



The GEO Group Reports First Quarter 2014 Results

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- **1Q14 Net Income per Diluted Share of \$0.39**
- **1Q14 Normalized FFO of \$0.58 per Diluted Share; 1Q14 AFFO of \$0.71 per Diluted Share**
- **Increased 2014 AFFO Guidance to \$216-\$222 million or \$3.00 to \$3.08 per Diluted Share**
- **Quarterly Dividend of \$0.57 per Share, In-line with Approximately 75% Payout of AFFO**

BOCA RATON, Fla.--(BUSINESS WIRE)-- **The GEO Group, Inc. (NYSE: GEO)** ("GEO"), 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, reported today its financial results for the first quarter 2014.

First Quarter 2014 Highlights

- **Net Income per Diluted Share of \$0.39**
- **Net Operating Income of \$107.5 million**
- **Normalized FFO of \$0.58 per Diluted Share**
- **AFFO of \$0.71 per Diluted Share**

For the first quarter 2014, Normalized Funds From Operations ("Normalized FFO") increased to \$41.4 million, or \$0.58 per diluted share, from \$39.2 million, or \$0.55 per diluted share, for the first quarter 2013. First quarter 2014 Adjusted Funds From Operations ("AFFO") increased to \$51.4 million, or \$0.71 per diluted share, from \$49.6 million, or \$0.69 per diluted share, for the first quarter 2013. For the first quarter 2014, Net Operating Income increased to \$107.5 million from \$102.3 million for the first quarter 2013.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said: "We are very pleased with our strong first quarter results and improved outlook for 2014, which continue to reflect robust operational and financial performance from our diversified business units. During the first quarter of 2014, we achieved a number of important milestones with the activation of several projects totaling more than 5,000 beds. We continue to be optimistic regarding the growth opportunities in our industry which we expect will continue to create value for our shareholders."

GEO reported total revenues for the first quarter 2014 of \$393.1 million up from total revenues of \$377.0 million for the first quarter 2013. GEO reported first quarter 2014 net income of \$28.0 million, or \$0.39 per diluted share, compared to \$23.4 million, or \$0.33 per diluted share for the first quarter 2013.

Net Operating Income, Funds From Operations ("FFO"), Normalized FFO, and AFFO are widely used non-GAAP supplemental financial measures of REIT performance. Please see the section of this press release below entitled "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.

2014 Financial Guidance

GEO updated its financial guidance for the full-year 2014 and issued guidance for the second quarter 2014. GEO increased its full-year 2014 AFFO guidance to a range of \$3.00 to \$3.08 per diluted share, or \$216 million to \$222 million. On a GAAP basis, GEO expects its net income for the full year 2014 to be in a range of \$1.78 to \$1.86 per diluted share.

GEO expects full-year 2014 revenues to be in a range of \$1.60 billion to \$1.62 billion. GEO increased its full-year 2014 Net Operating Income guidance to a range of \$452 million to \$458 million. GEO increased its full-year 2014 Adjusted EBITDA guidance to a range of \$325 million to \$331 million.

For the second quarter 2014, GEO expects AFFO to be in a range of \$0.76 to \$0.79 per diluted share, or \$55 million to \$57 million. On a GAAP basis, GEO expects second quarter 2014 net income per diluted share to be in a range of \$0.46 to \$0.48 and second quarter 2014 revenues to be in a range of \$404 million to \$409 million.

Quarterly Dividend

On April 28, 2014, GEO's Board of Directors declared a quarterly cash dividend of \$0.57 per share. The quarterly cash dividend will be paid on May 27, 2014 to shareholders of record as of the close of business on May 15, 2014. 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.

Reconciliation Tables and Supplemental Disclosure

GEO has made available a Supplemental Disclosure which contains reconciliation tables of Net Income to Net Operating Income, EBITDA, and Adjusted EBITDA, and Net Income to FFO, Normalized FFO and AFFO along with supplemental financial and operational information on GEO's business segments and other important operating metrics. Please see the section of this press release below entitled "Note to Reconciliation Tables and Supplemental Disclosure - Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines these supplemental 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 Disclosure which is available on GEO's Investor Relations webpage at www.geogroup.com.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's first quarter 2014 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-888-713-4217 and the international call-in number is 1-617-213-4869. The conference call participant passcode is 20651645. In addition, a live audio webcast of the conference call may be accessed on the Conference Calls/Webcasts section of GEO's investor relations webpage at www.geogroup.com. A replay of the audio webcast will be available on the website for one year. A telephonic replay of the conference call will be available until May 29, 2014 at 1-888-286-8010 (U.S.) and 1-617-801-6888 (International). The conference call participant passcode for the telephonic replay is 39399118.

