

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 29, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

COMMISSION FILE NUMBER 1-14260

WACKENHUT CORRECTIONS CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Florida

65-0043078

-----  
(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4200 Wackenhut Drive #100, Palm Beach Gardens, Florida

33410-4243

-----  
(Address of principal executive offices)

(Zip code)

(561) 622-5656

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

Not Applicable

-----  
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

At November 1, 1996, 21,935,692 shares of the registrant's Common Stock were issued and outstanding.

## WACKENHUT CORRECTIONS CORPORATION

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

The following consolidated financial statements of Wackenhut Corrections Corporation, a Florida corporation (the "Corporation") have been prepared in accordance with the instructions to Form 10-Q and therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the thirty-nine weeks ended September 29, 1996 are not necessarily indicative of the results for the entire fiscal year ending December 29, 1996.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THIRTEEN WEEKS ENDED  
SEPTEMBER 29, 1996 AND OCTOBER 1, 1995  
(IN THOUSANDS EXCEPT PER SHARE DATA)  
(UNAUDITED)

	THIRTEEN WEEKS ENDED	
	----- SEPTEMBER 29, 1996 -----	OCTOBER 1, 1995 -----
Revenues	\$36,785	\$25,757
Operating expenses (including amounts related to Parent of \$1,018 and \$1,789)	30,837	21,445
Depreciation and amortization	948	603
	-----	-----
Contribution from operations	5,000	3,709
G&A expense (including amounts related to Parent of \$358 and \$325)	2,061	1,784
	-----	-----
Operating income	2,939	1,925
Interest income (including interest related to Parent of (\$118) and \$9)	455	13
	-----	-----
Income before income taxes and equity income (loss) of affiliate	3,394	1,938
Provision for income taxes	1,263	694
	-----	-----
Income before equity income (loss) of affiliate	2,131	1,244
Equity income (loss) of affiliate, net of income tax (provision) benefit of (\$175) and \$32	280	(49)
	-----	-----
Net income	\$ 2,411 =====	\$ 1,195 =====
Earnings per share	\$ 0.11 =====	\$ 0.07 =====
Weighted average shares outstanding	22,642 =====	17,718 =====

The accompanying notes to consolidated financial statements  
are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
 CONSOLIDATED STATEMENTS OF INCOME  
 FOR THE THIRTY-NINE WEEKS ENDED  
 SEPTEMBER 29, 1996 AND OCTOBER 1, 1995  
 (IN THOUSANDS EXCEPT PER SHARE DATA)  
 (UNAUDITED)

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 29, 1996	OCTOBER 1, 1995
Revenues	\$99,635	\$71,801
Operating expenses (including amounts related to Parent of \$2,623 and \$5,164)	84,053	59,272
Depreciation and amortization	2,554	1,614
Contribution from operations	13,028	10,915
G&A expense (including amounts related to Parent of \$1,074 and \$959)	6,457	5,582
Operating income	6,571	5,333
Interest income (including interest related to Parent of (\$9) and \$116)	1,752	125
Income before income taxes and equity income (loss) of affiliate	8,323	5,458
Provision for income taxes	3,092	2,116
Income before equity income (loss) of affiliate	5,231	3,342
Equity income (loss) of affiliate, net of income tax (provision) benefit of (\$289) and \$93	462	(147)
Net income	\$ 5,693	\$ 3,195
Earnings per share	\$ 0.26	\$ 0.18
Weighted average shares outstanding	22,058	17,700

The accompanying notes to consolidated financial statements  
are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 29, 1996 AND DECEMBER 31, 1995  
(IN THOUSANDS EXCEPT SHARE DATA)

