the activation of the previously idle 661-bed Eagle Pass Texas facility with the state of Idaho in August 2018.

Startup costs for the activation of the new 1,000-bed Montgomery ICE Processing Center in September 2018, a year-over-year increase of approximately $5 million in net interest expense attributable to higher interest rates as well as higher overall outstanding debt balances and 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, of 2017.

Moving to our outlook this morning we issued our initial guidance for the full year and first quarter of 2019. We expect our full year net income attributable to GEO to be in a range of a $1.27 to $1.37 per diluted share on revenues of approximately $2.4 billion.

We expect our full year AFFO to be in a range of $2.50 to $2.60 per diluted share. Our guidance for 2019 reflect several expected positive items including continued elevated utilization rates across our ICE facilities as well as our ISAP contract with ICE. Normalized profitability at the Montgomery ICE Processing Center in Texas, normalized profitability at the Eagle Pass Texas facility for out-of-state Idaho inmates, normalized profitability from the expanded bed capacity at the Folkston, Georgia and Aurora, Colorado ICE facilities. And increased profitability from our Pennsylvania reentry centers as a result of our operational consolidation and reorganization during the fourth quarter 2018.

These positive operational items are partially offset by the continued impact of higher interest rates with our full-year guidance for 2019, reflecting a year-over-year increase of approximately $16 million in higher net interest expense. Approximately, two-thirds of this increase is directly related to a higher interest rates with the rest being attributable to increased overall outstanding debt balances, compared to 2018.
Our full year 2019 guidance also reflects a year-over-year increase of approximately $4 million in income taxes attributable to a higher share of earnings coming from our taxable REIT subsidiary.

We expect full year 2019 adjusted EBITDA to be in a range of $464 million to $476 million, representing a year-over-year increase from 2018 of approximately 6% at the midpoint of our guidance. Our guidance does not reflect any additional share buybacks under our current share repurchase program. Additionally, our guidance does not presently assume the reactivation of our approximately 4,700 idle beds, which could represent upside to our outlook.

Of note, the payments under our operating lease agreement for the idle 1,250-bed Hudson, Colorado facility conclude at the end of 2019. We inherited the operating lease agreement for the Hudson facility as part of our acquisition of Cornell Companies in 2010. The Hudson facility was not built by GEO, it was developed by Cornell Companies on a speculative basis before our acquisition and it has always been owned by a third-party REIT. The expiration of the operating lease obligation will result in annual cash flow savings of $10 million for GEO beginning in 2020.

For the first quarter 2019, we expect net income attributable to GEO to be in a range of $0.28 to $0.30 per diluted share on revenues of $601 million to $606 million. We expect our first quarter 2019 AFFO to be between $0.59 and $0.61 per diluted share. Compared to fourth quarter 2018, our first quarter 2019 guidance reflects approximately $0.03 per diluted share and additional employment taxes, which are front loaded in the first quarter of each year.

Looking at our liquidity position, we have approximately $350 million in available capacity under our revolving credit facility. In addition to an accordion feature of $450 million under our credit facility.

Turning to our uses of cash, our growth CapEx is expected to be approximately $50 million in 2019. We also have approximately $15 million in scheduled annual principal payments of debt. Earlier this month our board increased the quarterly cash dividend to $0.48 per share or $1.92 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 stable and predictable operational cash flows.

Finally, we also recognized that we can enhance our shareholders value with the repurchase of common shares at times when we believe our stock is undervalued. During the full year of 2018, we repurchased 4.2 million shares for approximately $95 million, bringing our outstanding diluted share count to approximately 119.5 million shares. We expect to continue to implement this program opportunistically. We currently have approximately $105 million in available capacity under our current stock repurchase program, which expires in October 2020.

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. During the fourth quarter our GEO Corrections & Detention business unit completed the ramp up in activation of two important projects in Texas. First at the state level, we completed the intake of out-of-state inmates from the State of Idaho at our company-owned 661-bed Eagle Pass Correctional Facility. We have a two-year contract with the Idaho Department of Correction for the housing of approximately 700 medium security inmates at the Eagle Pass facility and our company-owned Karnes Correctional Center also in Texas. This contract is expected to generate approximately $17 million in annualized revenue.

