
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): April 30, 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.)

4955 Technology Way, Boca Raton, Florida
(Address of Principal Executive Offices)

33431
(Zip Code)

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

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

**One Park Place, Suite 700
621 Northwest 53rd Street
Boca Raton, Florida 33487-8242**

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.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	GEO	New York Stock Exchange

Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition.

On April 30, 2019, The GEO Group, Inc. (“GEO” or the “Company”) issued a press release (the “Earnings Press Release”) announcing its financial results for the quarter ended March 31, 2019, updating its financial guidance for full year 2019 and issuing its financial guidance for the second quarter 2019. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on April 30, 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 quarter ended March 31, 2019 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, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and gain/loss on real estate assets, 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 loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time. 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

EBITDA are provided 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 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, gain/loss on real estate assets, 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.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Press Release, dated April 30, 2019, announcing GEO's financial results for the quarter ended March 31, 2019.</u>
99.2	<u>Transcript of Conference Call discussing GEO's financial results for the quarter ended March 31, 2019.</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.

May 6, 2019
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

4955 Technology Way ■ Boca Raton, Florida 33431 ■ www.geogroup.com

THE GEO GROUP REPORTS FIRST QUARTER 2019 RESULTS

- **1Q19 Net Income Attributable to GEO of \$0.34 per diluted share**
- **1Q19 Adjusted Net Income of \$0.35 per diluted share**
- **1Q19 AFFO of \$0.67 per diluted share**
- **Updated FY19 guidance for Net Income Attributable to GEO of \$1.42-\$1.48 per diluted share and Adjusted Net Income of \$1.44 to \$1.50 per diluted share**
- **Updated FY19 AFFO guidance of \$2.64-\$2.70 per diluted share**

Boca Raton, Fla. – April 30, 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 first quarter of 2019.

First Quarter 2019 Highlights

- **Net Income Attributable to GEO of \$40.7 million or \$0.34 per diluted share**
- **Adjusted Net Income of \$0.35 per diluted share**
- **Net Operating Income of \$161.8 million**
- **Normalized FFO of \$0.50 per diluted share**
- **AFFO of \$0.67 per diluted share**

GEO reported first quarter 2019 net income attributable to GEO of \$40.7 million, or \$0.34 per diluted share, compared to \$35.0 million, or \$0.29 per diluted share, for the first quarter 2018. GEO reported total revenues for the first quarter 2019 of \$610.7 million up from \$564.9 million for the first quarter 2018. First quarter 2019 results reflect a \$1.5 million loss on real estate assets. Excluding this loss, GEO reported first quarter 2019 Adjusted Net Income of \$42.2 million, or \$0.35 per diluted share.

GEO reported first quarter 2019 Normalized Funds From Operations (“Normalized FFO”) of \$60.3 million, or \$0.50 per diluted share, compared to \$52.6 million, or \$0.43 per diluted share, in the first quarter 2018. GEO reported first quarter 2019 Adjusted Funds From Operations (“AFFO”) of \$80.3 million, or \$0.67 per diluted share, compared to \$69.8 million, or \$0.57 per diluted share, in the first quarter 2018.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said, “We are pleased with our strong quarterly financial and operational performance, as well as, our improved outlook for the balance of the year. We have taken important steps to reactivate our idle capacity, and we are proud of the continued success of our GEO Continuum of Care enhanced rehabilitation and post-release programs. We remain focused on effectively allocating capital to enhance long-term value for our shareholders, and we believe we will continue to have access to cost-effective capital to support the growth and expansion of our high-quality services.”

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

(866) 301 4436

Quarterly Dividend

On April 3, 2019, GEO's Board of Directors declared a quarterly cash dividend of \$0.48 per share. The quarterly cash dividend was paid on April 22, 2019 to shareholders of record as of the close of business on April 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

GEO did not repurchase any shares of its common stock during the first quarter of 2019 and currently has approximately \$105 million in available authorization 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.

2019 Financial Guidance

GEO updated its initial financial guidance for the full-year and issued financial guidance for the second quarter 2019.

GEO expects full-year 2019 total revenue to be approximately \$2.47 billion. GEO expects full-year 2019 Net Income Attributable to GEO to be in a range of \$1.42-\$1.48 per diluted share and Adjusted Net Income to be in a range of \$1.44-\$1.50 per diluted share.

