Mar 24, 2025

General
GEO
NYSE

Rating
Outperform
Unchanged

Current Price
$28.23
Target Price
$35.00

Market Capitalization
3.96b

Shares Outstanding
140.38m

Float
133.36m

Institutional Holdings
86.25%

12-Month Low/High
$11.75/$36.46

Average 90-Day Volume
3070000

Fiscal Year End
12/31/2025

Revenues ($ MIL)

Period	2024A	2025E	2026E
Q1	605.7A	608.0E	
Q2	607.2A	610.0E	
Q3	603.1A	635.0E	
Q4	607.7A	665.0E	
	2,423.7A	2,518.0E	3,000.0E

EPS ($)

Period	2024A	2025E	2026E
Q1	0.18A	0.20E	
Q2	0.22A	0.20E	
Q3	0.21A	0.25E	
Q4	0.13A	0.30E	
	0.75A	0.96E	1.85E

The GEO Group

An Investor Day Full of Opportunity; Raising PT to $35

Investor Day. The GEO Group hosted an investor day at the end of last week, during which the Company outlined the substantial growth opportunities available under the new programs to manage undocumented migrants, as well as its goal to both significantly reduce debt and return capital to shareholders.

Secure Facilities. There is an immediate need from ICE for additional detention capacity. This is illustrated by the new contract for GEO's 1,800 bed North Lake Facility announced last Thursday. This new contract will add $70 million of annualized revenue. Management estimates currently unused bed capacity (including the three facilities recently contracted by ICE) could add $575-$625 million to revenue.

ISAP. The non-detained docket is some 7-8 million people, with another nearly 10 million estimated to be "getaways/overstays/other". With just 1.35% of this total currently under some type of supervision, there is a large opportunity for ISAP expansion. If the program expanded to cover 1 million people, that could add some $1 billion of revenue to GEO.

Debt Reduction. With the large opportunity set and the potential sale of two underperforming state facilities, it is possible that GEO could reduce its outstanding debt by half to $1 billion or less, resulting in a leverage ratio of less than 1.5x. At that point, we would expect the Company to begin returning capital to shareholders, likely through a share repurchase program.

Maintaining Outperform. We are maintaining our Outperform rating on GEO shares but raising our near-term price target to $35. We believe there is a substantial opportunity just in filling existing beds under current contracts, with the opening of currently idle facilities, new facilities, and the expansion of the ISAP program providing additional upside.

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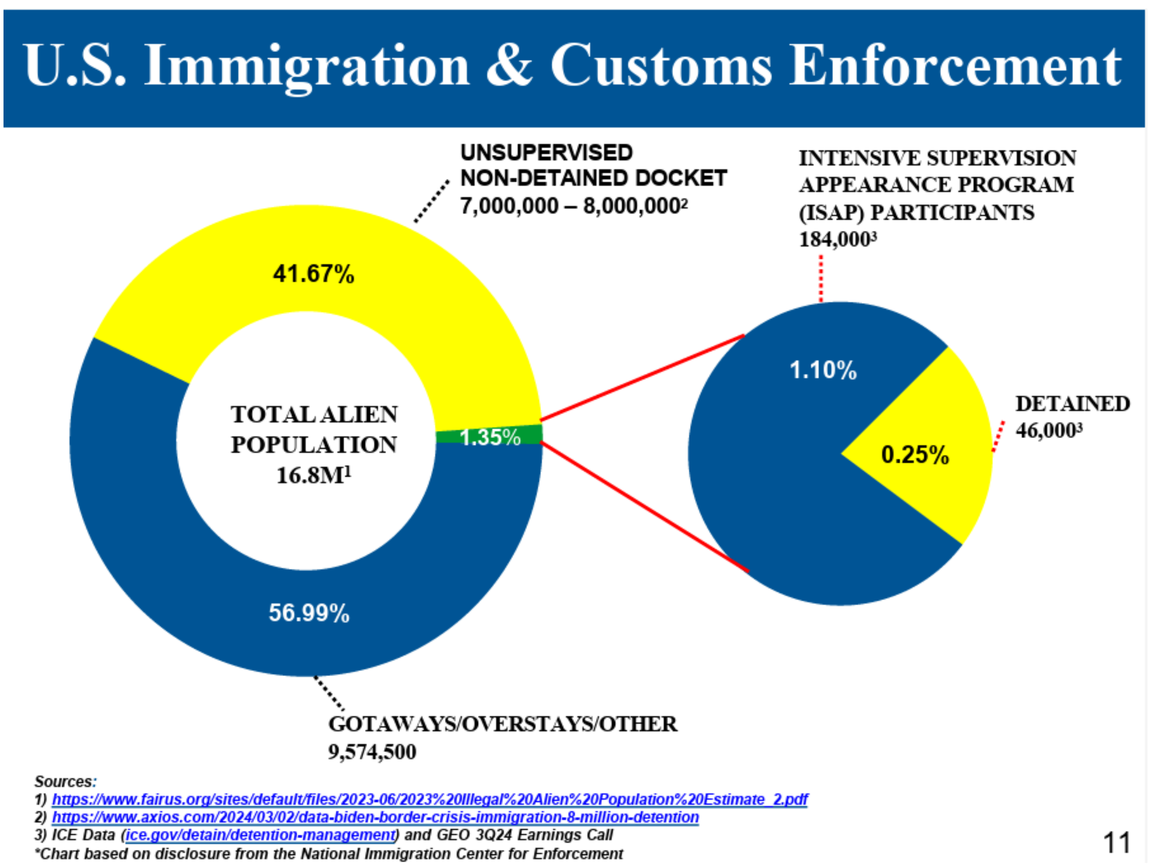
Investor Day