At the federal level, we completed the activation of our new company-owned 1,000-bed Montgomery ICE Processing Center. The Montgomery facility is approximately 400,000 square feet, designed to withstand a Category 5 hurricane, provides office space for 170 ICE staff and can serve as an emergency command center. At a capital cost of approximately $120 million, the Montgomery ICE Processing Center is GEO’s most expensive facility investment and is expected to generate approximately $44 million in annualize revenues under a 10-year contract with ICE. Also during the fourth quarter, we undertook a significant effort to repair the GEO-managed 985-bed Bay Correctional and Rehabilitation Facility in Florida.
As we had updated you last quarter, the Bay Facility sustained significant damage from Hurricane Michael, and as a result had to be depopulated in October of 2018. We’re extremely pleased to report that GEO successfully completed all the necessary repair work to bring the Bay Facility back online and began repopulating the facility in early January 2019. This significant effort was completed in record time, in less than 90 days and included reroofing the entire facility, installing all new HVAC systems and completing all emergency repairs and improvements. During this time period, we continued to retain all the employees and also provided necessary financial and housing assistance.

Moving to our operational highlights for 2018, our GEO Corrections & Detention business unit achieved several important milestones. We served over 300,000 individuals during the year with an average daily census of more than 60,000 in the United States. Also our facilities successfully completed more than 150 audits by entities such as The American Correctional Association, The National Commission on Correctional Healthcare and several other entities, 19 of our correctional and detention facilities received accreditation from The American Correctional Association, with an average accreditation score in excess of 99.4% and seven of these facilities achieved a perfect to accreditation score of 100%.

Looking at our state segment, our nine state correctional customers had stable budgets and our facilities have been able to provide high quality services without being impacted by budgetary constraints. Across these state customers, we have been expanding the delivery of our GEO Continuum of Care programs, which have been now launched in 15 GEO state correctional facilities. We are excited about the opportunity to expand our relationships within those states and we also remain very 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 relating 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.

Moving to our federal segment, all three of the agencies we provide services to were impacted by the recent government shutdown, which was the longest in our nation’s history, while as a federal contractor, we did not receive any contractual payments during this shutdown, our facilities and services continued uninterrupted and we did not experience any operational challenges. Since the reopening of government, we have received payments from our federal customers under the continuing resolution, which continues through February 15. As has been publicly reported this week, congressional negotiators reached an agreement on a spending bill that would fund the government, including The Department of Homeland Security through the end of the fiscal year on September 30. Under this bipartisan bill, ICE would receive funding to support an average annual capacity of approximately 45,300 detention beds, which represents an increase of approximately 5,000 beds from the 40,500 beds that were funded during the prior fiscal year. The bill would also allow The Department of Homeland Security to further increase total [indiscernible] (00:21:41) detention capacity by reallocating funds from other accounts. This may provide additional opportunities for GEO during 2019.

Moving to pending federal procurements, a contract decision on the two active solicitations by the Federal Bureau of Prisons has been delayed as a result of the government shutdown. However, we continue to expect contract announcements during 2019. As a reminder, these two procurements are for the exclusive housing of criminal aliens.

Under the CAR 19 procurement, the Bureau of Prisons expects to award up to 9,500 beds at existing facilities. We expect contract award announcements to be made by the BOP during the second quarter of 2019. And under the CAR 18 solicitation, the BOP is rebidding the management contract for the government-owned 2,355-bed Taft, California facility. On February 1, the BOP awarded a one-year extension of the current contract, thereby delaying the CAR 18 award to the latter part of 2019.

Moving to our international markets during 2018, we completed the first year of operations at the Ravenhall Correctional Centre in Australia. The Ravenhall Centre initially housed 1,000 inmates when it opened in late 2017, and began ramping up 300 additional beds in late 2018, bringing its total contract capacities to 1,300 beds. Further, we are in negotiations for an additional 300-bed expansion for the Ravenhall Centre.
Late last year, we also announced a five-year contract extension for the continued management of the Junee Correctional Centre in Australia. This five-year extension also includes a 489-bed expansion project, which will bring the Junee Centre total capacity to 1,279 beds during the fourth quarter of 2019. Additionally, we are moving forward with 137-bed expansion to the Fulham Correctional Centre, which will bring the total capacity at the center to 955-beds. We expect the Fulham Centre expansion to be completed during 2020. We believe these three expansion projects are indicative of our ability to grow our public private partnerships internationally in support of our customers' evolving needs.