	END OF PERIOD	
	SEPTEMBER 29, 1996	DECEMBER 31, 1995
	(UNAUDITED)	
<b>ASSETS</b>		
Current Assets:		
Cash	\$43,453	\$ 909
Accounts receivable	22,762	17,826
Deferred income tax asset - current	--	51
Other	6,468	3,567
	-----	-----
Total current assets	72,683	22,353
Property and equipment, net	15,797	8,211
Investments in and advances to affiliates	1,151	400
Deferred charges, net	6,459	4,587
Unamortized cost in excess of net assets of acquired companies, net	2,311	2,408
Other	907	881
	-----	-----
	\$99,308	\$38,840
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 1,500	\$ 1,852
Accrued payroll and related taxes	3,211	3,330
Accrued expenses	4,572	3,705
Current portion of long-term debt	11	11
Deferred income tax liability - current	20	--
	-----	-----
Total current liabilities	9,314	8,898
	-----	-----
Deferred income taxes, net	5,098	3,733
	-----	-----
Long-term debt	231	980
	-----	-----
Shareholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized	--	--
Common stock, \$.01 par value, 60,000,000 shares authorized, 21,933,692 and 17,078,162 shares issued and outstanding	219	171
Additional paid-in capital	72,281	18,860
Retained earnings	11,780	6,087
Cumulative translation adjustment	385	111
	-----	-----
Total shareholders' equity	84,665	25,229
	-----	-----
	\$99,308	\$38,840
	=====	=====

The accompanying notes to consolidated financial statements  
are an integral part of these balance sheets.

WACKENHUT CORRECTIONS CORPORATION  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE THIRTY-NINE WEEKS ENDED  
 SEPTEMBER 29, 1996 AND OCTOBER 1, 1995  
 (IN THOUSANDS)  
 (UNAUDITED)

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 29, 1996	OCTOBER 1, 1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 5,693	\$ 3,195
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization expense	2,554	1,614
Equity (income) loss of affiliates	(751)	147
Changes in assets and liabilities --		
(Increase) decrease in assets:		
Accounts receivable	(4,850)	(10,458)
Deferred income tax asset - current	51	31
Other current assets	(2,817)	(1,538)
Other assets	42	153
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	353	3,944
Accrued payroll and related taxes	(190)	161
Deferred income tax liability - current	20	1
Deferred income taxes - non-current	2,522	1,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,627	(1,295)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments in affiliates	--	(667)
Capital expenditures	(8,811)	(1,336)
Deferred charge expenditures	(2,991)	(2,566)
NET CASH USED IN INVESTING ACTIVITIES	(11,802)	(4,569)

(Continued)

The accompanying notes to consolidated financial statements  
 are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE THIRTY-NINE WEEKS ENDED  
 SEPTEMBER 29, 1996 AND OCTOBER 1, 1995  
 (IN THOUSANDS)  
 (UNAUDITED)

(Continued)

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 29, 1996	OCTOBER 1, 1995
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	51,593	--
Proceeds from exercise of stock options	719	975
Retirement of debt	(783)	(377)
Advances from Parent	72,847	42,460
Repayments to Parent	(72,847)	(42,587)
	51,529	471
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>51,529</b>	<b>471</b>
Effect of exchange rate changes on cash	190	(54)
Net (decrease) increase in cash	42,544	(5,447)
Cash, beginning of period	909	5,981
	\$ 43,453	\$ 534
<b>CASH, END OF PERIOD</b>	<b>\$ 43,453</b>	<b>\$ 534</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Impact on equity from tax benefit related to the exercise of options issued under the corporation's non-qualified stock option plan	\$ 1,157	\$ 544
	<b>\$ 1,157</b>	<b>\$ 544</b>

The accompanying notes to consolidated financial statements  
are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for the quarterly financial reporting are the same as those disclosed in Note 2 of the Notes To Consolidated Financial Statements included in the Corporation's Form 10-K filed with the Securities and Exchange Commission on March 28, 1996 for the fiscal years ended December 31, 1995, January 1, 1995, and January 2, 1994 except as noted below. Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

During the third quarter of 1996, the Corporation changed its method of accounting for project development costs. Project development costs consist of direct and incremental costs paid to unrelated parties, including certain costs of responding to requests for proposal ("RFPs") that can be directly associated with a specific anticipated project. Prior to July 1, 1996, project development costs were expensed as incurred. Effective July 1, 1996, such costs are deferred until the anticipated contract has been awarded at which time the costs are either (a) capitalized as part of property and equipment if the facility is owned or classified as a capital lease by the Corporation, or (b) are classified as project development costs if the contract pertains to facility management services. These costs are then amortized over either (a) the related life of the asset or (b) the term of the initial contract plus renewals or five years, whichever is less. The cumulative effect of the change in accounting on prior years did not have a material impact on the Corporation's financial position or results of operations. The effect of the change in accounting on each of the first three quarters of 1996 was also immaterial.

