UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 9, 2023

THE GEO GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Florida	1-14260	65-0043078
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4955 Technology Way, Boca Raton, Florida	33431
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (561) 893-0101

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instructions A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 Par Value	GEO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition.

On August 9, 2023, The GEO Group, Inc. ("GEO" or the "Company") issued a press release (the "Earnings Press Release") announcing its financial results for the quarter and six months ended June 30, 2023, updating its financial guidance for full year 2023 and issuing its financial guidance for the third and fourth quarters of 2023. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on August 9, 2023 to discuss these matters, a transcript of which is furnished hereto as Exhibit 99.2.

In the Earnings Press Release, GEO provided Adjusted Net Income, Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA, for the quarter and six months ended June 30, 2023 and the comparable prior-year period that were not calculated in accordance with Generally Accepted Accounting Principles (the "Non-GAAP Information") and are presented as supplemental disclosures. Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Earnings Press Release presents the financial measure calculated and presented in accordance with GAAP, which is the most directly comparable to the Non-GAAP Information, with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Earnings Press Release also contains a reconciliation of Adjusted Net Income, EBITDA and Adjusted EBITDA to the financial measure calculated and presented in accordance with GAAP which is the most directly comparable to the Non-GAAP Information. The Earnings Press Release also provides certain information regarding Net Debt and Net Leverage which are defined below.

EBITDA is defined as net income adjusted by adding provisions for income tax, interest expense, net of interest income, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for (gain)/loss on asset divestitures, pre-tax, net loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, other non-cash revenue and expenses, pre-tax, and certain other adjustments as defined from time to time.

Given the nature of GEO's business as a real estate owner and operator, GEO believes that EBITDA and Adjusted EBITDA are helpful to investors as measures of its operational performance because they provide an indication of GEO's 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 its business. GEO believes that by removing the impact of its 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 its 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. The adjustments GEO makes 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 GEO does not consider to be the fundamental attributes or primary drivers of GEO's business plan and they do not affect its overall long-term operating performance.

EBITDA and Adjusted EBITDA provide disclosure on the same basis as that used by GEO's management and provide consistency in GEO's financial reporting, facilitate internal and external comparisons of GEO's historical operating performance and its business units and provide continuity to investors for comparability purposes.

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 asset divestitures, pre-tax, (gain)/loss on the extinguishment of debt, pre-tax, and tax effect of adjustments to net income attributable to GEO.

Net Debt is defined as gross principal less cash from restricted subsidiaries. Net Leverage is defined as Net Debt divided by Adjusted EBITDA.

The Earnings Press Release contains a reconciliation table for Adjusted Net Income, EBITDA, and Adjusted EBITDA.

GEO has presented in the Earnings Press Release certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including Adjusted EBITDA, Net Debt and Net Leverage. 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 GEO has provided a high level reconciliation for the guidance ranges for full year 2023, it is 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.

The Non-GAAP Information should be considered in addition to results that are prepared under current accounting standards but should not be considered a consolidated substitute for, or superior to, financial information prepared in accordance with GAAP. The Non-GAAP Information may differ from similarly titled measures presented by other companies. The Non-GAAP Information, as well as other information in the Earnings Press Release, should be read in conjunction with GEO's financial statements filed with the Securities and Exchange Commission.

The information set forth in Item 2.02 in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information set forth in Item 2.02 in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release, dated August 9, 2023, announcing GEO's financial results for the quarter and six months ended June 30, 2023.
99.2	Transcript of Conference Call discussing GEO's financial results for the quarter and six months ended June 30, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

THE GEO GROUP, INC.

August 15, 2023
Date

By: /s/ Brian R. Evans
Brian R. Evans
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

The GEO Group, Inc.

NEWS RELEASE

4955 Technology Way ∎ Boca Raton, Florida 33431 ∎ www.geogroup.com

THE GEO GROUP REPORTS SECOND QUARTER 2023 RESULTS

Boca Raton, Fla. – August 9, 2023 — The GEO Group, Inc. (NYSE: GEO) ("GEO"), a leading provider of support services for secure facilities, processing centers, and reentry centers, as well as enhanced in-custody rehabilitation, post-release support, and electronic monitoring programs, reported today its financial results for the second quarter and first six months of 2023.

Second Quarter 2023 Highlights

- **Total revenues of $593.9 million**
- **Net Income of $29.5 million**
- **Net Income Attributable to GEO of $0.20 per diluted share**
- **Adjusted Net Income of $0.24 per diluted share**
- **Adjusted EBITDA of $129.0 million**

For the second quarter 2023, we reported net income of $29.5 million, compared to net income of $53.7 million for the second quarter 2022. We reported total revenues for the second quarter 2023 of $593.9 million compared to $588.2 million for the second quarter 2022. Second quarter 2023 results reflect a year-over-year increase of $26.1 million in net interest expense as a result of the completed transactions to address the substantial majority of our outstanding debt, which closed on August 19, 2022, as well as the impact of higher interest rates. We reported second quarter 2023 Adjusted EBITDA of $129.0 million, compared to $132.3 million for the second quarter 2022.

George C. Zoley, Executive Chairman of GEO, said, "We are pleased with our performance for the second quarter 2023, which exceeded our previously issued financial guidance. Our diversified business units delivered overall strong operational and financial performance during the first half of 2023 despite some headwinds in our Electronic Monitoring and Supervision Services segment. Our management team remains focused on reducing our net debt, which is a key strategic priority for our company. We are also continuing our efforts to market our current idle facilities to federal and state government agencies."

First Six Months 2023 Highlights

- **Total revenues of $1.20 billion**
- **Net Income of $57.5 million**
- **Net Income Attributable to GEO of $0.39 per diluted share**
- **Adjusted Net Income of $0.46 per diluted share**
- **Adjusted EBITDA of $259.9 million**

For the first six months of 2023, we reported net income of $57.5 million, compared to net income of $91.9 million for the first six months of 2022. We reported total revenues for the first six months of 2023 of $1.20 billion compared to $1.14 billion for the first six months of 2022.

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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Results for the first six months of 2023 reflect a year-over-year increase of $53.2 million in net interest expense as a result of the completed transactions to address the substantial majority of our outstanding debt, which closed on August 19, 2022, as well as the impact of higher interest rates. For the first six months of 2023, we reported Adjusted EBITDA of $259.9 million, compared to $257.5 million for the first six months of 2022.

2023 Financial Guidance

Today, we updated our guidance for the full-year 2023 to reflect our updated expectations regarding the timing of participant levels under the U.S. Department of Homeland Security's Intensive Supervision and Appearance Program ("ISAP").