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 98 facilities totaling approximately 77,000 beds, including projects under development, with a growing workforce of approximately 18,000 professionals.

Note to Reconciliation Tables and Supplemental Disclosure –

Important Information on GEO's Non-GAAP Financial Measures

Net Operating Income, EBITDA, Adjusted EBITDA, Funds from Operations, Normalized Funds from Operations and Adjusted Funds from Operations 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, Net Operating Income, EBITDA, Adjusted EBITDA, 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 2014, 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 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, and real estate related operating lease expense. Net Operating Income is calculated as net income adjusted by subtracting equity in earnings of affiliates, net of tax, and by adding income tax provision, interest expense, net of interest income, depreciation and amortization expense, general and administrative expenses, and real estate related operating lease expense.

EBITDA is defined as net operating income adjusted by subtracting general and administrative expenses and real estate related operating lease expense and by adding equity in earnings of affiliates, pre-tax. Adjusted EBITDA is defined as EBITDA adjusted for net income/loss attributable to non-controlling interests, non-cash stock-based compensation expenses, and certain other adjustments as defined from time to time, including for the periods presented REIT conversion related expenses, pre-tax. Given the nature of our business as a real estate owner and operator, we believe that EBITDA and Adjusted EBITDA 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, EBITDA and Adjusted EBITDA 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 income from continuing operations. The adjustments we make to derive the non-GAAP measures of EBITDA and Adjusted EBITDA 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. EBITDA and Adjusted EBITDA 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 REIT conversion related expenses, net of tax.

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 and the amortization of debt costs and other non-cash interest and by subtracting recurring consolidated maintenance capital expenditures.

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 income from continuing operations 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 income from continuing operations. 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 second quarter 2014 and full year 2014 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 2014 given the various risks to which its business is exposed; (2) GEO's ability to declare future quarterly cash dividends and the timing and amount of such future cash dividends; (3) GEO's ability to successfully pursue further growth and continue to create shareholder value; (4) risks associated with GEO's ability to control operating costs associated with contract start-ups; (5) 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; (6) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (7) GEO's ability to obtain future financing on acceptable terms; (8) GEO's ability to sustain company-wide occupancy rates at its facilities; (9) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (10) GEO's ability to remain qualified as a REIT; (11) the incurrence of REIT related expenses; and (12) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its form 10-K, 10-Q and 8-K reports.

First quarter 2014 financial tables to follow:

Consolidated Statements of Income

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

	<u>Q1 2014</u>	<u>Q1 2013</u>
Revenues	\$393,137	\$377,031
Operating Expenses	291,923	280,797
Depreciation and Amortization	24,142	22,935
General and Administrative Expenses	28,502	32,040
Operating Income	48,570	41,259
Interest Income and other	732	1,184
Interest Expense	(20,652)	(19,341)
Income Before Income Taxes and Equity in Earnings of Affiliates	28,650	23,102
Provision for Income Taxes	2,138	881
Equity in Earnings of Affiliates, net of income tax provision	1,484	1,217
Net Income	27,996	23,438
Less: Net Income Attributable to Noncontrolling Interests	(6)	(18)
Net Income Attributable to The GEO Group, Inc.	<u>\$ 27,990</u>	<u>\$ 23,420</u>

Weighted Average Common Shares Outstanding:

Basic	71,449	70,850
Diluted	71,895	71,412

Income per Common Share Attributable to The GEO Group, Inc.:

Net income per share — basic	<u>\$ 0.39</u>	<u>\$ 0.33</u>
Net income per share — diluted	<u>\$ 0.39</u>	<u>\$ 0.33</u>

Consolidated Balance Sheets

(In thousands)
(Unaudited)

	<u>As of</u>	<u>As of</u>
	<u>March 31, 2014</u>	<u>December 31, 2013</u>

ASSETS

Current Assets

Cash and cash equivalents	\$ 38,063	\$ 52,125
Restricted cash and investments	14,094	11,518
Accounts receivable, less allowance for doubtful accounts	275,764	250,530
Current deferred income tax assets	20,936	20,936
Prepaid expenses and other current assets	39,877	49,236
Total current assets	<u>388,734</u>	<u>384,345</u>
Restricted Cash and Investments	19,328	18,349
Property and Equipment, Net	1,726,869	1,727,798
Direct Finance Lease Receivable	15,869	16,944
Non-Current Deferred Income Tax Assets	4,821	4,821
Intangible Assets, Net (including goodwill)	661,044	653,596
Other Non-Current Assets	84,123	83,511
Total Assets	<u>\$ 2,900,788</u>	<u>\$ 2,889,364</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 52,397	\$ 47,286
Accrued payroll and related taxes	49,113	38,726
Accrued expenses	116,520	114,950
Current portion of capital lease obligation, long-term debt, and non-recourse debt	22,527	22,163
Total current liabilities	<u>240,557</u>	<u>223,125</u>
Non-Current Deferred Income Tax Liabilities	14,689	14,689
Other Non-Current Liabilities	71,450	64,961
Capital Lease Obligations	10,665	10,924
Long-Term Debt	1,479,788	1,485,536
Non-Recourse Debt	65,377	66,153
Shareholders Equity	<u>1,018,262</u>	<u>1,023,976</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,900,788</u>	<u>\$ 2,889,364</u>