On April 25, 1996, the Corporation's Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend paid on June 4, 1996. Except as otherwise noted, all share data relating to the Corporation's common stock has been restated to reflect the two-for-one split.

Reference is made to Item 7, Part II of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, for further discussion and analysis of information pertaining to liquidity and capital resources.



WACKENHUT CORRECTIONS CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

2. DOMESTIC AND INTERNATIONAL OPERATIONS

A summary of domestic and international operations is presented below:

	THIRTY-NINE WEEKS ENDED	
	----- SEPTEMBER 29, 1996 -----	OCTOBER 1, 1995 -----
	(in thousands)	
<b>REVENUES</b>		
Domestic operations	\$77,524	\$52,104
International operations	22,111	19,697
	-----	-----
Total revenues	\$99,635	\$71,801
	=====	=====
<b>OPERATING INCOME</b>		
Domestic operations	\$ 4,352	\$ 2,999
International operations	2,219	2,334
	-----	-----
Total operating income	\$ 6,571	\$ 5,333
	=====	=====
	-----	-----
	SEPTEMBER 29, 1996	DECEMBER 31, 1995
	-----	-----
<b>IDENTIFIABLE ASSETS</b>		
Domestic operations	\$89,887	\$28,221
International operations	9,421	6,229
	-----	-----
Total identifiable assets	\$99,308	\$34,450
	=====	=====

## WACKENHUT CORRECTIONS CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

## FINANCIAL CONDITION

In January 1996, the Corporation sold 2,300,000 shares of its common stock in connection with a public offering at a price of \$24.00 per share, before deducting underwriting discounts and commissions and estimated offering expenses. The net proceeds from the offering of approximately \$51,593,000 will be and have been used for possible future acquisitions, capital investments in new facilities, working capital requirements and general corporate purposes.

In May 1996, the Corporation repaid the remaining \$1,000,000 Australian (approximately \$773,400 United States) of its outstanding balance under a credit facility with a bank.

Reference is made to Item 7, Part II of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, for further discussion and analysis of information pertaining to liquidity and capital resources.

## RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto.

## THIRD QUARTER 1996 COMPARED TO THIRD QUARTER 1995:

Revenues increased by 42.8% to \$36.8 million in the thirteen weeks ended September 29, 1996 ("Third Quarter 1996") from \$25.8 million in the thirteen weeks ended October 1, 1995 ("Third Quarter 1995"). The increase in revenues in Third Quarter 1996 compared to Third Quarter 1995 is primarily attributable to increased compensated resident days resulting from the opening of two facilities in the second half of 1995 (Moore Haven Correctional Facility, Moore Haven, Florida in July 1995 and John R. Lindsey Unit, Jack County, Texas in September 1995), two facilities that opened in 1996 (Willacy County Unit, Willacy County, Texas in January 1996 and Marshall County Correctional Facility, Marshall County, Mississippi in June 1996), one facility for which the Corporation assumed correctional services in 1996 (Delaware County Prison, Delaware County, Pennsylvania in April 1996) and the expansion of two facilities in the second half of 1995 (Arthur Gorrie Correctional Centre, Wacol, Australia and Allen Correctional Center, Kinder, Louisiana).

The number of compensated resident days in domestic facilities increased to 866,197 in Third Quarter 1996 from 475,625 in Third Quarter 1995. In addition, compensated resident days in Australian facilities increased to 109,848 from 107,198 for the comparable periods. As a result of the increase in compensated resident days, average facility occupancy in domestic facilities increased to 96.6% of capacity in Third Quarter 1996 compared to 93.3% in the same period in Third Quarter 1995.

