



The GEO Group Reports Second Quarter 2021 Results and Increases Full Year 2021 Guidance

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BOCA RATON, Fla.--(BUSINESS WIRE)-- **The GEO Group, Inc. (NYSE: GEO)** ("GEO"), a fully integrated equity real estate investment trust ("REIT") and a leading provider of enhanced in-custody rehabilitation, post-release support, and community-based programs, reported today its financial results for the second quarter and the first six months of 2021 and increased its financial guidance for the full-year 2021.

Second Quarter 2021 Highlights

- **Total revenues of \$565.4 million**
- **Net Income Attributable to GEO of \$42.0 million**
- **Adjusted Net Income of \$50.8 million**
- **Normalized FFO of \$0.58 per diluted share**
- **AFFO of \$0.70 per diluted share**

We reported second quarter 2021 net income attributable to GEO of \$42.0 million compared to \$36.7 million for the second quarter 2020. We reported total revenues for the second quarter 2021 of \$565.4 million compared to \$587.8 million for the second quarter 2020. Second quarter 2021 results reflect \$7.5 million in one-time employee restructuring expenses, pre-tax, a \$3.0 million loss on real estate assets, pre-tax, a \$1.7 million gain on the extinguishment of debt, pre-tax, and \$0.1 million in the tax effect of adjustments to net income attributable to GEO. Excluding these items, we reported second quarter 2021 Adjusted Net Income of \$50.8 million compared to \$43.1 million for the second quarter 2020.

We reported second quarter 2021 Normalized Funds From Operations ("Normalized FFO") of \$69.7 million, or \$0.58 per diluted share, compared to \$61.5 million, or \$0.51 per diluted share, for the second quarter 2020. We reported second quarter 2021 Adjusted Funds From Operations ("AFFO") of \$84.4 million, or \$0.70 per diluted share, compared to \$78.8 million, or \$0.66 per diluted share, for the second quarter 2020.

Our better-than-expected financial performance during the second quarter 2021 was driven by continued favorable cost trends; higher occupancies at our facilities for the U.S. Marshals Service and U.S. Immigration and Customs Enforcement; and increased revenue and earnings from our electronic monitoring segment.

George C. Zoley, Executive Chairman of GEO, said, "We are pleased with our strong second quarter results and our increased financial guidance for the full year. We believe our robust financial performance is representative of the strength of our diversified business segments. We recognize that there have been concerns regarding our future access to financing, and we believe that our continued focus on debt reduction, the ongoing review of potential asset sales, and the evaluation of our corporate tax structure are all prudent steps as we work towards addressing these concerns."

First Six Months 2021 Highlights

- **Total revenues of \$1.14 billion**
- **Net Income Attributable to GEO of \$92.5 million**
- **Adjusted Net Income of \$84.9 million**
- **Normalized FFO of \$1.02 per diluted share**
- **AFFO of \$1.30 per diluted share**

For the first six months of 2021, we reported net income attributable to GEO of \$92.5 million compared to \$61.9 million for the first six months of 2020. We reported total revenues for the first six months of 2021 of \$1.14 billion compared to \$1.19 billion for the first six months of 2020. Results for the first six months of 2021 reflect \$7.5 million in one-time employee restructuring expenses, pre-tax, a \$10.4 million gain on real estate assets, pre-tax, and a \$4.7 million gain on the extinguishment of debt, pre-tax. Excluding these items, we reported Adjusted Net Income of \$84.9 million for the first six months of 2021 compared to \$72.0 million for the first six months of 2020.

For the first six months of 2021, we reported Normalized FFO of \$122.7 million, or \$1.02 per diluted share, compared to \$108.7 million, or \$0.91 per diluted share, for the first six months of 2020. For the first six months of 2021, we reported AFFO of \$156.6 million, or \$1.30 per diluted share, compared to \$145.4 million, or \$1.21 per diluted share, for the first six months of 2020.