GEO expects full-year 2019 AFFO to be in a range of \$2.64-\$2.70 per diluted share and Adjusted EBITDA to be in a range of \$482.5 million to \$489.5 million.

GEO's updated full-year 2019 guidance reflects the recently announced reactivation of GEO's 1,000-bed South Louisiana ICE Processing Center during the third quarter of 2019. Full-year 2019 guidance does not assume the reactivation of GEO's approximately 4,000 remaining idle beds or any additional share repurchases under GEO's share repurchase program.

For the second quarter 2019, GEO expects total revenues to be in a range of \$607 million to \$612 million. GEO expects second quarter 2019 Net Income Attributable to GEO to be in a range of \$0.35 to \$0.37 per diluted share and Adjusted Net Income to be in a range of \$0.36 to \$0.38 per diluted share. GEO expects second quarter 2019 AFFO to be in a range of \$0.65 to \$0.67 per diluted share.

—More—

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

(866) 301 4436

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), 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, and in this press release, Net Income Attributable to GEO to Adjusted Net Income. 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 first quarter 2019 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 under the News, Events and Reports tab 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 May 14, 2019 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10130411.

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 134 facilities totaling approximately 95,000 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.

—More—

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

(866) 301 4436

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, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and gain/loss on real estate assets, 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 loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time. 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 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, gain/loss on real estate assets, pre-tax, and tax effect of adjustments to Net Income Attributable to GEO.

—More—

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

(866) 301 4436

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 full year and second 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.

—More—

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

(866) 301 4436

First quarter 2019 financial tables to follow:

Condensed Consolidated Balance Sheets*

(Unaudited)

	<u>As of</u> <u>March 31, 2019</u> <i>(unaudited)</i>	<u>As of</u> <u>December 31, 2018</u> <i>(unaudited)</i>
ASSETS		
Cash and cash equivalents	\$ 67,728	\$ 31,255
Restricted cash and cash equivalents	53,749	51,678
Accounts receivable, less allowance for doubtful accounts	423,596	445,526
Contract receivable, current portion	16,005	15,535
Prepaid expenses and other current assets	43,535	57,768
Total current assets	\$ 604,613	\$ 601,762
<i>Restricted Cash and Investments</i>	27,282	22,431
<i>Property and Equipment, Net</i>	2,150,627	2,158,610
<i>Contract Receivable</i>	368,698	368,178
<i>Operating Lease Right-of-Use Assets, Net</i>	133,365	—
<i>Assets Held for Sale</i>	4,607	2,634
<i>Deferred Income Tax Assets</i>	29,924	29,924
<i>Intangible Assets, Net (including goodwill)</i>	1,003,143	1,008,719
<i>Other Non-Current Assets</i>	61,807	65,860
Total Assets	\$ 4,384,066	\$ 4,258,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 93,458	\$ 93,032
Accrued payroll and related taxes	58,079	76,009
Accrued expenses and other current liabilities	189,174	204,170
Operating lease liabilities, current portion	35,210	—
Current portion of finance lease obligations, long-term debt, and non-recourse debt	332,864	332,027
Total current liabilities	\$ 708,785	\$ 705,238
<i>Deferred Income Tax Liabilities</i>	13,681	13,681
<i>Other Non-Current Liabilities</i>	79,734	82,481
<i>Operating Lease Liabilities</i>	102,238	—
<i>Finance Lease Liabilities</i>	4,179	4,570
<i>Long-Term Debt</i>	2,433,433	2,397,227
<i>Non-Recourse Debt</i>	15,112	15,017
<i>Total Shareholders' Equity</i>	1,026,904	1,039,904
Total Liabilities and Shareholders' Equity	\$ 4,384,066	\$ 4,258,118

* all figures in '000s

— More —

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

(866) 301 4436

Condensed Consolidated Statements of Operations*

(Unaudited)