Operating expenses increased by 43.8% to \$30.8 million in Third Quarter 1996 compared to \$21.4 million in Third Quarter 1995. The increase primarily reflected the opening of the four facilities, the assumption of correctional services at one facility and the expansion of two facilities discussed above.

## WACKENHUT CORRECTIONS CORPORATION

Depreciation and amortization increased by 57.2% to \$948,000 in Third Quarter 1996 from \$603,000 in Third Quarter 1995. This increase is due to an increase in capital and deferred charge expenditures resulting from the opening of the four facilities, assumption of correctional services at one facility, and the expansion of two facilities discussed above.

Contribution from operations increased 34.8% to \$5.0 million in Third Quarter 1996 from \$3.7 million in Third Quarter 1995 due primarily to the new facilities, the assumption of correctional services, and the expansions discussed above.

General and administrative expenses increased 15.5% to \$2.1 million in Third Quarter 1996 from \$1.8 million in Third Quarter 1995. This increase is primarily attributable to increased business development activities in response to additional interest in the Corporation's services and increased infrastructure related to corporate growth.

Operating income increased by 52.7% to \$2.9 million in Third Quarter 1996 from \$1.9 million in Third Quarter 1995 due to increased income from the new facilities, assumption of correctional services and expansions discussed above, offset by higher general and administrative expenses.

Income before taxes and equity income increased by 75.1% to \$3.4 million in Third Quarter 1996 from \$1.9 million in Third Quarter 1995 due to an increase in interest income, which represents interest earned on the proceeds of the January 1996 stock offering, and the factors described above.

Provision for income taxes increased to \$1.3 million in Third Quarter 1996 from \$694,000 in Third Quarter 1995 due to higher taxable income and an increase in the Corporation's effective tax rate for the quarter.

Equity income of affiliates was \$280,000 in Third Quarter 1996 compared to a loss of \$49,000 in Third Quarter 1995. Current and prior year performance reflects the activities of Premier Prison Services, a U.K. joint venture. The increase in current year income results from two expansions at the H.M. Prison Doncaster (Doncaster, England) in November 1995 and June 1996, and income earned from two court escort contracts that were awarded in December 1995 and commenced operations in May 1996.

Net income increased by 101.8% to \$2.4 million in Third Quarter 1996 from \$1.2 million in Third Quarter 1995 as a result of the factors described above.

## FIRST NINE MONTHS 1996 COMPARED TO FIRST NINE MONTHS 1995:

Revenues increased by 38.8% to \$99.6 million in the thirty-nine weeks ended September 29, 1996 ("First Nine Months 1996") from \$71.8 million in the thirty-nine weeks ended October 1, 1995 ("First Nine Months 1995"). The increase in revenues in First Nine Months 1996 compared to First Nine Months 1995 is primarily attributable to increased compensated resident days resulting from the opening of two facilities in the second half of 1995 (Moore Haven Correctional Facility, Moore Haven, Florida in July 1995 and John R. Lindsey Unit, Jack County, Texas in September 1995), two facilities in the first half of 1996 (Willacy County Unit, Willacy County, Texas in January 1996 and Marshall County Correctional Facility, Marshall County, Mississippi in June 1996), one facility for which the company assumed correctional services in 1996 (Delaware County Prison, Delaware County, Pennsylvania in April 1996)

## WACKENHUT CORRECTIONS CORPORATION

and the expansion of two facilities in the second half of 1995 (Arthur Gorrie Correctional Centre, Wacol, Australia and Allen Correctional Center, Kinder, Louisiana).

The number of compensated resident days in domestic facilities increased to 2,255,492 in First Nine Months 1996 from 1,361,995 in First Nine Months 1995. In addition, compensated resident days in Australian facilities increased to 333,344 from 312,294 for the comparable periods. As a result of the increase in compensated resident days, average facility occupancy in domestic facilities increased to 96.1% of capacity in First Nine Months of 1996 compared to 93.8% in First Nine Months of 1995.

