The GEO Group Reports Second Quarter 2018 Results

August 2, 2018 10:55 AM EDT

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

BOCA RATON, Fla.--(BUSINESS WIRE)-- **The GEO Group, Inc. (NYSE: GEO)** ("GEO"), a fully integrated equity real estate investment trust ("REIT") and a leading provider of evidence-based offender rehabilitation and community reentry services around the globe, reported today its financial results for the second quarter 2018.

Second Quarter 2018 Highlights

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

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

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

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

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

First Six Months 2018 Highlights

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

- **AFFO of $1.17 per Diluted Share**

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

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

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

Stock Repurchase Program

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

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

Quarterly Dividend

On July 10, 2018, GEO's Board of Directors declared a quarterly cash dividend of $0.47 per share. The quarterly cash dividend was paid on July 27, 2018 to shareholders of record as of the close of business on July 20, 2018. The declaration of future quarterly cash dividends is subject to approval by GEO's Board of Directors and to meeting the requirements of all applicable laws and regulations. GEO's Board of Directors retains the power to modify its dividend policy as it may deem necessary or appropriate in the future.

2018 Financial Guidance

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

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

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

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

Reconciliation Tables and Supplemental Information

GEO has made available Supplemental Information which contains reconciliation tables of Net Income Attributable to GEO to Net Operating Income, Net Income to EBITDAre (EBITDA for real estate) and Adjusted EBITDAre (Adjusted EBITDA for real estate), Net Income Attributable to GEO to Adjusted Net Income, and Net Income Attributable to GEO to FFO, Normalized FFO and AFFO along with supplemental financial and operational information on GEO's business and other important operating metrics. The reconciliation tables are also presented herein. Please see the section of this press release below titled "Note to Reconciliation Tables and Supplemental Disclosure - Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines these supplemental Non-GAAP financial measures and reconciles them to the most directly comparable GAAP measures. GEO's Reconciliation Tables can be found herein and in GEO's Supplemental Information which is available on GEO's Investor Relations webpage at investors.geogroup.com.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's second quarter 2018 financial results as well as its outlook. The call-in number for the U.S. is 1-877-250-1553 and the international call-in number is 1-412-542-4145. In addition, a live audio webcast of the conference call may be accessed on the Events and Webcasts section of GEO's investor relations webpage at investors.geogroup.com. A replay of the webcast will be available on the website for one year. A telephonic replay of the conference call will be available until August 16, 2018 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10122196.

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is the first fully integrated equity real estate investment trust specializing in the design, financing, development, and operation of correctional, detention, and community reentry facilities around the globe. GEO is the world's leading provider of diversified correctional, detention, community reentry, and electronic monitoring services to government agencies worldwide with operations in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the ownership and/or management of 139 facilities totaling approximately 96,000 beds, including projects under development, with a growing workforce of approximately 23,000 professionals.

Note to Reconciliation Tables and Supplemental Disclosure –
Important Information on GEO's Non-GAAP Financial Measures

Net Operating Income, EBITDAre, Adjusted EBITDAre, Funds from Operations, Normalized Funds from Operations, Adjusted Funds from Operations, and Adjusted Net Income are non-GAAP financial measures that are presented as supplemental disclosures. GEO has presented herein certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including Adjusted Net Income, FFO, Normalized FFO, and AFFO. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While we have provided a high level reconciliation for the guidance ranges for full year 2018, we are unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking non-GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax. Net Operating Income is calculated as net income adjusted by subtracting equity in earnings of affiliates, net of income tax provision, and by adding income tax (benefit) provision, interest expense, net of interest income, loss on extinguishment of debt, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax.

EBITDAre (EBITDA for real estate) is defined as net income adjusted by adding provisions for income tax, interest expense, net of interest income, depreciation and amortization, and gain/loss on sale of real estate assets, pre-tax. Adjusted EBITDAre (Adjusted EBITDA for real estate) is defined as EBITDAre adjusted for net income/loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented merger and acquisition (“M&A”) related expenses, pre-tax, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, pre-tax. Given the nature of our business as a real estate owner and operator, we believe that EBITDAre and Adjusted EBITDAre are helpful to investors as measures of our operational performance because they provide an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business.

We believe that by removing the impact of our asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDAre and Adjusted EBITDAre provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from net income attributable to GEO.

The adjustments we make to derive the non-GAAP measures of EBITDAre and Adjusted EBITDAre exclude items which may cause short-term fluctuations in income from continuing operations and which we do not consider to be the fundamental attributes or primary drivers of our business plan and they do not affect our overall long-term operating performance. EBITDAre and Adjusted EBITDAre provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes.

Funds From Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income/loss attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures. Normalized Funds from Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO’s actual operating performance, including for the periods presented net Tax Cuts and Jobs Act (“TCJA”) impact, M&A related expenses, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, and escrow releases, pre-tax, and tax effect of adjustments to FFO.

Adjusted Funds From Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Adjusted Net Income is defined as Net Income Attributable to GEO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO’s actual operating performance, including for the periods presented net TCJA impact, M&A related expenses, pre-tax, gain/loss on sale of real estate assets, pre-tax, loss on extinguishment of debt, start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax, and tax effect of adjustments to Net Income Attributable to GEO.

Because of the unique design, structure and use of our correctional facilities, we believe that assessing the performance of our correctional facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations.

Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in net income attributable to GEO but have no impact on our cash flows, or we do not consider them to be fundamental attributes or the primary drivers of our business plan and they do not affect our overall long-term operating performance. We may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of our operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from Net Income Attributable to GEO.