Updated 2021 Financial Guidance

- **FY21 Net Income Attributable to GEO of \$167.5-\$174.5 Million**

- **FY21 Adjusted EBITDAre of \$441.5-\$448.5 Million**
- **FY21 AFFO of \$2.51-\$2.57 per diluted share**

We have increased our financial guidance for the full year 2021 and have issued our financial guidance for the third and fourth quarters of 2021. For the full year 2021, we expect Net Income Attributable to GEO to be in a range of \$167.5 million to \$174.5 million on annual revenues of approximately \$2.23 billion. We expect full year 2021 Adjusted EBITDAre to be in a range of approximately \$441.5 million to \$448.5 million. We expect full year 2021 Adjusted Net Income per diluted share to be in a range of \$1.34 to \$1.40 and full year 2021 AFFO per diluted share to be in a range of \$2.51 to \$2.57.

For the third quarter 2021, we expect Net Income Attributable to GEO to be in a range of \$39 million to \$42 million on quarterly revenues of \$548 million to \$553 million. We expect third quarter 2021 AFFO to be in a range of \$0.62 to \$0.64 per diluted share. For the fourth quarter 2021, we expect Net Income Attributable to GEO to be in a range of \$36 million to \$40 million on quarterly revenues of \$538 million to \$543 million. We expect fourth quarter 2021 AFFO to be in a range of \$0.59 to \$0.63 per diluted share.

Our guidance reflects our previously announced expectation that our contracts with the Federal Bureau of Prisons at the Big Spring Correctional Facility and Flightline Correctional Facility in Texas will not be renewed when the current contract option periods expire on November 30, 2021.

Balance Sheet and Liquidity

At the end of the second quarter 2021, we had approximately \$483 million in cash on hand, resulting from the previously announced drawdown of our Revolving Credit Facility. Our decision to draw on our Revolving Credit Facility was a conservative precautionary step to preserve liquidity, maintain financial flexibility, and obtain additional funds for general corporate purposes.

During the first six months of 2021, we reduced our net recourse debt by approximately \$105 million, which represents substantial progress toward our previously articulated objective of reducing net recourse debt by \$125 million to \$150 million in 2021. Based on our progress to date and our better-than-expected earnings and cash flows, we have increased our target for net debt reductions in 2021 to no less than \$150 million to \$175 million.

During the first six months of 2021, we also completed the sale of three real estate assets in our Reentry Services, Community-Based segment, totaling approximately 700 beds. Additionally, on July 1, 2021, we completed the sale of certain non-real estate assets in our Youth services segment. On a combined basis, these sales generated net proceeds of approximately \$27 million. We are evaluating the potential sale of additional company-owned assets.

COVID-19 Information

As the COVID-19 pandemic has impacted communities across the United States and around the world, our employees and facilities have also been impacted by the spread of COVID-19. Ensuring the health and safety of our employees and all those in our care has always been our number one priority.

During the pandemic, we have implemented mitigation initiatives to address the risks of COVID-19, consistent with the guidance issued for correctional and detention facilities by the Centers for Disease Control and Prevention ("CDC"). We will continue to evaluate and refine the steps we have taken as appropriate and necessary based on updated guidance by the CDC and best practices. We are grateful for our frontline employees who continue to make daily sacrifices to care for all those in our facilities. Information on the COVID-19 mitigation initiatives implemented by GEO can be found at www.geogroup.com/COVID19.

Conference Call Information

We have scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss our second quarter 2021 financial results as well as our 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 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 August 18, 2021 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10159108.

About The GEO Group

The GEO Group (NYSE: GEO) is a fully integrated equity real estate investment trust specializing in the design, financing, development, and operation of secure facilities, processing centers, and community reentry centers in the United States, Australia, South Africa, and the United Kingdom. GEO is a leading provider of enhanced in-custody rehabilitation, post-release support, electronic monitoring, and community-based programs. GEO's worldwide operations include the ownership and/or management of 114 facilities totaling approximately 90,000 beds, including idle facilities and projects under development, with a workforce of up to approximately 20,000 professionals.

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 Adjusted FFO, 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.