Operating expenses increased by 41.8% to \$84.0 million in First Nine Months 1996 compared to \$59.3 million in First Nine Months 1995. This increase primarily reflected the opening of the four facilities, the assumption of correctional services at one facility, and the two expansions discussed above.

Depreciation and amortization increased by 58.2% to \$2.6 million in the First Nine Months 1996 from \$1.6 million in the First Nine Months 1995. This increase is due to the increase in capital and deferred charge expenditures resulting from the opening of the new facilities, the assumption of correctional services, and the expansions discussed above.

Contribution from operations increased by 19.4% to \$13.0 million in First Nine Months 1996 from \$10.9 million in First Nine Months 1995 due primarily to the new facilities, the assumption of correctional services, and the expansions discussed above.

General and administrative expenses increased by 15.7% to \$6.5 million in First Nine Months 1996 from \$5.6 million in First Nine Months 1995. This increase is primarily attributable to increased business development activities in response to additional interest in the Corporation's services and increased infrastructure related to corporate growth.

Operating income increased by 23.2% to \$6.6 million in First Nine Months 1996 from \$5.3 million in First Nine Months 1995 due to additional income from the opening of new facilities, the assumption of correctional services and expansions discussed above, offset by higher general and administrative expenses.

Income before taxes and equity loss increased by 52.5% to \$8.3 million in First Nine Months 1996 from \$5.5 million in First Nine Months 1995 due to an increase in interest income, which represents interest earned on the proceeds of the January 1996 stock offering, and the factors described above.

Provision for income taxes increased to \$3.1 million in First Nine Months 1996 from \$2.1 million in First Nine Months 1995 due to higher taxable income, offset partially by a decrease in the Corporation's effective tax rate.

Equity income of affiliates was \$462,000 for First Nine Months 1996 compared to a loss of \$147,000 in First Nine Months 1995. Current and prior year performance reflects the activities of Premier Prison Services, a U.K. joint venture. The increase in current year income results from two expansions at the H.M. Prison Doncaster (Doncaster, England) in November 1995 and June 1996, and income earned from two court escort contracts that were awarded in December 1995 and commenced operations in May 1996.

Net income increased by 78.2% to \$5.7 million in First Nine Months 1996 from \$3.2 million in First Nine Months 1995 as a result of the factors described above.

## WACKENHUT CORRECTIONS CORPORATION

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The nature of the Corporation's business results in claims or litigation against the Corporation for damages arising from the conduct of its employees or others.

Except for routine litigation incidental to the business of the Corporation, there are no pending material legal proceedings to which the Corporation or any of its subsidiaries is a party or to which any of their property is subject. The Corporation believes that the outcome of the proceedings to which it is currently a party will not have a material adverse effect upon its operations or financial condition.

## ITEM 2. CHANGES IN SECURITIES

Not applicable

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

27 Financial Data Schedule (for SEC use only).

## (b) Reports on Form 8-K - The Corporation did not file a Form 8-K during the third quarter of 1996.

WACKENHUT CORRECTIONS CORPORATION

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, thereunto duly authorized.

WACKENHUT CORRECTIONS CORPORATION

November 7, 1996

/s/ John G. O'Rourke

-----  
John G. O'Rourke  
Senior Vice President - Finance,  
Chief Financial Officer and Treasurer  
(Duly Authorized Officer and  
Principal Financial Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 29, 1996 (UNAUDITED) AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
US DOLLARS

9-MOS	DEC-29-1996	JAN-01-1996	SEP-29-1996
		1	43,453
		0	22,762
		0	0
	6,468	18,618	
	2,821		
	99,308		
9,314		242	
0		0	
		219	
99,308		84,446	
		0	
	99,635		0
	86,607		
	0		
	0		
	0		
	8,323		
	3,092		
5,693			
	0		
	0		
		0	
	5,693		
	0.26		
	0.26		