We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Safe-Harbor Statement

This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding financial guidance for the third quarter, fourth quarter and full year 2018, the assumptions underlying such guidance, and statements regarding future project activations and growth opportunities. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO’s ability to meet its financial guidance for 2018 given the various risks to which its business is exposed; (2) GEO’s ability to fully implement its announced stock repurchase program and the timing and amounts of any future stock repurchases; (3) GEO’s ability to declare future quarterly cash *dividends and the timing and amount of such future cash dividends; (4) GEO's ability to successfully pursue further growth and continue to create shareholder value; (5) risks associated with GEO's ability to control operating costs associated with contract start-ups; (6) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (7) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (8) GEO's ability to obtain future financing on acceptable terms; (9) GEO's ability to sustain company-wide occupancy rates at its facilities; (10) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (11) the impact of any future regulations or guidance on the Tax Cuts and Jobs Act; (12) GEO's ability to remain qualified as a REIT; (13) the incurrence of REIT related expenses; and (14) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports.*

Second quarter and first six months financial tables to follow:

Condensed Consolidated Statements of Operations*
(Unaudited)

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

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

Reconciliation of Net Income Attributable to GEO to Adjusted Net Income
(In thousands, except per share data)(Unaudited)

	Q2 2018	*Q2 2017*	*YTD 2018*	*YTD 2017*
Net Income attributable to GEO	$ 37,421	$ 30,992	$ 72,408	$ 71,395
Add (Subtract):				
Net Tax Cuts and Jobs Act Impact	-	-	304	-
Loss on extinguishment of debt	574	-	574	-
Start-up expenses, pre-tax	98	-	98	-
M&A related expenses, pre-tax	-	10,336	-	12,956

Legal related expenses, pre-tax	4,500	-	4,500	-
Escrow releases, pre-tax	(2,273)	-	(2,273)	
Gain/Loss on sale of real estate assets, pre-tax	590	-	492	(261)
Tax effect of adjustments to Net Income attributable to GEO	(713)	(2,487)	(713)	(2,523)
Adjusted Net Income	**$ 40,197**	**$ 38,841**	**$ 75,390**	**$ 81,567**
Weighted average common shares outstanding - Diluted	120,659	122,895	121,461	118,702
Adjusted Net Income Per Diluted Share	**$ 0.33**	**$ 0.32**	**$ 0.62**	**$ 0.69**

Condensed Consolidated Balance Sheets*
(Unaudited)

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

* all figures in '000s

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

	Q2 2018 *(unaudited)*	***Q2 2017*** *(unaudited)*	***YTD 2018*** *(unaudited)*	***YTD 2017*** *(unaudited)*
Net Income attributable to GEO	$ 37,421	$ 30,992	$ 72,408	$ 71,395
Add (Subtract):				

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

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

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

	Q2 2018	*Q2 2017*	*YTD 2018*	*YTD 2017*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net Income attributable to GEO	$ 37,421	$ 30,992	$ 72,408	$ 71,395
Less				
Net loss attributable to noncontrolling interests	96	50	163	87
Net Income	**$ 37,325**	**$ 30,942**	**$ 72,245**	**$ 71,308**
Add (Subtract):				
Equity in earnings of affiliates, net of income tax provision	(2,341)	(1,426)	(4,336)	(2,913)
Income tax provision	3,715	1,400	8,470	3,870
Interest expense, net of interest income	27,678	23,637	54,448	46,660
Loss on extinguishment of debt	574	-	574	-
Depreciation and amortization	31,313	31,866	63,239	60,815
General and administrative expenses	47,448	52,206	89,280	94,792
Net Operating Income, net of operating lease obligations	**$ 145,712**	**$ 138,625**	**$ 283,920**	**$ 274,532**
Add:				
Operating lease expense, real estate	7,914	7,879	15,695	14,362

Start-up expenses, pre-tax	98	-	98	-
Net Operating Income (NOI)	**$ 153,724**	**$ 146,504**	**$ 299,713**	**$ 288,894**

	Q2 2018	***Q2 2017***	***YTD 2018***	***YTD 2017***
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net Income	$ **37,325**	$ **30,942**	$ **72,245**	$ **71,308**
Add (Subtract):				
Income tax provision **	3,446	1,998	8,906	5,078
Interest expense, net of interest income ***	28,252	23,637	55,022	46,660
Depreciation and amortization	31,313	31,866	63,239	60,815
Gain/Loss on real estate assets, pre-tax	590	-	492	(261)
EBITDA*re*	**$ 100,926**	**$ 88,443**	**$ 199,904**	**$ 183,600**
Add (Subtract):				
Net loss attributable to noncontrolling interests	96	50	163	87
Stock based compensation expenses, pre-tax	4,960	5,030	10,787	9,993
M&A related expenses, pre-tax	-	10,336	-	12,956
Start-up expenses, pre-tax	98	-	98	-
Legal related expenses, pre-tax	4,500	-	4,500	-
Escrow Releases, pre-tax	(2,273)	-	(2,273)	-
Adjusted EBITDA*re*	**$ 108,307**	**$ 103,859**	**$ 213,179**	**$ 206,636**

* all figures in '000s
** including income tax provision on equity in earnings of affiliates
*** includes loss on extinguishment of debt

2018 Outlook/Reconciliation
(In thousands, except per share data)
(Unaudited)

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

Net Operating Income	**$617,700**	to	**$622,700**
Adjusted Net Income Per Diluted Share	**$ 1.32**	to	**$ 1.36**
AFFO Per Diluted Share	**$ 2.47**	to	**$ 2.51**
Weighted Average Common Shares Outstanding-Diluted	120,800	to	120,800

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Source: The GEO Group, Inc.