	<u>Q1 2019</u> <i>(unaudited)</i>	<u>Q1 2018</u> <i>(unaudited)</i>
Revenues	\$ 610,667	\$ 564,917
Operating expenses	456,997	426,709
Depreciation and amortization	32,469	31,926
General and administrative expenses	46,424	41,832
Operating income	74,777	64,450
Interest income	8,396	9,099
Interest expense	(40,280)	(35,869)
Income before income taxes and equity in earnings of affiliates	42,893	37,680
Provision for income taxes	4,840	4,755
Equity in earnings of affiliates, net of income tax provision	2,596	1,995
Net income	40,649	34,920
Less: Net loss attributable to noncontrolling interests	56	67
Net income attributable to The GEO Group, Inc.	\$ 40,705	\$ 34,987
Weighted Average Common Shares Outstanding:		
Basic	118,774	121,768
Diluted	119,496	122,304
Net income per Common Share Attributable to The GEO Group, Inc. :		
Basic:		
Net income per share — basic	<u>\$ 0.34</u>	<u>\$ 0.29</u>
Diluted:		
Net income per share — diluted	<u>\$ 0.34</u>	<u>\$ 0.29</u>
Regular Dividends Declared per Common Share	<u>\$ 0.48</u>	<u>\$ 0.47</u>

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

Reconciliation of Net Income Attributable to GEO to Adjusted Net Income

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

	<u>Q1 2019</u>	<u>Q1 2018</u>
Net Income attributable to GEO	\$ 40,705	\$ 34,987
Add:		
Net Tax Cuts and Jobs Act Impact	—	304
Gain/Loss on real estate assets, pre-tax	1,497	(98)
Tax effect of adjustments to Net Income attributable to GEO	(45)	—
Adjusted Net Income	<u>\$42,157</u>	<u>\$35,193</u>
Weighted average common shares outstanding - Diluted	119,496	122,304
Adjusted Net Income Per Diluted Share	\$ 0.35	\$ 0.29

— 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>Q1 2019</u> <i>(unaudited)</i>	<u>Q1 2018</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 40,705	\$ 34,987
<i>Add (Subtract):</i>		
Real Estate Related Depreciation and Amortization	18,103	17,388
Gain/Loss on real estate assets	1,497	(98)
Equals: NAREIT defined FFO	<u>\$ 60,305</u>	<u>\$ 52,277</u>
<i>Add (Subtract):</i>		
Net Tax Cuts and Jobs Act Impact	—	304
Tax Effect of adjustments to Funds From Operations **	(45)	—
Equals: FFO, normalized	<u>\$ 60,260</u>	<u>\$ 52,581</u>
<i>Add (Subtract):</i>		
Non-Real Estate Related Depreciation & Amortization	14,366	14,538
Consolidated Maintenance Capital Expenditures	(3,634)	(5,323)
Stock Based Compensation Expenses	6,727	5,827
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	2,563	2,138
Equals: AFFO	<u>\$ 80,282</u>	<u>\$ 69,761</u>
Weighted average common shares outstanding - Diluted	119,496	122,304
FFO/AFFO per Share - Diluted		
Normalized FFO Per Diluted Share	\$ 0.50	\$ 0.43
AFFO Per Diluted Share	\$ 0.67	\$ 0.57
Regular Common Stock Dividends per common share	\$ 0.48	\$ 0.47

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

** tax adjustments related to Gain/Loss on real estate assets

— 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>Q1 2019</u> <i>(unaudited)</i>	<u>Q1 2018</u> <i>(unaudited)</i>
Net Income attributable to GEO	\$ 40,705	\$ 34,987
<i>Less</i>		
Net loss attributable to noncontrolling interests	56	67
Net Income	\$ 40,649	\$ 34,920
<i>Add (Subtract):</i>		
Equity in earnings of affiliates, net of income tax provision	(2,596)	(1,995)
Income tax provision	4,840	4,755
Interest expense, net of interest income	31,884	26,770
Depreciation and amortization	32,469	31,926
General and administrative expenses	46,424	41,832
Net Operating Income, net of operating lease obligations	\$ 153,670	\$ 138,208
<i>Add:</i>		
Operating lease expense, real estate	6,608	7,781
Gain/Loss on real estate assets, pre-tax	1,497	(98)
Net Operating Income (NOI)	\$ 161,775	\$ 145,891
	<u>Q1 2019</u> <i>(unaudited)</i>	<u>Q1 2018</u> <i>(unaudited)</i>
Net Income	\$ 40,649	\$ 34,920
<i>Add (Subtract):</i>		
Income tax provision **	5,199	5,461
Interest expense, net of interest income	31,884	26,770
Depreciation and amortization	32,469	31,926
Gain/Loss on real estate assets, pre-tax	1,497	(98)
EBITDAre	\$ 111,698	\$ 98,979
<i>Add (Subtract):</i>		
Net loss attributable to noncontrolling interests	56	67
Stock based compensation expenses, pre-tax	6,727	5,827
Adjusted EBITDAre	\$ 118,481	\$ 104,873