Our previously issued guidance for 2023 assumed that the number of ISAP participants would stabilize at the mid-point of 2023 and then moderately increase during the third quarter of 2023 and the fourth quarter of 2023.

Although the number of ISAP participants continued to decline throughout the month of July of 2023 and in early August of 2023, which was longer than we previously estimated, we continue to believe that the ISAP participant count is likely to stabilize and then begin to increase moderately.

We expect full-year GAAP Net Income to be between $95 million and $110 million, on annual revenues of approximately $2.4 billion. We expect our full-year 2023 Adjusted EBITDA to be between $490 million and $520 million. We expect our effective tax rate for the full-year 2023 to be approximately 29 percent, exclusive of any discrete items.

For the third quarter of 2023, we expect Net Income to be between $19 million and $26 million on quarterly revenues of $588 million to $603 million. We expect third quarter 2023 Adjusted EBITDA to be in a range of $115 million to $130 million.

For the fourth quarter of 2023, we expect Net Income to be between $19 million and $27 million on quarterly revenues of $595 million to $610 million. We expect fourth quarter 2023 Adjusted EBITDA to be in a range of $115 million to $130 million.

Our guidance assumes steady performance from our other segments and does not include the potential reactivation of any of our remaining idle Secure Services facilities, which total approximately 9,000 beds.

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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Conference Call Information

We have scheduled a conference call and webcast for today at 11:00 AM (Eastern Time) to discuss our second quarter 2023 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 through August 16, 2023, at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 4095233.

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is a leading diversified government service provider, specializing in design, financing, development, and support services for secure facilities, processing centers, and community reentry centers in the United States, Australia, South Africa, and the United Kingdom. GEO's diversified services include enhanced in-custody rehabilitation and post-release support through the award-winning GEO Continuum of Care®, secure transportation, electronic monitoring, community-based programs, and correctional health and mental health care. GEO's worldwide operations include the ownership and/or delivery of support services for 102 facilities totaling approximately 82,000 beds, including idle facilities and projects under development, with a workforce of up to approximately 18,000 employees.

Reconciliation Tables and Supplemental Information

GEO has made available Supplemental Information which contains reconciliation tables of Net Income Attributable to GEO to Adjusted Net Income, and Net Income to EBITDA and Adjusted EBITDA, 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 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

Adjusted Net Income, EBITDA, and Adjusted EBITDA 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 Debt, Net Leverage, Adjusted Net Income, and Adjusted EBITDA. 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.

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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

While we have provided a high level reconciliation for the guidance ranges for full year 2023, 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 Debt is defined as gross principal debt less cash from restricted subsidiaries. Net Leverage is defined as Net Debt divided by Adjusted EBITDA.

EBITDA is defined as net income adjusted by adding provisions for income tax, interest expense, net of interest income, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for (gain)/loss on asset divestitures, pre-tax, net loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, other non-cash revenue and expenses, pre-tax, and certain other adjustments as defined from time to time.

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 net income. 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.

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 asset divestitures, pre-tax, (gain)/loss on the extinguishment of debt, pre-tax, and tax effect of adjustments to net income attributable to GEO.

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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Safe-Harbor Statement

This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially and adversely affect actual results, including statements regarding GEO's financial guidance for the full-year, third quarter, and fourth quarter of 2023, statements regarding GEO's efforts to market its current idle facilities, GEO's focus on reducing net debt, and GEO's assumptions regarding the number of ISAP participants during the second half of 2023. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," or "continue" or the negative of such words and similar expressions. Risks and uncertainties that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to meet its financial guidance for 2023 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 and on terms commercially acceptable to GEO, and on the timeline it expects or at all; (3) GEO's ability to identify and successfully complete any potential sales of company-owned assets and businesses on commercially advantageous terms on a timely basis, or at all; (4) changes in federal and state government policy, orders, directives, legislation and regulations that affect public-private partnerships with respect to secure, correctional and detention facilities, processing centers and reentry centers, including the timing and scope of implementation of President Biden's Executive Order directing the U.S. Attorney General not to renew the U.S. Department of Justice contracts with privately operated criminal detention facilities; (5) changes in federal immigration policy; (6) public and political opposition to the use of public-private partnerships with respect to secure correctional and detention facilities, processing centers and reentry centers; (7) the magnitude, severity, and duration of the COVID-19 global pandemic, its impact on GEO, GEO's ability to mitigate the risks associated with COVID-19, and the efficacy and distribution of COVID-19 vaccines; (8) GEO's ability to sustain or improve company-wide occupancy rates at its facilities in light of the COVID-19 global pandemic and policy and contract announcements impacting GEO's federal facilities in the United States; (9) fluctuations in GEO's operating results, including as a result of contract terminations, contract renegotiations, changes in occupancy levels and increases in GEO's operating costs; (10) general economic and market conditions, including changes to governmental budgets and its impact on new contract terms, contract renewals, renegotiations, per diem rates, fixed payment provisions, and occupancy levels; (11) GEO's ability to address inflationary pressures related to labor related expenses and other operating costs; (12) 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; (13) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (14) risks associated with GEO's ability to control operating costs associated with contract start-ups; (15) GEO's ability to successfully pursue growth and continue to create shareholder value; (16) GEO's ability to obtain financing or access the capital markets in the future on acceptable terms or at all; and (17) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports, many of which are difficult to predict and outside of GEO's control.

Second quarter and first six months of 2023 financial tables to follow:

Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Condensed Consolidated Balance Sheets*
(Unaudited)

	As of June 30, 2023 (unaudited)	As of December 31, 2022 (unaudited)
ASSETS		
Cash and cash equivalents	$ 48,716	$ 95,073
Accounts receivable, less allowance for doubtful accounts	350,961	416,399
Prepaid expenses and other current assets	52,299	43,536
Total current assets	**$ 451,976**	**$ 555,008**
Restricted Cash and Investments	136,497	111,691
Property and Equipment, Net	1,963,880	2,002,021
Operating Lease Right-of-Use Assets, Net	108,975	90,950
Assets Held for Sale	14,113	480
Deferred Income Tax Assets	8,005	8,005
Intangible Assets, Net (including goodwill)	896,160	902,887
Other Non-Current Assets	92,283	89,341
Total Assets	**$ 3,671,889**	**$ 3,760,383**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 73,076	$ 79,312
Accrued payroll and related taxes	46,136	53,225
Accrued expenses and other current liabilities	174,835	237,369
Operating lease liabilities, current portion	23,784	22,584
Current portion of finance lease obligations, and long-term debt	29,377	44,722
Total current liabilities	**$ 347,208**	**$ 437,212**
Deferred Income Tax Liabilities	75,849	75,849
Other Non-Current Liabilities	79,763	74,008
Operating Lease Liabilities	90,127	73,801
Finance Lease Liabilities	922	1,280
Long-Term Debt	1,845,649	1,933,145
Total Shareholders' Equity	1,232,371	1,165,088
Total Liabilities and Shareholders' Equity	**$ 3,671,889**	**$ 3,760,383**