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 EBITDAre, Net Operating Income, FFO, Normalized FFO, and AFFO. The determination of the amounts that are included or 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 2021, we are unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking non-GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax. Net Operating Income is calculated as net income adjusted by subtracting equity in earnings of affiliates, net of income tax provision, and by adding income tax provision, interest expense, net of interest income, gain/loss on extinguishment of debt, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, gain 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 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, including for the periods presented start-up expenses, pre-tax, one-time employee restructuring expenses, pre-tax, COVID-19 expenses, pre-tax, close-out expenses, pre-tax, and other non-cash revenue and expense, pre-tax.

Given the nature of our business as a real estate owner and operator, we believe that EBITDAre and Adjusted EBITDAre are helpful to investors as measures of our operational performance because they provide an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We believe that by removing the impact of our asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDAre and Adjusted EBITDAre provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from net income attributable to GEO. The adjustments we make to derive the non-GAAP measures of EBITDAre and Adjusted EBITDAre exclude items which may cause short-term fluctuations in income from continuing operations and which we do not consider to be the fundamental attributes or primary drivers of our business plan and they do not affect our overall long-term operating performance. EBITDAre and Adjusted EBITDAre provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes.

Funds From Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income/loss attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

Normalized Funds from Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented gain on the extinguishment of debt, pre-tax, start-up expenses, pre-tax, one-time employee restructuring expenses, pre-tax, COVID-19 expenses, 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 and other non-cash revenue and expenses.

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 gain/loss on real estate assets, pre-tax, gain on the extinguishment of debt, pre-tax, start-up expenses, pre-tax, one-time employee restructuring expenses, pre-tax, COVID-19 expenses, 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 our GEO Secure Services and GEO Care facilities, we believe that assessing the performance of our secure facilities, processing centers, and reentry centers 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 GEO's financial guidance for the full-year, third quarter, and fourth quarter of 2021. 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 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) 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; (4) changes in federal immigration policy; (5) public and political opposition to the use of public-private partnerships with respect to secure correctional and detention facilities, processing centers and reentry centers; (6) 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; (7) 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; (8) fluctuations in our operating results, including as a result of contract terminations, contract renegotiations, changes in occupancy levels and increases in our operating costs; (9) 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; (10) 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; (11) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (12) risks associated with GEO's ability to control operating costs associated with contract start-ups; (13) GEO's ability to successfully pursue growth and continue to create shareholder value; (14) GEO's ability to obtain financing or access the capital markets in the future on acceptable terms or at all; (15) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports.

Second quarter and first six months of 2021 financial tables to follow:

Condensed Consolidated Balance Sheets*

(Unaudited)

	As of June 30, 2021 <i>(unaudited)</i>	As of December 31, 2020 <i>(unaudited)</i>
ASSETS		
Cash and cash equivalents	\$ 483,048	\$ 283,524
Restricted cash and cash equivalents	29,892	26,740
Accounts receivable, less allowance for doubtful accounts	313,831	362,668
Contract receivable, current portion	6,420	6,283
Prepaid expenses and other current assets	35,449	32,108
Total current assets	\$ 868,640	\$ 711,323
<i>Restricted Cash and Investments</i>	45,465	37,338
<i>Property and Equipment, Net</i>	2,074,350	2,122,195
<i>Contract Receivable</i>	382,829	396,647
<i>Operating Lease Right-of-Use Assets, Net</i>	120,208	124,727
<i>Assets Held for Sale</i>	28,197	9,108
<i>Deferred Income Tax Assets</i>	36,604	36,604
<i>Intangible Assets, Net (including goodwill)</i>	932,753	942,997
<i>Other Non-Current Assets</i>	74,563	79,187
Total Assets	\$ 4,563,609	\$ 4,460,126
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 75,329	\$ 85,861
Accrued payroll and related taxes	65,298	67,797
Accrued expenses and other current liabilities	189,770	202,378
Operating lease liabilities, current portion	28,095	29,080
Current portion of finance lease obligations, long-term debt, and non-recourse debt	27,240	26,180
Total current liabilities	\$ 385,732	\$ 411,296
<i>Deferred Income Tax Liabilities</i>	30,726	30,726
<i>Other Non-Current Liabilities</i>	117,273	115,555
<i>Operating Lease Liabilities</i>	98,474	101,375
<i>Finance Lease Liabilities</i>	2,614	2,988
<i>Long-Term Debt</i>	2,632,332	2,561,881
<i>Non-Recourse Debt</i>	311,390	324,223
<i>Total Shareholders' Equity</i>	985,068	912,082
Total Liabilities and Shareholders' Equity	\$ 4,563,609	\$ 4,460,126