* all figures in '000s

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

— More —

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

(866) 301 4436

2019 Outlook/Reconciliation

(In thousands, except per share data)

(Unaudited)

	FY 2019	
Net Income Attributable to GEO	\$ 169,000	to \$ 176,000
Real Estate Related Depreciation and Amortization	75,500	75,500
Loss on Real Estate Assets	1,500	1,500
Funds from Operations (FFO)	\$246,000	to \$253,000
Start-Up Expenses	1,500	1,500
Normalized Funds from Operations	\$247,500	to \$254,500
Non-Real Estate Related Depreciation and Amortization	61,500	61,500
Consolidated Maintenance Capex	(28,000)	(28,000)
Non-Cash Stock Based Compensation	23,500	23,500
Non-Cash Interest Expense	11,500	11,500
Adjusted Funds From Operations (AFFO)	\$316,000	to \$323,000
Net Interest Expense	128,500	128,500
Non-Cash Interest Expense	(11,500)	(11,500)
Consolidated Maintenance Capex	28,000	28,000
Income Taxes (including income tax provision on equity in earnings of affiliates)	21,500	21,500
Adjusted EBITDAre	\$482,500	to \$489,500
G&A Expenses	184,000	184,000
Non-Cash Stock Based Compensation	(23,500)	(23,500)
Equity in Earnings of Affiliates	(9,000)	(9,000)
Real Estate Related Operating Lease Expense	26,500	26,500
Net Operating Income	\$660,500	to \$667,500
Adjusted Net Income Per Diluted Share	\$ 1.44	to \$ 1.50
AFFO Per Diluted Share	\$ 2.64	to \$ 2.70
Weighted Average Common Shares Outstanding-Diluted	119,700	to 119,700

- 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.

George C. Zoley
Chairman, Chief Executive Officer &
Founder, 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.

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

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

Management Discussion Section

Operator

Good morning and welcome to The GEO Group First Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Pablo Paez, Executive Vice President-Corporate Relations. 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 first quarter 2019 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 first 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 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 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, Form 10-Q and Form 8-K reports.

With that, please allow me to turn the 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 very pleased with our strong first quarter results and increased guidance for 2019. Our financial performance was driven by a higher occupancy rates across our diversified real estate portfolio and particularly throughout our federal facilities for ICE and U.S. Marshals Service. Additionally, we continue to experience a higher utilization rate for GEO Care's alternative detention program with ICE.

Going forward, we expect these positive trends to continue for the balance of 2019. We believe our strong quarterly results are indicative of the stability of our cash flows and the sustainability of our annual dividend payments, which are now below our guided payout ratio of 75% of our projected 2019 AFFO.

During the first quarter, we were awarded a new 10-year contract with the U.S. Marshals Service for the continued operation of our company-owned 222-bed Queens Detention Facility in New York. We also recently received a one-year extension from ICE for the use of an additional 432 beds at our Aurora ICE Processing Center, which we had activated earlier in the year under our short-term agreement.

With this ICE contract extension, our company-owned 1,532 Aurora facility is now fully contracted by ICE and the U.S. Marshals. Additionally, we have entered into a new – direct contract with ICE for our company-owned 400 beds Mesa Verde ICE Processing Center in Bakersfield, California.

We are currently in negotiations for a new direct contract for our company-owned 1,900-bed Adelanto ICE Processing Center in San Bernardino County, California. And just last week, we announced the contract modification with ICE for the reactivation of our 1,000 bed South Louisiana ICE Processing Center.

The South Louisiana Center, which is currently idle and will house federal immigration detainees under an existing intergovernmental service agreement between Evangeline Parish and ICE. We expect to begin the intake process during the third quarter with projected annualized revenues of proximately \$25 million. The residential centers we manage on behalf of ICE are highly rated by national accreditation organizations and provide high quality culturally responsive services in safe and humane environments.

GEO's ICE processing centers offer enhanced amenities including state of the art artificial turf soccer fields, flat screen televisions in all housing areas, covered pavilions and outdoor recreational areas and modern multipurpose rooms. We believe that our continued growth validates our business strategy and company ethics. We also continue to be optimistic about our ability to pursue growth opportunities across our diversified platform of real estate management and rehabilitation solutions.