* all figures in '000s

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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Condensed Consolidated Statements of Operations*
(Unaudited)

	Q2 2023 (unaudited)	Q2 2022 (unaudited)	YTD 2023 (unaudited)	YTD 2022 (unaudited)
Revenues	$ 593,891	$588,177	$1,202,100	$1,139,362
Operating expenses	428,128	411,791	861,620	796,952
Depreciation and amortization	31,691	32,016	63,614	67,954
General and administrative expenses	41,692	49,296	91,826	97,856
Operating income	**92,380**	**95,074**	**185,040**	**176,600**
Interest income	1,297	5,562	2,465	11,190
Interest expense	(55,046)	(33,225)	(109,304)	(64,846)
(Loss) on extinguishment of debt	(1,618)	—	(1,754)	—
Gain on asset divestitures	2,175	3,680	2,175	3,053
Income before income taxes and equity in earnings of affiliates	**39,188**	**71,091**	**78,622**	**125,997**
Provision for income taxes	11,153	18,898	23,515	36,860
Equity in earnings of affiliates, net of income tax provision	1,490	1,480	2,412	2,715
Net income	**29,525**	**53,673**	**57,519**	**91,852**
Less: Net loss attributable to noncontrolling interests	46	54	55	94
Net income attributable to The GEO Group, Inc.	**$ 29,571**	**$ 53,727**	**$ 57,574**	**$ 91,946**
Weighted Average Common Shares Outstanding:				
Basic	122,045	121,119	121,740	120,918
Diluted	123,278	121,881	123,496	121,650
Net income per Common Share Attributable to The GEO Group, Inc.**:				
Basic:				
Net income per share — basic	**$ 0.20**	**$ 0.37**	**$ 0.39**	**$ 0.63**
Diluted:				
Net income per share — diluted	**$ 0.20**	**$ 0.37**	**$ 0.39**	**$ 0.63**

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

** In accordance with U.S. 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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Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

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

	Q2 2023 (unaudited)	Q2 2022 (unaudited)	YTD 2023 (unaudited)	YTD 2022 (unaudited)
Net Income	**$ 29,525**	**$ 53,673**	**$ 57,519**	**$ 91,852**
Add:				
Income tax provision **	11,487	19,061	24,029	37,136
Interest expense, net of interest income ***	55,366	27,663	108,593	53,656
Depreciation and amortization	31,691	32,016	63,614	67,954
EBITDA	**$128,069**	**$132,413**	**$253,755**	**$250,598**
Add (Subtract):				
(Gain)/Loss on asset divestitures, pre-tax	(2,175)	(3,680)	(2,175)	(3,053)
Net loss attributable to noncontrolling interests	46	54	55	94
Stock based compensation expenses, pre-tax	3,357	3,556	8,935	9,869
Other non-cash revenue & expenses, pre-tax	(331)	—	(687)	—
Adjusted EBITDA	**$128,966**	**$132,343**	**$259,883**	**$257,508**
Net Income attributable to GEO	**$ 29,571**	**$ 53,727**	**$ 57,574**	**$ 91,946**
Add (Subtract):				
(Gain)/Loss on asset divestitures, pre-tax	(2,175)	(3,680)	(2,175)	(3,680)
(Gain)/Loss on extinguishment of debt, pre-tax	1,618	—	1,754	—
Tax effect of adjustment to net income attributable to GEO (1)	140	926	106	926
Adjusted Net Income	**$ 29,154**	**$ 50,973**	**$ 57,259**	**$ 89,192**
Weighted average common shares outstanding - Diluted	123,278	121,881	123,496	121,650
Adjusted Net Income per Diluted share	**0.24**	**0.42**	**0.46**	**0.73**

* all figures in ‘000s, except per share data
** including income tax provision on equity in earnings of affiliates
*** includes (gain)/loss on extinguishment of debt
(1) Tax adjustment related to gain/Loss on asset divestitures and gain/loss on extinguishment of debt.

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Contact: Pablo E. Paez
Executive Vice President, Corporate Relations
(866) 301 4436

2023 Outlook/Reconciliation (1)
(In thousands, except per share data)
(Unaudited)

	FY 2023		
Net Income	$ 95,000	to	$ 110,000
Net Interest Expense	215,000		221,000
Income Taxes			
(including income tax provision on equity in earnings of affiliates)	40,500		46,000
Depreciation and Amortization	126,500		130,000
Non-Cash Stock Based Compensation	16,500		16,500
Other Non-Cash	(3,500)		(3,500)
Adjusted EBITDA	**$ 490,000**	to	**$ 520,000**
Net Income Attributable to GEO Per Diluted Share	**$ 0.76**	to	**$ 0.89**
Weighted Average Common Shares Outstanding-Diluted	123,500	to	123,500
CAPEX			
Growth	9,000	to	10,000
Technology	16,000	to	20,000
Facility Maintenance	45,000	to	50,000
Capital Expenditures	**70,000**	**to**	**80,000**
Total Debt, Net	**$1,820,000**		**$1,780,000**
Total Leverage, Net	**3.60**		**3.52**

(1) Total Net Leverage is calculated using the midpoint of Adjusted EBITDA guidance range.

- End -

Contact: Pablo E. Paez (866) 301 4436
Executive Vice President, Corporate Relations

Participants

CORPORATE PARTICIPANTS

Pablo E. Paez
Executive Vice President-Corporate Relations, The GEO Group, Inc.

George Christopher Zoley
Executive Chairman, The GEO Group, Inc.

Brian Robert Evans
Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

James H. Black
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Jose Gordo
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Analyst, Noble Capital Markets, Inc.

Brian Violino
Analyst, Wedbush Securities, Inc.

Brendan McCarthy
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Kirk Ludtke
Analyst, Imperial Capital LLC

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Management Discussion Section

Operator

Good day and welcome to The GEO Group Second Quarter 2023 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions]

I would now like to turn the conference over to Pablo Paez, Executive Vice President of Corporate Relations. Please go ahead.

Pablo E. Paez

Executive Vice President-Corporate Relations, The GEO Group, Inc.

Thank you, operator. Good morning, everyone, and thank you for joining us for today’s discussion of The GEO Group’s second quarter 2023 earnings results. With us today are George Zoley, Executive Chairman of the Board; Jose Gordo, Chief Executive Officer; Brian Evans, Chief Financial Officer; Wayne Calabrese, Chief Operating Officer; and James Black, President of GEO Secure Services.