Reconciliation of Net Income to FFO, Normalized FFO, and AFFO

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

	<u>Q1 2014</u>	<u>Q1 2013</u>
Net Income attributable to GEO Group	\$ 27,990	\$ 23,420
Add:		
Real Estate Related Depreciation and Amortization	13,381	12,141
Equals: NAREIT defined FFO	<u>\$ 41,371</u>	<u>\$ 35,561</u>
Add:		
REIT conversion related expenses, net of tax	-	3,667
Equals: FFO, normalized	<u>\$ 41,371</u>	<u>\$ 39,228</u>
Add:		
Non-Real Estate Related Depreciation & Amortization	10,761	10,794
Consolidated Maintenance Capital Expenditures	(4,420)	(3,617)
Stock Based Compensation Expenses	2,466	1,685
Amortization of Debt Costs and Other Non-Cash Interest	1,224	1,537
Equals: AFFO	<u>\$ 51,402</u>	<u>\$ 49,627</u>

Weighted average common shares outstanding - Diluted	71,895	71,412
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FFO/AFFO per Share - Diluted

Normalized FFO Per Diluted Share	\$ 0.58	\$ 0.55
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AFFO Per Diluted Share	\$ 0.71	\$ 0.69
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Reconciliation of Net Income to Net Operating Income and Adjusted EBITDA

(In thousands)

(Unaudited)

	Q1 2014	Q1 2013
Net income attributable to GEO Group	\$ 27,990	\$ 23,420
Less		
Net (income)/loss attributable to noncontrolling interests	(6)	(18)
Net Income	\$ 27,996	\$ 23,438

Add		
Equity in earnings of affiliates, net of income tax provision	(1,484)	(1,217)
Income tax (benefit)/provision	2,138	881
Interest expense, net of interest income	19,920	18,157
Depreciation and amortization	24,142	22,935
General and administrative expenses	28,502	32,040
Net Operating Income, net of operating lease obligations	\$101,214	\$ 96,234

Add: Operating lease expense, real estate	6,295	6,074
Net Operating Income (NOI)	\$107,509	\$102,308

Less:		
General and administrative expenses	28,502	32,040
Operating lease expense, real estate	6,295	6,074
Equity in earnings of affiliates, pre-tax	(2,033)	(1,694)
EBITDA	\$ 74,745	\$ 65,888

Adjustments		
Net (income) loss attributable to non-controlling interests	(6)	(18)
Stock based compensation expenses, pre-tax	2,466	1,685
REIT conversion related expenses, pre-tax	-	5,972
Adjusted EBITDA	\$ 77,205	\$ 73,527

2014 Outlook/Reconciliation

(In thousands, except per share data)

(Unaudited)

	Full-Year 2014	
Net Income	\$128,000	to \$134,000
Real Estate Related Depreciation and Amortization	53,000	53,000
Funds from Operations (FFO)	\$181,000	to \$187,000
Adjustments	-	-
Normalized Funds from Operations	\$181,000	to \$187,000
Non-Real Estate Related Depreciation and Amortization	43,000	43,000
Consolidated Maintenance Capex	(22,000)	(22,000)
Non-Cash Stock Based Compensation and Non-Cash Interest Expense	14,000	14,000
Adjusted Funds From Operations (AFFO)	\$216,000	to \$222,000

Net Cash Interest Expense	74,000	74,000
Consolidated Maintenance Capex	22,000	22,000
Income Taxes	<u>13,000</u>	<u>13,000</u>
Adjusted EBITDA	<u>\$325,000</u>	to <u>\$331,000</u>
G&A Expenses	111,000	111,000
Non-Cash Stock Based Compensation	(9,000)	(9,000)
Real Estate Related Operating Lease Expense	<u>25,000</u>	<u>25,000</u>
Net Operating Income	<u>\$452,000</u>	to <u>\$458,000</u>
FFO Per Share (Normalized)	\$ 2.51	to \$ 2.60
AFFO Per Share	\$ 3.00	to \$ 3.08
Weighted Average Common Shares Outstanding-Diluted	72,000	72,000

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Source: The GEO Group, Inc.