There are currently two active procurements by the Federal Bureau of Prisons totaling close to 12,000 beds referred to as CAR 18 and CAR 19. We expect CAR 19 with up to 9,600 beds to be decided this quarter, which could result in an increase in our current guidance.

Our management team and board remain focused on the effective allocation of capital to enhance long-term value for our shareholders. We have always enjoyed access to cost effective capital to support accretive projects with a minimum of returns of 13% to 15%. We expect to continue to enjoy access to cost effective capital to support the expansion of our high quality services.

We have announced that we will begin publishing an annual report in September 2019 which will help our stakeholders better understand our longstanding commitment to respecting human rights and will over time incorporate appropriate metrics to measure our performance.

I will now ask our CFO, Brian Evans to review our 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 first quarter revenues of approximately \$611 million and net income attributable to GEO of \$0.34 per diluted share, ahead of our guidance range of \$0.28 to \$0.31 per share. Our first quarter results reflect \$1.5 million loss on real estate assets, primarily related to the expected sale of one of our small re-entry centers in Pennsylvania. Excluding this item, we reported first quarter adjusted net income of \$0.35 and AFFO of \$0.67 per diluted share, ahead of our AFFO guidance range of \$0.59 to \$0.61 per share.

Compared to the same period of last year, our first quarter 2019 results reflect the following items. The activation of a previously idle 338-bed annex at our Folkston ICE Processing Center in Georgia, in July 2018, the activation of the previously idle 661-bed Eagle Pass Texas facility for the housing of inmates from the state of Idaho in August 2018. The activation of the new 1,000-bed Montgomery ICE Processing Center in September 2018 and the activation of an additional 432-bed at the Aurora ICE Processing Center in early 2019. These positive items were partially offset by year-over-year increase of approximately \$5 million in net interest expense attributable to higher interest rates and higher overall outstanding debt balances.

Moving to our outlook, this morning we increased our guidance for the full-year 2019 and issued guidance for the second quarter 2019. We expect our full-year net income attributable to GEO to be in a range of \$1.42 to \$1.48 per diluted share and adjusted net income to be in a range of \$1.44 to \$1.50 per diluted share on annual revenues of approximately \$2.47 billion.

We expect our full-year AFFO to be in a range of \$2.64 to \$2.70 per diluted share. Our updated guidance reflects continued higher utilization rates across our ICE and U.S. Marshals facilities and our alternatives to detention contract with ICE, as well as the recently announced reactivation of a 1,000-bed South Louisiana ICE Processing Center during the third quarter of 2019.

Our guidance does not reflect any additional share buybacks under our current share repurchase program. Additionally, our guidance does not assume any further reactivation of our approximately 4,000 remaining idle beds.

As George discussed, the Federal Bureau of Prisons has two active procurements totaling 12,000 beds which are expected to be decided this year and could represent upside to our current guidance. Additionally, as we noted last quarter, the payments under our operating lease agreement for the idle 1,250-bed Hudson Colorado facility conclude at the end of 2019. The expiration of the operating lease obligation is expected to result in annual cash flow savings of \$10 million for GEO beginning in 2020.

For the second quarter 2019, we expect net income attributable to GEO to be in a range of \$0.35 to \$0.37 per diluted share and adjusted net income to be in a range of \$0.36 to \$0.38 per diluted share on quarterly revenues of \$607 million to \$612 million. We expect second quarter 2019 AFFO to be between \$0.65 and \$0.67 per diluted share.

Looking at our liquidity position, we have approximately \$219 million in available capacity under our revolving credit facility which matures in May of 2021. Additionally, we have an accordion feature of \$450 million under our senior credit facility.

As George mentioned, we've always enjoyed access to cost effective capital and we expect to continue to have adequate access to the cost effective capital to support our growth. We have several decades of long relationships with our banking partners and we hope to extend the maturity of our existing revolving credit facility in the near term.

Turning to our uses of cash, our gross CapEx is expected to be approximately \$65 million in 2019, of which approximately \$20 million had been spent as at the end of the first quarter. We also have approximately \$15 million in scheduled annual principal payments of debt.

Earlier this month, our board declared a quarterly cash dividend of \$0.48 per share or \$1.92 per share annualized. Given the strength of our operational performance and increased guidance, our dividend payment is currently below our guided payout ratio of 75% based on our projected AFFO for 2019. We expect to make any necessary adjustments by year end. As we have expressed to you in the past, we believe that our dividend payments are supported by stable, predictable and growing cash flows.