This morning, we will discuss our second quarter results, as well as our outlook, and we will conclude the call with a question-and-answer session. This conference call is also being webcast live on our Investor website at investors.geogroup.com.

Today, we will discuss non-GAAP basis information. A reconciliation from non-GAAP basis information to GAAP basis results is included in the press release and supplemental disclosure we issued this morning. Additionally, much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and current expectations with respect to various matters.

These forward-looking statements are intended to fall within the Safe Harbor Provisions of the securities laws. Our actual results may differ materially from those in the forward-looking statements, as a result of various factors contained in our Securities and Exchange Commission filings, including the Form 10-K, 10-Q and 8-K reports.

With that, please allow me to turn this call over to our Executive Chairman, George Zoley. George?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Thank you, Pablo. Good morning to everyone and thank you for joining us on our second quarter 2023 earnings call.

I’m joined today by our senior management team to review our second quarter financial results, discuss our financial guidance and debt reduction objectives, and provide an update on the trends for each of our business segments. This morning, we reported quarterly revenues of approximately $594 million, GAAP net income of approximately $30 million, and adjusted EBITDA of approximately $129 million, all of which were ahead of the midpoint of our previously issued guidance for the second quarter of this year.

Our second quarter results reflect stable performance from our Secure Services business unit and our GEO Reentry Services segment. Geo Secure Services recently renewed contracts for the 2,000-bed Blackwater River Correctional Facility in Florida and the 2,682-bed Lawton Correctional and Rehabilitation Facility in Oklahoma. And GEO Reentry Services recently renewed 15 existing contracts for our residential reentry centers and 12 existing contracts for our non-residential/day reporting centers.

During the second quarter, we reactivated our 1,900-bed Great Plains Correctional Facility under a new lease agreement with the State of Oklahoma. The new lease has an initial term of five-and-a-half years with subsequent unlimited one-year options, and is expected to generate annual straight-line lease revenue of approximately $8.5 million.

Our GTI Transportation Division also recently entered into an emergency contract to provide air operations support for ICE, which is expected to generate up to approximately $16 million in revenues over a nine-month period, assuming the contract runs through its full term. We hope to continue to be a strong contender for the currently active procurement of the multiyear contract for these services, which presently remains under bid protest.

Our diversified business units delivered overall strong operational and financial performance during the first half of 2023 despite some headwinds in our Electronic Monitoring and Supervision Services segment. As we have previously discussed, the number of participants in the federal government’s Intensive Supervision Appearance Program, or ISAP, has declined since the beginning of this year. However, we have recently seen a slower rate of decline in ISAP participants.

Additionally, we believe that recent policy decisions could result in an increase in the number of participants being enrolled in ISAP. While the decline in ISAP participants continued throughout July and early August, which was longer than we previously estimated, we continue to believe that the ISAP participant count is likely to stabilize and then to begin to increase moderately.

With respect to our ICE processing centers, we have experienced a 20% increase in population since early May. Our occupancy rates remain below historical levels. As it relates to the federal budget for fiscal year 2024, which begins in October 1, the House of Representatives approved their version of the Homeland Security Appropriations Bill in June. The House Bill would increase beds to 41,000 and includes a provision that would require the use of ISAP monitoring capabilities for all individuals in the non-detained docket for the entire duration of their immigration proceedings.

In July, the Senate approved its version of the Homeland Security Appropriations Bill, keeping funding for ICE beds at the current level of 34,000 beds, and slightly increasing the overall funding available for alternatives to detention programs. Congress adjourned for their August recess without an appropriations deal in place. If a new budget is not approved when Congress reconvenes, Congress could, as we have seen in prior years, approve funding for the federal government in federal fiscal year 2024 under a short-term or long-term continuing resolution.

We believe that under a continued resolution, ICE is most likely to be provided appropriations consistent with the agency’s current funding levels for 2023. We are continuing to monitor the Congressional appropriations process and remain focused on providing high-quality services on behalf of DHS and ICE. We are also continuing our efforts to market our current idle facilities to federal and state government agencies.

With the recent activation of our Great Plains facility, we now have approximately 9,000 idle own beds in our Secure Services segment, primarily comprised of five former Federal Bureau of Prisons facilities. We believe that these modern and well-located facilities could generate significant incremental annualized adjusted EBITDA, if they were to be reactivated either under Geo management or leased to state or federal agencies.

Our management team also remains focused on reducing our net debt, which is a key strategic priority for our company. As we have previously discussed, our objective is to reduce net debt by approximately $175 million per year on average over the next two years. And we remain hopeful to be able to refinance portions of our debt potentially in the next 12 to 18 months.

I will now turn the call over to Brian Evans to address our financial results and guidance in more detail.

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Thank you, George. Good morning, everyone. As we reported this morning, our second quarter 2023 results exceeded our previously issued guidance. We reported GAAP net income of approximately $30 million on quarterly revenues of approximately $594 million. We reported quarterly adjusted EBITDA of $129 million and net operating income of $170 million.

Second quarter 2023 results reflect the reactivation of our Great Plains Correctional Facility in Oklahoma under a new lease agreement, which is expected to generate approximately $8.5 million in annualized straight-line lease revenue. Our second quarter 2023 results also reflect an increase of approximately $26 million in net interest expense, compared to the second quarter of 2022 due to higher interest rates and the debt restructuring transactions we completed in August of 2022.

Moving to our guidance for 2023. This morning, we provided updated guidance for the full year 2023 to reflect our updated expectations regarding the timing of participant levels under our ISAP contract. Our previously issued guidance for 2023 assumed that the number of ISAP participants would stabilize at the midpoint of the year and then moderately increase during the third and fourth quarters.

Although the number of ISAP participants continued to decline throughout the month of July and in early August, which was longer than we previously estimated, we continue to believe that the ISAP participant count is likely to stabilize and then begin to increase moderately. We are aware of various recent policy changes that may add participants to ISAP program, as well as move participants to different monitoring alternatives.

It is difficult at this time for us to calibrate the net financial result of the new policies. Consequently, we are taking perhaps a likely conservative approach in forecasting year-end ISAP participation in financial results. This assumption is the major basis for our updated financial forecast for the balance of the year. We expect full-year GAAP net income to be in a range of $95 million to $110 million on annual revenues of approximately $2.4 billion. We expect our full-year 2023 adjusted EBITDA to be between $490 million and $520 million. We expect our effective tax rate for the full year 2023 to be approximately 29% exclusive of any discrete items.