Finally, in the UK, we have begun operations under our new 12 year contract for the provision of court custody and prisoner escort services in Scotland through our GEOAmey joint venture. This new contract took effect in January of this year and is expected to generate approximately $39 million in annualize revenue for our joint venture.

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

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

Thank you, Dave, and good morning, everyone. For the entire year of 2018 GEO Care served approximately 700,000 individuals. During the fourth quarter our GEO Reentry division completed the consolidation and reorganization of our reentry operations in Pennsylvania. As we updated you last quarter, this was part of the thoughtful strategy and operational review alongside our government customer. Our aim has always been to improve the delivery of high quality services for our clients and to achieve better overall economies of scale across our entire Reentry division.

This has allowed us to focus resources on our larger, better performing assets, while idling smaller underperforming lease sites that were part of the acquisition of Community Education Centers. We continue to be optimistic about the potential for revenue synergies and new growth opportunities under our expanded reentry programs and in-custody treatment services platform.

We are encouraged that during the fourth quarter, our GEO Reentry division activated three new day reporting centers. Two of these new non-residential centers were activated in partnership with the State of Louisiana, while the third involves a pilot program with the Federal Bureau of Prisons in California. We are particularly excited about the potential opportunity to expand our day reporting services at the federal level. In terms of our Youth Services division, we continue to experience stable utilization rates and steady operational performance across our facilities, consistent with the last couple of years.

Our BI electronic monitoring division has continued to experience increased utilization under our Intensive Supervision and Appearance, ISAP, contract with ICE and we would expect these trends to continue during 2019. Finally, we remain excited about the successful expansion of our GEO Continuum of Care programs, which have now been implemented across 18 GEO facilities in the U.S. and internationally.

Our GEO Continuum of Care integrates enhanced in-custody rehabilitation programs, including cognitive behavioral treatment with post-relief support services such as transitional housing, transportation, clothing food and job placement assistance.

During 2018, our GEO Continuum of Care programs completed over 6.7 million hours of rehabilitation programing. Our academic programs average more than 13,000 daily participants and awarded close to 2,800 high school equivalency degrees.

The average daily attendance for our vocational courses totaled more than 32,000 participants leading to more than 9,100 vocational training certifications. Almost 18,000 individuals attended substance abuse treatment on a daily basis with more than 8,800 participants completing their substance abuse treatment programs.

We also provided post-release support services to more than 1,800 individuals returning to their communities. We believe that the scope and substance of our GEO Continuum of Care programs are unparalleled in our industry and we expect that these efforts will allow us to pursue new quality growth opportunities.
At this time, I’ll 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 the financial and operational milestones achieved by our diversified business units. During the fourth quarter, we completed the ramp up in activation of our new $120 million, 1,000-bed Montgomery ICE Processing Center and the 661-bed Eagle Pass Texas facility for Idaho inmates.

In the international sector we began ramping up 300 additional beds at our Ravenhall facility and we are developing expansions at the Junee and Fulham facilities totaling approximately 600 beds. Despite the headwinds associated with higher interest rate environment, we believe our core operational cash flows remain stable and predictable.

We’ve been fortunate to once again increase our cash dividend to $1.92 per share annually. We remain optimistic regarding the outlook for new contract awards with two large federal BOP procurements totaling 12,000 beds expected to be decided this year. We continued to carefully evaluate our capital allocation to create sustainable long-term value for shareholders. We’re very pleased with the continued success of our GEO Continuum of Care enhanced rehabilitation program and its expansion to 18 GEO facilities.

We believe strongly that we are at our best when helping offenders in our care reenter society as productive and employable citizens. Finally, I would like to thank all of our employees worldwide whose dedication and professionalism has made all the achievements we’ve discussed today possible.

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

Question And Answer Section

Operator

We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from Tobey Sommer of SunTrust.

Tobey Sommer
Analyst, SunTrust Robinson Humphrey, Inc.

Thank you. I was wondering if you could comment on what you’re hearing from the Bureau of Prisons on their expectations for inmate population trends out in the future. Now that I guess, they’ve had nearly a couple of months to digest the prospective impact of the prison reform bill that passed around the holidays? Thank you.