The GEO Group management team hosted an investor day at the end of last week, during which the Company outlined the substantial growth opportunities available under the new programs to manage undocumented migrants, as well as its goal to significantly reduce debt and return capital to shareholders. In addition to the Investor Day, the Company announced a new contract with ICE for the immediate activation of GEO's 1,800-bed North Lake Facility located in Michigan. With a long-term contract expected to be finalized within a few months, the North Lake Facility is expected to generate in excess of $70 million in annualized revenue in the first full year of operations, with margins consistent with GEO's company-owned Secure Services facilities.

We are taking this opportunity to lay out the growth and investment opportunities for GEO.

Growing TAM

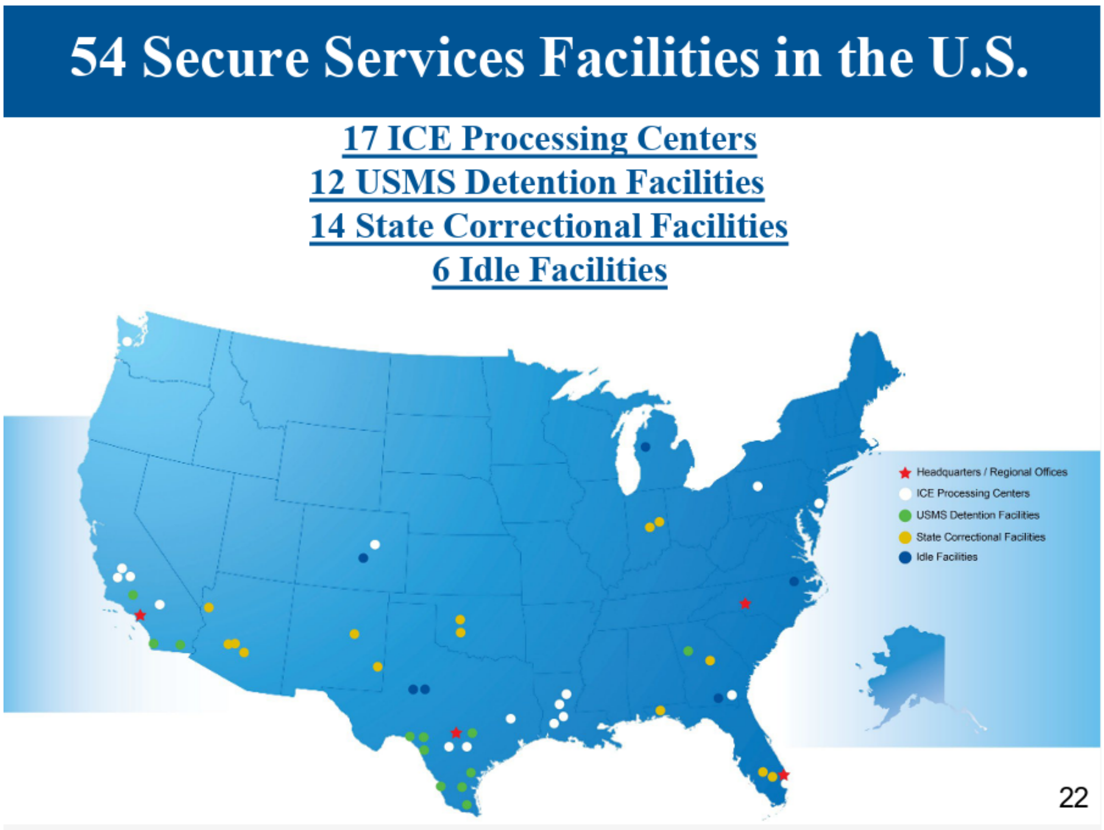
The combined addressable market for GEO's services has exploded, a combination of the massive increase in undocumented migrants coming across the border over the past four years as well as the Trump Administration's goal to deport as many of the undocumented population as possible. As seen in the following table (note: all charts are from GEO's Investor Day presentation), there are currently three "buckets" of undocumented migrants: (a) the currently under some form of government supervision, which represent and may even have an assigned court hearing date, but is about 1.35% of the overall population and can be further segmented into those on the ISAP program and those currently detained; (b) the unsupervised non-detained docket, estimated to be 7-8 million people. This group has had interaction with the government and may even have an assigned court hearing date, but they are not being monitored or detained. And (c)the "getaways/overstays/other" group, estimated to be nearly 10 million people.