For the third quarter of 2023, we expect GAAP net income to be between $19 million and $26 million on quarterly revenues of $588 million to $603 million. We expect our third quarter 2023 adjusted EBITDA to be in a range of $115 million to $130 million.

For the fourth quarter of 2023, we expect GAAP net income to be between $19 million and $27 million on quarterly revenues of $595 million to $610 million. We expect our fourth quarter 2023 adjusted EBITDA to be in a range of $115 million to $130 million. Our guidance assumes steady performance from our other segments without any meaningful change in occupancy rates at our ICE processing centers, which currently remain below historical levels. Our guidance also does not include the potential reactivation of any of our remaining idle Secure Services facilities, which total approximately 9,000 beds.

Moving to our capital structure, we continue to focus on reducing our overall net debt. Our objective is to reduce net debt by approximately $175 million per year on average over the next two years. During the second quarter of 2023, our total debt was approximately $1.94 billion and our net debt remained stable at approximately $1.91 billion due to the timing of our cash flows throughout the year.

During the third quarter of 2023, we expect to reduce net debt by approximately $75 million, resulting in net debt of $1.84 billion. Based on this pace of debt reduction, we would expect to end this year with approximately $1.8 billion in net debt and further reduce net debt to approximately $1.62 billion by the end of 2024.

Our debt reduction estimates for 2023 assume the closing of a sale of a reentry facility for approximately $15 million in the third quarter. We expect to explore additional asset sales to complement our debt reduction efforts. We have a number of residential reentry assets that we are actively marketing for sale.

We may also consider the sale of some larger Secure Services facilities if the price adequately reflects their value. However, at this time, our focus remains on marketing our idle secure facilities for reactivation, either under a traditional management contract, or a lease agreement similar to that of our Great Plains facility in Oklahoma.

Our goal continues to be to reduce our overall quantum of debt, decrease our net leverage as quickly as possible, and refinance portions of our debt potentially in the next 12 to 18 months. As we execute this strategy, we hope to reduce our interest expense and gain more flexibility under our credit agreements to explore options to return capital to our shareholders in the future.

At this time, I will turn the call over to James Black for a review of our Geo Secure Services segment.

James H. Black

Senior Vice President, President Secure Services, The GEO Group, Inc.

Thank you, Brian. Good morning, everyone. It is my pleasure to provide an update on GEO Secure Services. During the second quarter of 2023, our Secure Services facilities successfully underwent 51 audits, including internal audits, government reviews, third-party accreditations and Prison Rape Elimination Act certifications. Four of our Secure Services facilities received accreditation from the American Correctional Association with an average score of 99.4% and another five of our facilities received PREA certification. Our GTI Transportation Division and our GEOAmey, UK Joint Venture, completed approximately 4.2 million miles driven in the United States and overseas during the second quarter.

Moving to the current trends from our government agency partners at the federal level populations at our contract US Marshals detention facilities continue to be stable. Our US Marshals facilities around the country support the agency as it carries out its mission of providing custodial services for pretrial detainees facing federal criminal proceedings. We believe that all these important facilities provide needed bed space and services near federal courthouses, where there is generally a lack of suitable alternative detention capacity for the US Marshals Service.

Moving to our ICE processing centers, we recently experienced a 20% increase in populations across our facility since early May. However, occupancy rates at our ICE processing centers remain below historical levels.

As George noted, Congress has left for August recess without reaching a compromise on the fiscal year 2024 Homeland Security Appropriations Bill. Currently, the House version of the bill would fund ICE for 41,000 beds, while the Senate version would maintain funding at 34,000 beds. If a compromise between the House and the Senate is not reached, a potential outcome could be the passage of a short-term or long-term continuing resolution that would likely fund the federal government at the current funding levels when the new fiscal year begins on October 1.

As a long-standing service provider to the federal government, we play no role in and have no control over Congressional appropriations decision or the implementation of immigration policy. Our focus remains on providing the highest quality services to ICE, and we stand ready to support the agency with any additional services as needed.

Our ICE processing centers have a long-standing track record, delivering professional support services on behalf of ICE and providing secure residential care consistent with our commitment to respecting the human rights of all of those entrusted to our care. Our ICE processing centers offer around-the-clock access to quality healthcare services. Healthcare staffing at our ICE processing centers is generally more than double the number of healthcare staff in a typical state correctional facility.

Our ICE processing centers also offer access to legal counsel and legal libraries and resources, and we have dedicated space at our centers to accommodate meetings with legal counsel. Our ICE processing centers also provide daily meals that are culturally sensitive and approved by a registered dietitian. We also provide access to faith-based and religious opportunities, and we partner with community volunteers, as needed, to ensure fair representation of various faith and denominations.

Our ICE processing centers also offer access to quality recreational activities. We have made significant investments to provide enhanced amenities at our centers, including artificial turf soccer fields, covered pavilions, exercise equipment, and multipurpose rooms. We have also historically provided secure transportation services and logistical support for ICE, primarily at 12 of our ICE processing centers.

Our GTI Transportation Division also recently entered into an emergency contract to provide air operation support for ICE, which is expected to generate up to approximately $16 million in revenues over a nine-month period, assuming the contract runs through its full-term. We hope to continue to be a strong contender for the currently active procurement of a multiyear contract for these services, which presently remains under bid protest.

Moving to our state government agency partners, during the second quarter of 2023, we reactivated the 1,900-bed Great Plains Correctional Facility under a new lease agreement with the State of Oklahoma. The new lease has an initial term of five-and-a-half years effective May 1, 2023 with subsequent unlimited one-year renewal options. Over the term of the lease, we expect to generate straight-line lease revenue of approximately $8.5 million annually, and we will be responsible for maintenance capital expenditures, property insurance, and property tax payments.

With the reactivation of our Great Plains facility, we now have approximately 9,000 idle beds in our Secure Services segment, comprised primarily of five former Bureau of Prisons facilities. We believe these are very valuable, modern and well-located assets, which we are continuing to actively market to government agencies at the state and federal level. Also, in the State of Oklahoma, we recently renewed our contract for the 2,682-bed Lawton Correctional Facility for a one-year term effective through June of 2024. And in Florida, we renewed our contract for the 2,000-bed Blackwater River Correctional Facility for a two-year term effective through October of 2025.

Our state correctional facilities deliver high-quality support services across seven states, including enhanced rehabilitation programs on behalf of correctional departments in Florida, Georgia, Indiana, Oklahoma, Arizona, New Mexico and Virginia.

Finally, with respect to our international markets, we have begun delivering primary health services across 13 public prisons in Australia under our new healthcare contract with the State of Victoria. This new contract commenced on July 1 and is expected to generate approximately $33 million in annualized revenues.