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

J. David Donahue

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

Thanks, Brian, and good morning, everyone. I'd like to provide you an update on our GEO Corrections and Detention business unit starting with our Federal segment. We have a three-decade-long partnership with the Federal government involving the operation of correctional facilities, housing predominantly criminal aliens for the Federal Bureau of Prisons, pretrial detention facilities for the U.S. Marshals service and secured residential facilities for U.S. Immigration and Customs Enforcement.

During the first quarter, we were pleased to have been awarded the 10-year contract by the U.S. Marshals for the continued operation of our company-owned 222-bed Queens Detention Facility in New York. We believe this renewed contract is indicative of the stability of our longstanding customer partnerships as our Queens Facility has been in operation since the 1990s.

We are also pleased to have recently entered into a new direct contract with ICE for our company-owned 400-bed Mesa Verde ICE Processing Center located in Bakersfield, California. We are also presently negotiating a new direct contract for our company-owned 1,900 bed Adelanto ICE Processing Center in San Bernardino County, California. Our Adelanto and Mesa Verde facilities total approximately 2,300 combined beds and play an important role in providing needed federal detention capacity in this part of the country.

Earlier this month, we also received a one-year extension from ICE for the use of a 432 bed housing unit at our company-owned 1,532-bed Aurora, Colorado ICE Processing Center. We have previously activated these additional 432 beds from the beginning of the year under a short-term agreement in response to the increasing need for detention bed space at the federal level.

Finally, this past week, we announced that ICE and an Evangeline Parish have entered into a contract modification of their existing intergovernmental agreement for the reactivation of our company-owned 1,000 bed South Louisiana ICE Processing Center located in Basile, Louisiana. The South Louisiana center, which is currently idle will house federal immigration detainees under the existing intergovernmental agreement and is expected to begin the intake process during the quarter of 2019.

The South Louisiana center is expected to generate annualized revenues of approximately \$25 million. We are pleased to have been able to build on our longstanding partnership with ICE to provide needed bed space and services that comply with the federal government's performance-based national detention standards, as well as guidelines set by the independent accrediting entities. The state of the art residential centers we manage on behalf of ICE provide high quality, culturally responsive services and safe and humane environments and offer enhanced amenities including artificial turf soccer fields, flat screen televisions in all housing units, and covered pavilions and outdoor recreational areas.

As we discussed on our last quarterly call, ICE received an increase of funding under the current fiscal year to support an average annual capacity of 45,300 detention beds, which represents an increase of approximately 5,000 beds from prior fiscal years.

The appropriations bill also allows the Department of Homeland Security to further increase detention capacity by reallocating funds from other accounts. Looking at the President's budget request for the next fiscal year, which begins on October 1, the administration has requested funding to support an average annual capacity of 54,000 detention beds.

Moving to pending federal procurements, the Federal Bureau of Prisons has two active solicitations for the housing of criminal aliens, which are expected to result in contract awards this year. Under the CAR 19 procurement, the BOP expects to award up to 9,600 beds at existing facilities, with contract announcements expected during the second quarter of 2019.

Under the CAR 18 solicitation, the BOP is rebidding the management contract for the government-owned 2,355-bed task facility in California which is expected to result in a contract award in the latter part of the year.

Now moving to our state segment, we believe our nine-state correctional customers have stable budgets, and our facilities have been able to provide high-quality service and implement enhanced rehabilitation programs without being impacted by budgetary constraints.

We now have expanded our GEO Continuum of Care programs to 15 GEO state correctional facilities across our current state customers. We're excited about the opportunity to expand our relationships within those states and we also remain optimistic about the opportunity to partner with new states across the country. We are currently in discussions with a number of states regarding their current needs and challenges. Several states continue to face capacity constraints and many of our state customers are facing challenges related to older prisons which need to be replaced with new and more cost efficient facilities. In the states where we operate, the average age of the state prisons range from approximately 30 to 60 years.

Moving to our international markets, we recently transitioned the management contract at the Parklea Correctional Center in Australia to a new operator as we had previously disclosed. We were also recently informed by the state of Queensland that the Arthur Gorrie Correctional Center will be transitioned to government operation between the end of 2019 and the first quarter of 2020.