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

Tobey, this is Dave. Our Bureau of Prisons contracts, we serve criminal alien populations at a large degree and the First Chance Act really doesn’t have direct implications to those criminal aliens. So, we don’t see a significant impact in our in our lane. And then of course the Bureau of Prisons, they are under the review process to determine exactly how it’s going to apply to their populations. But, presently, we don’t see any adverse impact on our populations.

Tobey Sommer
Analyst, SunTrust Robinson Humphrey, Inc.
Have you with respect to sort of CAR 19 – has the agency kind of been active in all the behind-the-scenes activities that are required to move that procurement forward?

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

Yes. They have been with respect, particularly to the environmental analysis that has to be done on every proposed site. So, I think they’re at the last stages of completing that analysis and that will lead to a best and final stage in proposals with final awards we expect in the second quarter.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Kind of shifting gears does the – there are lots of numbers being [ph] bandied (00:32:13) about in the associated with the expected budget deal this week with the caps versus how many beds ICE is actually utilizing today being you know substantially bump the cap and perhaps some flexibility to shuffle monies going forward to occupy more beds. Do you expect this to translate into business opportunities for the company?

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

We are hopeful, and it’s likely you know given that the authorized level that has now increased by 5,000-beds. And, historically, I think it’s been correct that the actual population has always been significantly higher than that level. So with the new level being approximately 45,000-beds in the actual being about 48,000-beds, I would expect that the 48,000 could increase through reprogramed funding has been – which has been reported in the media.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

How would we think about – if for example the ICE needs to contract for some more beds, how do we think about the kind of relative opportunity for large established players with owned and idle facilities such as yourselves or ICE’s capability to meet their needs through smaller jail and county sheriffs and so forth?

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

I think the larger players have existing capacity that meets the new standards that were developed under the Obama administration. Most county jails I don’t believe meet those standards.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

Okay. And then, I’ll ask one more question. I’ll get back in the queue. Could you talk about it in broad terms what your contract renewals look like in 2019? And then if you could as part of that broad answer, please also touch on the Florida managed-only business? Thanks.

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

I haven’t done a bed count, but our rebids or renewals for 2019 are far less than they were last year. Last year was a dramatic year with the most rebids and renewals of any year in our history. With respect to the Florida contracts, those have been extended in general by for a two-year period.
Tobey Sommer
Analyst, SunTrust Robinson Humphrey, Inc.
So, they’re not coming up for rebids this year? They’ve already been extended?

George C. Zoley
Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.
They’ve already been extended for two years.

Tobey Sommer
Analyst, SunTrust Robinson Humphrey, Inc.
Terrific. Thank you very much. I will get back in the queue. [Operator Instructions]

Operator
And our next question comes from Kevin McClure of Wells Fargo Securities.

Kevin A. McClure
Analyst, Wells Fargo Securities LLC
Good morning. Thank you for taking my question. I understand that detention populations are kind of at an all-time high and some looking at the federal occupancy statistics [ph] in years up (00:35:44). And I was curious as to why, occupancy would be down in the central and western regions over Q3. Is there anything going on in those two regions in particular?

J. David Donahue
Senior Vice President & President, U.S. Corrections & Detention, & International Operations, The GEO Group, Inc.
Kevin, this is Dave. No, it’s again relative to the Bureau of Prisons’ ability to designate and with the government shutdown that occurred, the operational rhythm was sustained during that shutdown, so, but there is no issues in the Central or Western region.

Kevin A. McClure
Analyst, Wells Fargo Securities LLC
Okay. And any shutdown-related disruption, you could see a rebound in occupancy in Q1?

George C. Zoley
Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.
The Bay Florida facility was out of commission, because of the Hurricane damage, Eastern...

J. David Donahue
Senior Vice President & President, U.S. Corrections & Detention, & International Operations, The GEO Group, Inc.
That was the eastern – but I’m sorry, Kevin, would you repeat your question?