At this time, I will turn the call over to Wayne Calabrese for a review of GEO Care.

Wayne H. Calabrese

Senior Vice President & Chief Operating Officer, The GEO Group, Inc.

Thank you, James. I'm pleased to provide an operational update on our Geo Care Business Unit starting with our Reentry Services Division. During the second quarter, our Reentry Services facilities successfully underwent 33 separate audits, including internal audits, government reviews, third-party accreditations and PREA certifications. Five of our residential reentry centers received accreditation from the American Correctional Association, with four of those centers receiving perfect scores of 100%. We also renewed 15 residential reentry contracts, including five with the Federal Bureau of Prisons, as well as 12 non-residential day reporting center contracts, including seven with the California Department of Corrections and Rehabilitation.

Our 35 residential reentry centers provide transitional housing and rehabilitation programs for individuals reentering their communities across 14 states. Our non-residential and day reporting centers provide high-quality, community-based services, including cognitive behavioral treatment for up to 8,500 parolees and probationers at 90 locations across 10 different states.

Outcome reports generated for several clients continue to demonstrate the positive impact of these centers in terms of risk reduction, employment gains and sobriety gains for participants with program completions increasing during the second quarter of the year.

Moving to our Geo Continuum of Care and In-prison Programs Division, during the second quarter, we delivered enhanced in-custody rehab and post-release support to an average daily population of approximately 2,600 individuals at 31 in-prison programs and approximately 20,400 individuals at 13 Continuum of Care sites.

Our in-custody rehabilitation services include academic programs, focused on helping those in our care attain high school equivalency diplomas. We've made a significant investment to equip all of our classrooms with smart boards to aide in the delivery of academic instruction at these facilities. We've also focused on developing vocational programs that not only lead to certification when completed, but are also based on market job placement needs.

Our substance abuse treatment programs are an important piece of our rehabilitation services, because many of the individuals in our care suffer from addiction. Our facilities provide extensive, faith-based and character-based programs as well. And we have designated faith-based and character-based housing units or dorms across our facilities to enhance the delivery of these programs. Overall, we completed more than 670,000 hours of in-custody rehabilitation programs during the second quarter of 2023.

Our academic programs awarded approximately 830 high school equivalency diplomas, and our vocational courses awarded approximately 930 vocational training certifications. Our substance abuse treatment programs awarded approximately 2,000 program completions, and we achieved approximately 5,000 behavioral program completions and more than 3,300 individual cognitive behavioral treatment sessions.

During the second quarter, we also allocated over $350,000 to post-release services to support approximately 500 individuals released from GEO facilities as they return to their communities. Our GEO Continuum of Care integrates enhanced in-custody rehabilitation, including cognitive behavioral treatment with post-release support services that address critical community needs of released individuals. We believe our award-winning program provides a proven model on how the 2 million-plus people in the United States Criminal Justice System can be better served in changing their lives.

Finally, turning to our Electronic Monitoring and Supervision Services segment, our BI subsidiary provides a full suite of monitoring and supervision solutions, products, and technologies on behalf of federal, state and local agencies across the country. At the federal level, since the beginning of this year, we've experienced a decline in the number of participants required to be monitored under our ISAP contract with the Department of Homeland Security.

However, we've recently seen a slower rate of decline in ISAP participant numbers, and we believe that recent policy decisions could result in an increase in the number of participants being enrolled in ISAP. BI has provided technology solutions, holistic case management, supervision, monitoring, and compliance services under ISAP for almost 20 years. Under BI's tenure, the Federal Government Supervision and Appearance Program has achieved high levels of compliance, using a variety of new technologies and case management services over that period of time.

As we continue to promote innovative solutions under this important program, we are working with ICE to conduct two pilot programs for BI's VeriWatch. VeriWatch is our new wrist-worn GPS tracking device, which provides government agencies with additional means of achieving compliance with their established policies and objectives. We are actively marketing this innovative new product to government agencies across the country.

And at this time I'll turn the call over to Jose Gordo for closing remarks.

Jose Gordo

Chief Executive Officer & Director, The GEO Group, Inc.

Thanks, Wayne. In closing, our diversified business units delivered strong financial and operational performance during the second quarter and the first half of 2023. We remain focused on reducing our overall net debt and positioning our company to refinance portions of our debt in order to reduce our interest costs and gain the flexibility to potentially return capital to shareholders in the future.

We believe we have several potential upside opportunities, including increased populations at our ICE processing centers and/or increased number of participants enrolled in ISAP; the activation of additional idle secure facilities where we have a total of approximately 9,000 available beds either under GEO management or under lease to state or federal agencies; new managed-only contract wins by our reentry, electronic monitoring, secure transportation or international divisions; and the opportunistic sale of non-core assets.

We also expect to continue to selectively pursue new areas of growth, both with our current government agency clients, as well as with new clients and/or in-service lines that are adjacent to or complementary with our existing business.

In seeking these future growth opportunities, we plan to leverage our successful track record and the talent of our employees who we believe are the best in our industry. We believe our valuable assets underpin a compelling valuation case for our company. We own approximately 45,000 beds at secure facilities that we believe are generally more modern and better located than many of the existing public facilities in those geographic markets.

We believe that the aggregate replacement value of these beds alone, based on estimated current construction costs and sales of comparable facilities, is at least equal to or in excess of our current enterprise value. And this valuation is before taking into account the significant operating cash flows and real estate values of our other diversified segments, where we have significant assets and substantial market presence.

Based on a conservative valuation of these various components, we believe that our current stock price is significantly undervalued, which we believe represents a compelling case for equity investors. We have consistently delivered as an essential government services provider at the federal and state levels through both Republican and Democratic Presidential administrations for almost 40 years. We do not set political priorities or agendas, and we play no role in policy decisions related to our industry. Instead, we remain steadfast in our commitment to being a consummately professional organization that our clients can trust with complex, resource-intensive and critical projects, and that prioritizes the well-being of those entrusted to our care.

We are proud of our over 18,000 employees worldwide who carry out our mission on a daily basis with great purpose and professionalism, and we stand ready to continue to meet the future demands of our clients as they continue to evolve.

That completes our remarks, and we would be glad to take questions.

Question And Answer Section

Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Joe Gomes with Noble Capital. Please go ahead.

Joe Gomes
Analyst, Noble Capital Markets, Inc.
Good morning and thanks for taking my questions.

George Christopher Zoley
Executive Chairman, The GEO Group, Inc.
Good morning, Joe.

Joe Gomes
Analyst, Noble Capital Markets, Inc.