These two transitions are offset by several expansion projects we are currently undertaking in Australia. In New South Wales, we are developing a 489-bed expansion at the Junee Correctional Center which will bring the centers total capacity to 1,279 beds with expected completion during the fourth quarter of 2019. In Victoria, we are also constructing a 137-bed expansion to the Fulham Correctional Center which will bring the total capacity of that center to 955 beds with expected completions during 2020. Also in Victoria, we are in negotiations with an additional 300-bed expansion at our 1,300-bed Ravenhall Correctional Center.

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

Ann M. Schlarb

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

Thank you, Dave, and good morning, everyone. I'd like to provide you an update on our GEO Care business unit starting with our GEO Community Reentry Services division which is the largest service provider in the United States. As we updated you last quarter, GEO Reentry undertook a consolidation and reorganization of our reentry operation in Pennsylvania in an effort to improve the delivery of services for our clients and achieve better overall economies of scale.

Earlier this month, we took an important step towards maximizing the utilization of our company-owned assets in Pennsylvania with the partial reactivation of a previously idle reentry center. The Philadelphia reentry center previously known as Hoffman Hall was activated on April 1 under a new five-year 70-bed contract with the Federal Bureau of Prisons which is expected to generate approximately \$3 million in annualized revenue.

We also recently activated a new day reporting center with the Federal Bureau of Prisons in Sacramento California. This marks our day reporting center on behalf of the Federal Bureau of Prisons and we are excited about the potential opportunity to expand the delivery of these services at the federal level.

Further, as the federal government begins to implement the provisions of the recently enacted first step back, we believe that the services we provide through our GEO Reentry division can play an important role in improving rehabilitation and reintegration outcome.

Moving to our Youth Services division, we have continued to experience stable utilization rates and steady operational performance. Our Youth Services facilities and programs provide an important rehabilitation and treatment alternatives for youth across several states and local jurisdiction.

Our BI Electronic Monitoring division has continued to experience steady growth driven in part by the increased utilization under our alternative to detention contract with ICE. This growing program has allowed the federal government to effectively use community alternative for individuals going through the immigration review process.

Finally, we are proud of the continued expansion of our GEO Continuum of Care program, which has been implemented across 18 GEO Care facilities including 15 state correctional facilities in the U.S. Our GEO Continuum of Care integrates enhanced in-custody rehabilitation programs including cognitive behavioral treatment with post-release support services such as transitional housing, transportation, clothing, food and job placement assistance. We believe that the scope and substance of these programs are unparalleled in our industry and we have made a further commitment to fully implement our GEO Continuum of Care at all 22 state correctional facilities operated by GEO by 2020.

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. Clearly, GEO's first quarter in 2019 was financially and operationally the best in our history. Further, the balance of 2019 looks very encouraging as well. For these things, we are very proud and grateful. But at the same time, we continue to be mindful of our responsibility to respect and protect the human rights of those in our care.

In 2013, our board of directors established a human rights policy for our company, which was the first in our industry. We have announced that we will begin publishing an annual report in September 2019, which will help our stakeholders better understand our longstanding commitment to respecting human rights, and will over time incorporate appropriate metrics to measure our performance. For our state clients, we are spending \$10 million of our own money representing 7% of our annual net income to improve offender rehabilitation through the GEO Continuum of Care. We have expanded the GEO Continuum of Care program to 15 state facilities resulting in over 9,000 vocational certificates and nearly 3,000 high school equivalency diplomas in 2018.

On any typical day, there are approximately 30,000 participants enrolled in GEO's offender rehabilitation programs, which resulted in 6.7 million program hours completed during 2018. The Continuum of Care program is supervised and assisted at the corporate level with the division that has expanded to 50 staff with subject matter experts in education, cognitive behavioral treatment, substance abuse treatment, post-release services, training and quality assurance.

To our knowledge, no other public or private correctional organization has this accumulation of offender rehabilitation expertise and enables us to aspire to be a world leader in this area. For our federal clients, we have spent hundreds of millions of dollars building modern secure residential care facilities, and each year, we spend tens of millions of dollars renovating facilities to ensure that they meet GEO's standards for operational excellence. The facilities for the BOP and the U.S. Marshals Service are designed and operated to meet the standards of the American Correctional Association, ACA, which provides accreditation and periodic reaccreditation.

Our ACA scores are consistently 99% or higher. Our ICE facilities meet the design and performance-based national detention standards developed under the Obama administration.

GEO's ICE processing centers offer enhanced amenities including state-of-the-art artificial turf soccer field, flat screen televisions in all housing areas, covered pavilion and outdoor recreational areas and modern multipurpose rooms.