Kevin A. McClure
Analyst, Wells Fargo Securities LLC
Yeah. So, just trying to understand I know there is BOP and there is ICE embedded in that population and I’m just trying to read between [ph] the lines as to (00:36:53)...
Well, Kevin, this is Brian. You know that, I think, it’s less impactful than it’s been historically, but there’s always a little bit of a cyclical nature to the federal populations in the fourth and the first quarter, there are some around the holidays and whatnot we see a little bit of decline now the populations overall are still I think better than they’ve historically been in our facilities for the federal populations. But compared to third quarter, there would be some of that type of activity, I think going on. So that’s probably really all you’re seeing and some of the federal, especially Marshals and ICE, where there is definitely some volatility in those populations.

Got it. Okay. And then your AR balances, obviously, increased in Q4, and I’m wondering how much of that increase would you attribute to just kind of accruing or receivable for the federal non-payment?

Probably most of it. I think, we did the numbers are the burn rate on our federal business about $100 million a month between all of our different business units. So, it’s going to step up some when they’re not paying the bills.

Okay. And then, Brian, in your script you said, gross CapEx for 2019 was that $15 million or $50 million?

That’s $50 million.

$50 million. Okay. And then, maintenance kind of what, $20 million or $30 million?

Yeah. $28 million to $30 million.

Okay. Got it.

That’s supplemental plus $28 million.
Kevin A. McClure  
Analyst, Wells Fargo Securities LLC  

Understood. And then, you mentioned your guidance includes kind of a step-up in interest expense for 2019 higher rates, higher average borrowings. What are your thoughts around terming out some of that variable rate debt in the bond market this year?

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

We’re watching, obviously, the bond market and the bank market and we’ll take a look at things as they opportunistically make sense. So, I can’t comment one way or the other, but I think that’s something we’re obviously monitoring.

Kevin A. McClure  
Analyst, Wells Fargo Securities LLC  

Got it. All right. That’s all for me. I appreciate the time. Thank you.

Operator  
The next question will come from Mark Strouse of JPMorgan.

Mark W. Strouse  
Analyst, JPMorgan Securities LLC  

Yeah. Good morning. Thanks for taking our questions. I just had a follow-up to Tobey’s earlier question around the Prison Reform Act. So, I understand that there is no impact to the Detention business. But just curious if the reform is driving any conversations or any real business yet for your [ph] half way (00:39:27) houses or your monitoring or is it just too early for that still?

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

I think it’s too early to tell at this point, certainly the recidivism reduction program discussed in the act is the type of programs we provide in those centers, but too early to know where that’ll take us.

Mark W. Strouse  
Analyst, JPMorgan Securities LLC  

Okay. Very helpful. Thank you. [Operator Instructions]

Operator  
And we now have a follow-up question from Tobey Sommer of SunTrust.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.  

Thank you. Now honing in on the criminal alien populations that you do focus on in terms of your BOP business, what do the leading indicators for those populations look like from your perspective?

And I’m kind of referring to increased enforcement activity, whether they’re at the border or in the interior of the country and U.S. Marshal detainee populations is being sort of a leading indicator for what eventually may flow into that BOP inmate population subset?
George C. Zoley  
Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

I think it’s fair to say that the Marshals’ population has been increasing, and they are the funnel to the BOP, where the three convicted detainees are eventually incarcerated. So, where the prior year the Marshals’ population was declining over this past year most recent several months it’s been significantly increasing and I imagine that because of the step up of interior enforcement by ICE.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

So, I guess, if historical conviction rates and sentencing terms, means they maintain themselves relatively stable, then that eventually implies growth in the criminal alien populations housed to the BOP?

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

Yes. And you know the first step back is to my recollection of the impact is, I think people have estimated it could impact by 3,000 or 4,000 individuals, out of the total individuals incarcerated by the BOP, but the criminal alien population could be increasing because of the step up of interior enforcement by ICE.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

To the best of your knowledge, does the agency still intend on trying when possible to segregate those populations and therefore kind of housing them separately in facilities largely operated by the private sector?

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

The BOP is, are you speaking of the BOP or ICE?

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

BOP.

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

BOP. You know, I think that they have current legislative direction that they’re supposed to be reviewing their criminal alien population to see if they can move higher custody levels into more private facilities. There hasn’t been an actual step in that direction that we’re aware of, but I think they’re reviewing that issue.

Tobey Sommer  
Analyst, SunTrust Robinson Humphrey, Inc.

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, The GEO Group, Inc.

Well, we thank everyone for joining us on this call and look forward to talking to you again. Thank you.

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