So wanted to start out on ICE, you said you see a 20%, I believe, increase in population since the ending of Title 42, I know that most of your guys ICE facilities operate under minimums. So what is the occupancy levels at those facilities now? Are you past the minimum level, so that if you were to receive additional population, you would start seeing a more of a contribution to the top and bottom lines?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Many of our facilities do have a minimum guarantee and – but there's a few select ones that we are below that minimum guarantee and the continued increase in occupants will materially enhance our financial results but some – let me put it more simplistically, some facilities, particularly along the Southern border, are full. Other facilities located in the coastal or Northern states are not as full.

And as we see the changes in border policies become implemented and the very possibility of more people coming across the border as temperatures cool in particular, we think the populations may continue to increase. Just to put a short answer, some are already full, but others are not and we have plenty of capacity.

Joe Gomes

Analyst, Noble Capital Markets, Inc.

Okay. Thank you for that. And on ISAP, I understand what you said today in terms of the numbers have declined for a longer period of time than – I think than you were originally anticipating. But what gives you confidence that the participant level will either stabilize or hopefully go back up in the second half of this year?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Because of the combination of different policies that – I really don't want to go into detail then because we're really not authorized to discuss DHS policies, but we are aware of these policies and they, in effect, provide for a wider use of the alternatives detention programs as well as a shifting of where participants are in that program and what monitoring devices they may be using.

Joe Gomes

Analyst, Noble Capital Markets, Inc.

Okay. Thank you for that. And then, if I read my numbers correctly here quickly, looks like operating expenses were about 72% of revenue, which is up from a little over 71% in the first quarter, and again, if my numbers are correct would be about the highest level since the first quarter of 2021, I was just wondering what – there's anything particular that you could point out that drove that operating expense level higher in the second quarter?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

No, I don't think so. I do think that you have some normalization of higher wages and more staff being brought on board. So you're going to see some of that and then the decline in the counts in the ISAP program that's the higher-margin segment, so that's affecting that as well.

Joe Gomes

Analyst, Noble Capital Markets, Inc.

Okay. And then, one last one for me, and I'll get back in queue. I'm not quite sure if I heard you mention the net debt level this quarter, it looks like, again, if I'm running my numbers correctly here quickly, it went up sequentially, the net debt level, is that accurate? And if so, what was driving that?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

So I think as I discussed and maybe George mentioned, quarter-over-quarter, the net debt is about the same. It was up like $5 million, but that's mainly just timing of working capital issues. In this quarter, we had a significant amount of interest and principal payments. So we used a lot of cash for that. We accrued it ratably towards this quarter, but we had to lay it out – all out this quarter. So next quarter, as I mentioned in my remarks, we expect a significant reduction in net debt, about $75 million or so.

Joe Gomes

Analyst, Noble Capital Markets, Inc.

Right. Right. Okay. Thanks for that, Brian. Appreciate you guys taking the time to take my call. Thank you.

Operator

The next question comes from Brian Violino with Wedbush Securities. Please go ahead.

Brian Violino

Analyst, Wedbush Securities, Inc.

Hi. Good morning. Thanks for taking my questions. Just on the ISAP program, based on the current funding level and assuming that that continues over time, I guess, is there any sort of minimum participant count that you're able to disclose based on the current funding level?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

No, I don't think there is. I don't think that's ever been discussed.

Brian Violino

Analyst, Wedbush Securities, Inc.
Okay. [indiscernible]

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.
(39:09)

Brian Violino

Analyst, Wedbush Securities, Inc.

Yeah. And then on the partners, I guess, is there anything notable to report on any per diem increases with state partners, or any potential newer state county partners in the pipeline?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Periodically, we have renegotiations, particularly with our federal partners regarding increased Department of Labor wages that have to be applied to our facilities, and there's contract modifications that implement those increases at the state level. Most of the states have a July 1 fiscal year starting point. So they'll be beginning the process of establishing their proposed budgets for the following year, and we will, in select cases, be making requests for additional funding for our facilities that typically relate to increased wages due to market conditions or increased medical service costs, again, related to either the pandemic or market conditions for wages on healthcare staff.

Brian Violino

Analyst, Wedbush Securities, Inc.

Understood. Thanks. And just one more, if I could. On the – there was a comment about providing air operations support to ICE made earlier in the call. And I believe it was $16 million of revenue, I was just curious that's something that's going to start immediately in the third quarter. Is there any of incremental investments needed? And then, I think there's a larger contract that's out for bid. Just curious what kind of opportunity that could be?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Yeah. The contract that we referenced today was an emergency contract in which we were a sub-contractor to a prime. Our role was to provide the security staffing on the airplane that travel either domestically, or internationally. So we are a subcontractor to a prime that was awarded an emergency contract. That contract can run, I think, eight or nine months until a decision is made regarding the procurement that is a long-term contract.

That procurement has been protested by several of the competitors or proposers that submitted to the procurement, including our team though it's comprised of the prime that we are involved with as a subcontractor. So we are one of the protesters in that procurement. We are presently involved with our prime – partner providing the services over the course of the next up to eight or nine months.

Brian Violino

Analyst, Wedbush Securities, Inc.

Thank you. Appreciate it.

Operator

The next question comes from Brendan McCarthy with Sidoti. Please go ahead.

Brendan McCarthy

Analyst, Sidoti & Co. LLC

Hi. Yes, good morning and thank you for taking my questions. First one here, I'm just looking at ICE populations, I think you mentioned they were up roughly 20% in your facilities. I was wondering, I'm curious is that in line with overall population increases at total ICE facilities?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

No, I think I said earlier that some facilities along the Southern border are full, others away from the border are – still have vacant beds. We have plenty of capacity – of the 31,000 people that are reportedly detained in facilities at this time, we have almost 11,000 of those individuals in GEO facilities. So we have over one-third of the individuals that are presently being detained – or housed in GEO facilities. We have one-third of the market share. And presently the private sector provides approximately 90% of the detention capacity in the country, with only approximately 10% share going to cities or counties that have contracts with DHS for the housing of detained individuals.

Brendan McCarthy

Analyst, Sidoti & Co. LLC

Got it. That's helpful. And then, just regarding some of the idle facilities, I believe according to my notes, some are located in Texas. I'm just curious if you're having any conversations with ICE just about opening some of those facilities for the anticipated annual increases in ICE populations that we've seen.

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

I think it's fair to say we have several conversations going on regarding different facilities, and it usually comes down to a matter of funding and their budgets. So they have to await – at the federal level, the new federal budget, which starts October 1; at the state level, it's funding that'll probably be approved sometime in spring of next year.

