The GEO Group Announces Change in Corporate Structure

December 2, 2021 11:00 AM EST

BOCA RATON, Fla.--(BUSINESS WIRE)-- **The GEO Group (NYSE: GEO)** ("GEO") announced today that its Board of Directors (the "Board") has unanimously approved a plan to terminate its Real Estate Investment Trust ("REIT") election and become a taxable C corporation, effective for the fiscal year ending December 31, 2021. The decision stems from the Board's evaluation of GEO's corporate tax structure and REIT status, which was announced on April 7, 2021.

The Board also voted unanimously to discontinue GEO's quarterly dividend. The change in corporate status from a REIT to a taxable C Corporation is expected to give GEO additional flexibility to allocate free cash flow towards reducing net recourse debt. GEO has made efforts to reduce net recourse debt over the last two years. In 2020, GEO reduced net recourse debt by approximately $100 million, and in the first three quarters of 2021, GEO reduced net recourse debt by an additional $175 million.

George C. Zoley, Executive Chairman of GEO, said, "The decision made by our Board to de-REIT is consistent with the proactive and multifaceted approach we have implemented to address our future debt maturities, which includes our focus on net recourse debt reduction and deleveraging, our review of potential sales of Company-owned assets and businesses, and our ongoing evaluation of capital structure alternatives with the assistance of our financial and legal advisors. We believe that these are prudent steps, which are in the best interests of our shareholders and other stakeholders. Following our objective of net recourse debt reduction, we expect to allocate free cash flow to fund quality growth opportunities and potentially return capital to shareholders in the future."

Updated 2021 Guidance

As a result of GEO's restructuring to a taxable C corporation in fiscal year 2021, during the fourth quarter of 2021, GEO expects to incur a one-time, non-cash deferred tax charge of approximately $75 million. GEO also expects to incur approximately $34 million in incremental income tax expense in the fourth quarter of 2021 due to the resulting higher corporate tax rate for 2021, including a catch-up tax expense of approximately $26 million in connection with the first three quarters of 2021.

Due to the tax related corporate restructuring items, GEO expects to report a loss in Net Income Attributable to GEO for the fourth quarter of 2021 of approximately $69 million. Excluding the one-time, non-cash deferred tax charge and the portion of additional income tax expense associated only with the first three quarters of 2021, GEO expects fourth quarter 2021 Adjusted Net Income to be between $0.29 and $0.31 per diluted share and fourth quarter 2021 AFFO to be between $0.58 and $0.60 per diluted share, which reflects the higher quarterly corporate tax rate GEO expects to pay as a taxable C corporation.

Due to the tax related corporate restructuring items, GEO expects full-year 2021 Net Income Attributable to GEO to be in a range of $70 million to $72 million. Excluding the non-cash deferred tax charge, GEO expects full-year 2021 Adjusted Net Income to be in a range of $1.14 to $1.16 per diluted share and full-year 2021 AFFO to be in a range of $2.30 to $2.32 per diluted share, which reflects the higher annual corporate tax rate GEO expects to pay as a taxable C corporation. GEO confirmed its previously issued full-year 2021 Adjusted EBITDA guidance in a range of $451.5 million to $455 million.

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is a leading diversified government service provider, specializing in design, financing, development, and support services for secure facilities, processing centers, and community reentry centers in the United States, Australia, South Africa, and the United Kingdom. GEO's diversified services include enhanced in-custody rehabilitation and post-release support through the award-winning GEO Continuum of Care®, secure transportation, electronic monitoring, community-based programs, and correctional health and mental health care. GEO's worldwide operations include the ownership and/or delivery of support services for 107 facilities totaling approximately 86,000 beds, including idle facilities and projects under development, with a workforce of up to approximately 18,500 employees.

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 and adversely affect actual results, including statements regarding GEO's expectations regarding the timing and amount of the incurrence of the one-time, non-cash deferred tax charge and the incremental income tax expense, financial guidance for the fourth quarter and full-year of 2021, and GEO's proposed steps to address its future debt maturities, including but not limited to its planned transition to a taxable C corporation, the termination of its REIT election, and the discontinuation of its quarterly dividend. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," or "continue" or the negative of such words and similar expressions. Risks and uncertainties 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 the fourth quarter and full-year of 2021 given the various risks to which its business is exposed; (2) GEO's ability to deleverage and repay, refinance or otherwise address its debt maturities in an amount or on the timeline it expects, or at all; (3) GEO's ability to identify and successfully complete any potential sales of additional Company-owned assets and businesses on commercially advantageous terms on a timely basis, or at all; (4) changes in federal and state government policy, orders, directives, legislation and regulations that affect public-private partnerships with respect to secure correctional and detention facilities, processing centers, and reentry centers, including the timing and scope of implementation of President Biden's Executive Order directing the U.S. Attorney General not to renew the U.S. Department of Justice contracts with privately operated criminal detention facilities; (5) changes in federal immigration policy; (6) public and political opposition to the use of public-private partnerships with respect to secure correctional and detention facilities, processing centers, and reentry centers; (7) the magnitude, severity, and duration of the current COVID-19 global pandemic, its impact on GEO, GEO's ability to mitigate the risks associated with COVID-19, and the efficacy and distribution of COVID-19 vaccines; (8) GEO's ability to sustain or improve company-wide occupancy rates at its facilities in light of the COVID-19 global pandemic and policy and contract announcements impacting GEO's federal facilities in the United States; (9) fluctuations in our operating results, including as a result of *contract terminations, contract renegotiations, changes in occupancy levels and increases in our operating costs; (10) general economic and market conditions, including changes to governmental budgets and its impact on new contract terms, contract renewals, renegotiations, per diem rates, fixed payment provisions, and occupancy levels; (11) 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; (12) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (13) risks associated with GEO's ability to control operating costs associated with contract start-ups; (14) GEO's ability to successfully pursue growth, continue to create shareholder value, and potentially return capital to shareholders in the future; (15) GEO's ability to obtain financing or access the capital markets in the future on acceptable terms or at all; (16) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports, many of which are difficult to predict and outside of GEO's control.*

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Source: The GEO Group, Inc.