The health service areas of the GEO ICE facilities are generally much larger than those in correctional institutions due to the need for more healthcare staff to take care of the detainees who arrive with numerous health issues due to their limited prior access to healthcare. With an average length of stay of 30 to 45 days, ICE detainees are provided the opportunity to receive health examination as well as follow-up treatment by the onsite healthcare staff as well as offsite healthcare specialist. This process provides benefits not only to the healthcare of the detainees, but also for the protection of the general public.

In June, we will hold a company conference for the senior executives in charge of our 15 ICE facilities, allowing us to address our commitment to human rights, quality healthcare services and other operational issues.

We are also proud of the GEO Foundation and its active support of various organizations in our host communities. During 2018, the foundation contributed \$1.3 million to organizations focused on health, disabilities, at-risk children and education. The GEO Foundation also provided \$700,000 in scholarships funding for high school graduates. With respect to our GEO employees, we continue to be mindful of the adequacy of their wages and its impact on position vacancies. This is an ongoing process, and periodically, we make adjustments on a facility by facility basis. But I would like to report effective May 1, 2019, our lowest starting wage rate for a corrections or detention officer will be increased to \$13 per hour. Fortunately, many if not most of our corrections and detention officers, particularly at our federal facilities start at a much higher hourly rate.

In closing, along with being a financially successful publicly traded company, we are gratified with our leadership role in offender rehabilitation, quality secure residential care for federal agencies and financial support for non- for profit organizations and high schools in our host communities.

That completes our presentation, and we would now be glad to address any questions.

Question And Answer Session

Operator

Thank you. 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.

Thanks. My first question relates to CAR 19, have you had kind of back and forth communication with the BOP since best and final bids were submitted such that are kind of outward signs that the process is moving forward and just as a point of clarification, did you say, in the end of the year is when you expect the contract forward?

George C. Zoley

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

No. I said this quarter we believe the proposal and evaluation process has been completed.

Brian R. Evans

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

Yeah. Tobey, this is Brian. The end of the year was – we said that it could possibly represent upside to our end of year performance.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you very much. Much better hearing of that now. Appreciate that. And then I was hoping I could ask about ICE. You just had a contract announcement. Is it your sense that ICE has additional needs beyond what this announcement represents? Or do you think that's – that ICE is in a good spot related to access the beds at this stage?

George C. Zoley

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

Well, ICE has several solicitation and pre-solicitation notices that go around the entire country from the West Coast in California to the north and the northeast and the south. So there's a multiple number of solicitations that ICE is involved in.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

So then would you say the demand there could represent ongoing incremental new opportunities?

George C. Zoley

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

Well, it's many thousands of beds that are being solicited by ICE at this time.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

Can you comment on the U.S. Marshals detainee population and how long that those elevated populations, how long it takes generally to lead to a pickup in BOP inmate population? I've been a little surprised that the BOP populations haven't started to turn upwards more significantly given the elevated trends that [indiscernible] (00:31:41). Thanks.

George C. Zoley

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

Well, I think that relates to the length of the adjudication process, and I would just personally estimate it may be a year between all of the sentence motions and the procedures to fully adjudicate somebody and whether they're going to be sentenced or not to a facility in the BOP. So I would guess add a one-year lag time.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. And then my last question has to do with – actually second last. In the state business, Alabama has been in the news. Could you describe your appetite to participate in the biggest opportunities in Alabama and kind of give us your expectation for timeline? Thanks.

George C. Zoley

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

Well, we're following the situation and we've heard that they may do an RFP for, I don't know, several hundreds of beds. We know that the legislature is presently in session and they're deliberating on how to approach their capacity needs. Their facilities are very old and antiquated, very costly to maintain. They've just received a critical report on the status of their prison system and they're deliberating how to move forward financially and operationally.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you. And my last question has to do with the credit facility, Brian. You said you're working on a kind a near-term, how long would you anticipate extending the maturity of that? And is it reasonable to expect a conclusion next month, this quarter kind of what's the reasonable range? Thanks.

Brian R. Evans

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

The extension would be for five years from when we close, so a standard five-year revolving credit facility and I think reasonably this quarter.

Tobey Sommer

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you very much. [Operator Instructions]

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.

Okay. Thank you for joining us on this conference call. We look forward to addressing you on the next one.

Operator

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

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