Brendan McCarthy

Analyst, Sidoti & Co. LLC

Okay. Okay. And then, one more, if I may. Just on some expense line items, I know we talked about operating expenses, driven by higher wages, but it looked like there was a large decline in general and administrative expenses. I was just wondering if you could comment on that decline.

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Nothing significant. I think just some maybe lower labor costs compared to a year-over-year professional fees, especially in the legal department, legal fees in prior quarters, we've had some higher activity on some of the cases, the company is undertaking to defend. So nothing specific beyond that stuff there.

Brendan McCarthy

Analyst, Sidoti & Co. LLC

Great. Thank you. That's all from me.

Operator

The next question comes from Kirk Ludtke with Imperial Capital. Please go ahead.

Kirk Ludtke

Analyst, Imperial Capital LLC

Hello, everyone. Thank you. Thanks for the call.

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Hey, Kirk.

Kirk Ludtke

Analyst, Imperial Capital LLC

Just a couple of follow-ups. With respect to the ICE population, you mentioned you have 11,000 people in your ICE facilities. Where did that peak pre-COVID?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Where does that one?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Peak?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Where can it peak?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

What was our peak...

Jose Gordo

Chief Executive Officer & Director, The GEO Group, Inc.

The peak population before the pandemic. [indiscernible]

(46:34)

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

I would say 14,000, 15,000, something like that.

Kirk Ludtke

Analyst, Imperial Capital LLC

Okay. Thank you. That's helpful. You mentioned that there's potential for some incremental ISAP funding, and I missed what you said. And I was just curious if you could maybe elaborate on that and maybe quantify it.

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Well, no, I didn't say there was a potential for additional ISAP funding, although that may be the case, there's the potential for increased participation in the ISAP program, which may require additional funding, which would have necessitated ICE having to find that additional funding within DHS, or go to Congress for that additional funding. But there's different policies on extending participation in the ISAP program and moving people around in the program for really cost efficiencies, because of budget limitations. But those two things in concert would provide for better use of the program, more people on the program, and on a more cost-efficient basis.

Kirk Ludtke

Analyst, Imperial Capital LLC

Got it. I appreciate it. Thank you for the clarification. At the state level, there's been some legislation in some states that would require some more stringent sentencing. What's the outlook for the population in the states where you have a presence?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Could you repeat that question, please?

Kirk Ludtke

Analyst, Imperial Capital LLC

My understanding is there have been some state – there's been some state legislation that's basically made – increased the minimum sentencing requirements. I'm just curious if you have a – what you can say about the trends in state population where you do business in?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

The trend that we are responding to is one where different states that have either a growing population, or even a stable population, are facing physical plant problems with their aging facilities. And they're faced with either having to close a facility and they really prefer not to have to build a facility. So they have an interest in one of our idle facilities, because it's a much more cost-effective solution for them.

So our facilities are, by comparison, significantly newer and more modern. They're all air-conditioned. They have artificial soccer turf fields and the different amenities that we've discussed, libraries, continuum of care, educational programs.

So by comparison, our facilities are attractive in the correctional physical plant marketplace and will be now and continue into the future, because the Sunbelt states in particular have been adding population. They have the older facilities, and there're several states that are looking to – for additional correctional space that they don't have
internally within their own state because of the aging facilities that are very – going to be very expensive to fix if they can be fixed at all.

Kirk Ludtke

Analyst, Imperial Capital LLC

That's interesting. Very helpful. I appreciate. Thank you.

Operator

The next question comes from Jordan Hymowitz with Philadelphia Financial. Please go ahead.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

Hey, guys. Thanks for taking my questions. Couple of things. First on the ISAP program, my understanding is there's a substantial amount of money that could be reallocated within ICE and DHS towards this that the current administration has been hesitant to do. So it's not necessarily more funding, but it's a reallocation of that funding that may become available. Is that the way you understand it?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Well, I'm aware of that. Every department like DHS, has the ability to shift funds around within the department to different agencies of that department. And I think I'm aware through public – publications of these stories that the – that ICE has asked for more funding for various reasons, including the alternatives to detention programs, which includes primarily the ICE program.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

Okay. And on to the several cases – [indiscernible] (52:16) there're several cases in Florida before the appellate judge that would indicate that if it would be – if the judge would rule in line with the preliminary circle rule, that would be more people being monitored and processed. Do you know what the timing of any of those cases are?

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

No, I really don't, because I presume all of them are subject to appeal and that can be a very lengthy process.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

Okay. And final question is whether we go from 34 to 40 or somewhere between, at one point, that number was 50. And as we head towards the Presidential election, the Republicans are going to obviously start talking about numbers like 50 again [ph] what they were (53:12) before.

And I guess my question is two-fold. One is, once you hit those minimums, anything above 30 to 33, the incremental profit has to be double, because it's not substitute to minimum, is that true? And B, if we would go from a number like 30 to 50, would there be a profitability that would be more than double on the prison side of the business, because the incremental margins are that much more profitable?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Well, it certainly will be more profitable. It's difficult to calculate because it differs from facility to facility. We haven't done a cumulative aggregate calculation of that number, but it's significant, because we have thousands of additional available beds. And each of those beds is worth between – it's a double-digit number.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

So the peer number of B has said the incremental profitability could be close to double, would yours be anything different from that once you get above the minimums?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

No, I don't think our – if I'm understanding your question correctly, you're saying that as the occupancy increases to something above our minimum guarantees that the profitability of the company in the ICE business would double or not. That's not accurate. That's our contract [indiscernible] (54:54) guarantees to absorb a significant amount of the cost, as well as the return and there is, as George mentioned, incremental revenue. It is material, and it would benefit the bottom line, but it's not going to double our profitability.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

No, no, no. The incremental 1,000 people above the minimum – in other words, if you go from 9,000 to 10,000 versus, say, 13,000 to 14,000, once you get above those minimums, the incremental profit is dramatically greater.

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Yeah. And like George said, not necessarily depends on how the contract is priced and what those incremental per-diems are, but it is meaningful.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

Okay. Thank you. And when can you stop buying back the debt, would you say?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Well, we're going to make additional paydowns on debt in the third quarter.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

And when would the earliest the equity can be started?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

We have to renegotiate some of the terms in some of the credit agreements before we can do any meaningful equity buyback.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

So it's a 2024 number at earliest?

Brian Robert Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Probably 2024 is the soonest.

Jordan Neil Hymowitz

Analyst, Philadelphia Financial Management of San Francisco LLC

Okay. Thank you, guys.

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to George Zoley, Executive Chairman with The GEO Group, for closing remarks.

George Christopher Zoley

Executive Chairman, The GEO Group, Inc.

Thank you for joining us today. Look forward to the next investor conference call.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.