* all figures in '000s

Condensed Consolidated Statements of Operations*

(Unaudited)

	Q2 2021 <i>(unaudited)</i>	Q2 2020 <i>(unaudited)</i>	YTD 2021 <i>(unaudited)</i>	YTD 2020 <i>(unaudited)</i>
Revenues	\$ 565,419	\$ 587,829	\$ 1,141,796	\$ 1,192,846
Operating expenses	405,009	444,035	833,160	905,781
Depreciation and amortization	33,306	33,434	67,423	66,761
General and administrative expenses	54,688	45,543	103,167	99,325

Operating income	72,416	64,817	138,046	120,979
Interest income	5,985	5,248	12,187	10,686
Interest expense	(32,053)	(30,610)	(63,897)	(64,790)
Gain on extinguishment of debt	1,654	-	4,693	1,563
Gain/(Loss) on dispositions of real estate	(2,950)	(1,304)	10,379	(880)
Income before income taxes and equity in earnings of affiliates	45,052	38,151	101,408	67,558
Provision for income taxes	5,063	4,196	12,999	10,742
Equity in earnings of affiliates, net of income tax provision	1,942	2,699	4,007	4,959
Net income	41,931	36,654	92,416	61,775
Less: Net loss attributable to noncontrolling interests	28	66	88	126
Net income attributable to The GEO Group, Inc.	\$ 41,959	\$ 36,720	\$ 92,504	\$ 61,901

Weighted Average Common Shares Outstanding:

Basic	120,426	119,810	120,225	119,602
Diluted	120,470	119,964	120,431	119,937

Net income per Common Share Attributable to The GEO Group, Inc. **:

Basic:				
Net income per share — basic	\$ <u>0.29</u>	\$ <u>0.31</u>	\$ <u>0.71</u>	\$ <u>0.52</u>
Diluted:				
Net income per share — diluted	\$ <u>0.29</u>	\$ <u>0.31</u>	\$ <u>0.70</u>	\$ <u>0.52</u>
Regular Dividends Declared per Common Share	\$ -	\$ <u>0.48</u>	\$ <u>0.25</u>	\$ <u>0.96</u>

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

** Diluted earnings per share attributable to GEO available to common stockholders was calculated and presented in GEO's unaudited financial statements under the two-class method for the six months ended June 30, 2021 due to the issuance of GEO's 6.50% exchangeable senior notes due 2026 as the exchangeable senior notes are considered to be participating securities.

Reconciliation of Net Income Attributable to GEO to Adjusted Net Income

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

	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Net Income attributable to GEO	\$ 41,959	\$ 36,720	\$ 92,504	\$ 61,901
Add:				
(Gain)/Loss on real estate assets, pre-tax	2,950	1,304	(10,379)	880
Gain on extinguishment of debt, pre-tax	(1,654)	-	(4,693)	(1,563)
Start-up expenses, pre-tax	-	553	-	2,506
One-time employee restructuring expenses, pre-tax	7,459	-	7,459	-
COVID-19 expenses, pre-tax	-	3,877	-	4,769
Close-out expenses, pre-tax	-	2,284	-	4,220
Tax effect of adjustments to Net Income attributable to GEO	105	(1,599)	13	(762)
Adjusted Net Income	\$ 50,819	\$ 43,139	\$ 84,904	\$ 71,951
Weighted average common shares outstanding - Diluted	120,470	119,964	120,431	119,937
Adjusted Net Income Per Diluted Share *	\$ 0.42	\$ 0.36	\$ 0.71	\$ 0.60

* In accordance with GAAP, diluted earnings per share attributable to GEO available to common stockholders is calculated under the if-converted method or the two-class method, whichever calculation results in the lowest diluted earnings per share amount, which may be lower than Adjusted Net Income Per Diluted Share.

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

(Unaudited)

	Q2 2021 <i>(unaudited)</i>	Q2 2020 <i>(unaudited)</i>	YTD 2021 <i>(unaudited)</i>	YTD 2020 <i>(unaudited)</i>
Net Income attributable to GEO	\$ 41,959	\$ 36,720	\$ 92,504	\$ 61,901
<i>Add (Subtract):</i>				
Real Estate Related Depreciation and Amortization	18,846	18,384	37,818	36,780
(Gain)/Loss on real estate assets, pre-tax	2,950	1,304	(10,379)	880
Equals: NAREIT defined FFO	\$ 63,755	\$ 56,408	\$ 119,943	\$ 99,561

Add (Subtract):

Gain on extinguishment of debt, pre-tax	(1,654)	-	(4,693)	(1,563)
Start-up expenses, pre-tax	-	553	-	2,506
One-time employee restructuring expenses, pre-tax	7,459	-	7,459	-
COVID-19 expenses, pre-tax	-	3,877	-	4,769
Close-out expenses, pre-tax	-	2,284	-	4,220
Tax effect of adjustments to funds from operations **	105	(1,599)	13	(762)
Equals: FFO, normalized	\$ 69,665	\$ 61,523	\$ 122,722	\$ 108,731

Add (Subtract):

Non-Real Estate Related Depreciation & Amortization	14,460	15,050	29,605	29,981
Consolidated Maintenance Capital Expenditures	(4,572)	(4,139)	(8,511)	(11,166)
Stock Based Compensation Expenses	4,023	4,706	11,426	14,474
Other non-cash revenue & expenses	(1,102)	-	(2,204)	-
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	1,903	1,708	3,586	3,378
Equals: AFFO	\$ 84,377	\$ 78,848	\$ 156,624	\$ 145,398

Weighted average common shares outstanding - Diluted	120,470	119,964	120,431	119,937
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FFO/AFFO per Share - Diluted

Normalized FFO Per Diluted Share	\$ 0.58	\$ 0.51	\$ 1.02	\$ 0.91
AFFO Per Diluted Share	\$ 0.70	\$ 0.66	\$ 1.30	\$ 1.21
Regular Common Stock Dividends per common share	\$ -	\$ 0.48	\$ 0.25	\$ 0.96

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

** tax adjustments related to gain/loss on real estate assets, Gain on extinguishment of debt, Start-up expenses, One-time employee restructuring expenses, COVID-19 expenses, and Close-out expenses.

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

	Q2 2021 <i>(unaudited)</i>	Q2 2020 <i>(unaudited)</i>	YTD 2021 <i>(unaudited)</i>	YTD 2020 <i>(unaudited)</i>
Net Income attributable to GEO	\$ 41,959	\$ 36,720	\$ 92,504	\$ 61,901
<i>Less</i>				
Net loss attributable to noncontrolling interests	28	66	88	126
Net Income	\$ 41,931	\$ 36,654	\$ 92,416	\$ 61,775
<i>Add (Subtract):</i>				
Equity in earnings of affiliates, net of income tax provision	(1,942)	(2,699)	(4,007)	(4,959)
Income tax provision	5,063	4,196	12,999	10,742
Interest expense, net of interest income	26,068	25,362	51,710	54,104
Gain on extinguishment of debt	(1,654)	-	(4,693)	(1,563)
Depreciation and amortization	33,306	33,434	67,423	66,761
General and administrative expenses	54,688	45,543	103,167	99,325
Net Operating Income, net of operating lease obligations	\$ 157,460	\$ 142,490	\$ 319,015	\$ 286,185

Add:

Operating lease expense, real estate	4,240	4,792	8,325	9,744
(Gain)/Loss on real estate assets, pre-tax	2,950	1,304	(10,379)	880
Start-up expenses, pre-tax	-	553	-	2,506
Net Operating Income (NOI)	\$ 164,650	\$ 149,139	\$ 316,961	\$ 299,315

	Q2 2021 <i>(unaudited)</i>	Q2 2020 <i>(unaudited)</i>	YTD 2021 <i>(unaudited)</i>	YTD 2020 <i>(unaudited)</i>
Net Income	\$ 41,931	\$ 36,654	\$ 92,416	\$ 61,775
Add (Subtract):				
Income tax provision **	5,354	4,681	13,630	11,670
Interest expense, net of interest income ***	24,414	25,362	47,017	52,541
Depreciation and amortization	33,306	33,434	67,423	66,761
(Gain)/Loss on real estate assets, pre-tax	2,950	1,304	(10,379)	880
EBITDAre	\$ 107,955	\$ 101,435	\$ 210,107	\$ 193,627

Add (Subtract):				
Net loss attributable to noncontrolling interests	28	66	88	126
Stock based compensation expenses, pre-tax	4,023	4,706	11,426	14,474
Start-up expenses, pre-tax	-	553	-	2,506
One-time employee restructuring expenses, pre-tax	7,459	-	7,459	-
COVID-19 expenses, pre-tax	-	3,877	-	4,769
Close-out expenses, pre-tax	-	2,284	-	4,220
Other non-cash revenue & expenses, pre-tax	(1,102)	-	(2,204)	-
Adjusted EBITDAre	\$ 118,363	\$ 112,921	\$ 226,876	\$ 219,722

* all figures in '000s

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

*** includes (gain)/loss on extinguishment of debt

2021 Outlook/Reconciliation

(In thousands, except per share data)

(Unaudited)

	FY 2021	
Net Income Attributable to GEO	\$ 167,500	to \$ 174,500
Real Estate Related Depreciation and Amortization	76,000	76,000
Gain/Loss on Real Estate	(10,000)	(10,000)
Funds from Operations (FFO)	\$ 233,500	to \$ 240,500
(Gain)/Loss on Extinguishment of Debt	(5,000)	(5,000)
Non-recurring Expenses	10,000	10,000
Normalized Funds from Operations	\$ 238,500	to \$ 245,500
Non-Real Estate Related Depreciation and Amortization	60,000	60,000
Consolidated Maintenance Capex	(17,000)	(17,000)
Non-Cash Stock Based Compensation	19,000	19,000
Non-Cash Interest Expense	7,500	7,500
Other Non-Cash Revenue & Expenses	(4,000)	(4,000)
Adjusted Funds From Operations (AFFO)	\$ 304,000	to \$ 311,000
Net Interest Expense	103,000	103,000
Non-Cash Interest Expense	(7,500)	(7,500)
Consolidated Maintenance Capex	17,000	17,000
Income Taxes (including income tax provision on equity in earnings of affiliates)	25,000	25,000
Adjusted EBITDAre	\$ 441,500	to \$ 448,500
G&A Expenses	193,000	193,000
Non-recurring Expenses	(10,000)	(10,000)
Non-Cash Stock Based Compensation	(19,000)	(19,000)
Equity in Earnings of Affiliates	(8,000)	(8,000)
Real Estate Related Operating Lease Expense	19,000	19,000
Net Operating Income	\$ 616,500	to \$ 623,500
Adjusted Net Income Per Diluted Share *	\$ 1.34	\$ 1.40
AFFO Per Diluted Share	\$ 2.51	to \$ 2.57
Weighted Average Common Shares Outstanding-Diluted	121,000	to 121,000

* In accordance with GAAP, diluted earnings per share attributable to GEO available to common stockholders is calculated under the if-converted method or the two-class method, whichever calculation results in the lowest diluted earnings per share amount, which may be lower than Adjusted Net Income Per Diluted Share.



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Source: The GEO Group, Inc.