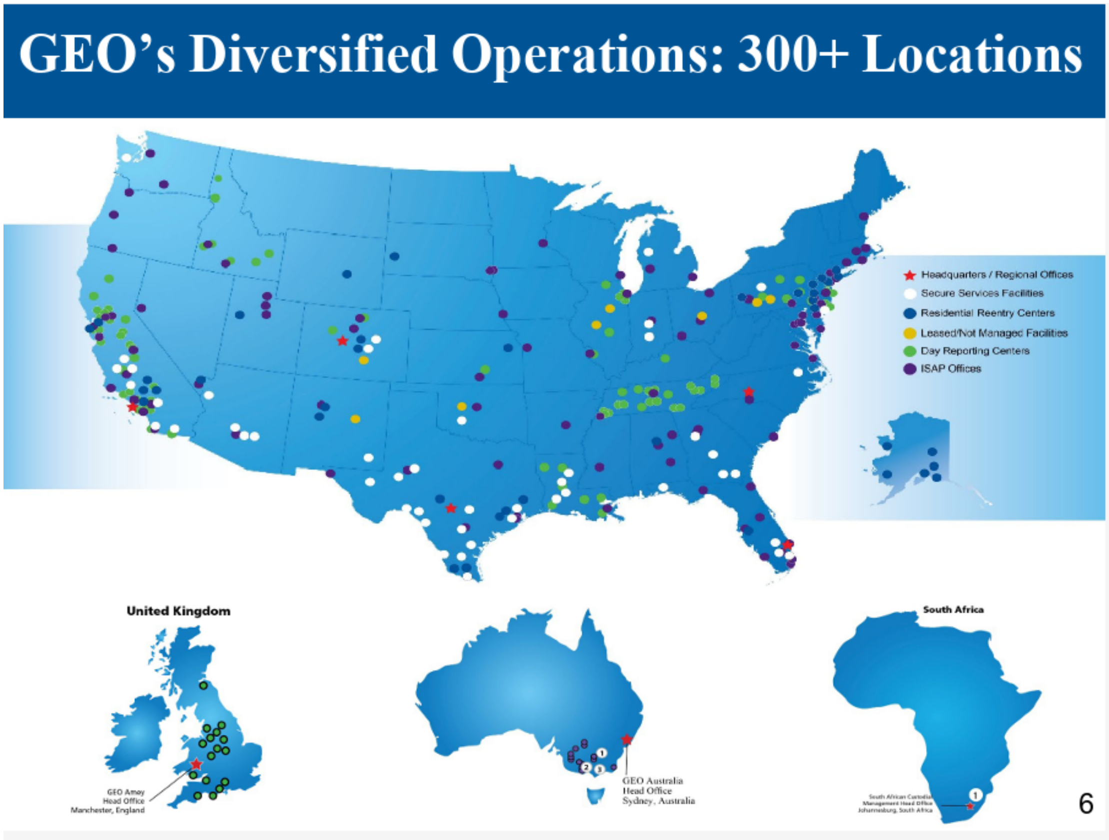
We would note that Southwest Border Encounters have fallen dramatically during the 2025 government fiscal year, which began on October 1st. After averaging 2.32 million encounters annually from 2022-2024, in the first five months of 2025, the pace is at a 887,000 level, and the most recent monthly number for February was just 11,709 encounters. We expect the focus of the government to be on undocumented migrants in the interior as opposed to the border.

GEO Services

GEO provides a number of services to its government partners to help address government needs in detention, monitoring, transportation, post release programs, etc. As seen in the next charts, GEO's network of facilities and centers is extensive, enabling the Company to offer a comprehensive solution to its government partners. GEO currently has 54 Secure services facilities in the U.S.



Adding in Reentry Services, Electronic Monitoring locations, and International Business, GEO operates through over 300 locations, as seen below.



Growth Potential

We have a growing undocumented migrant population, enhanced enforcement by the government to reduce this population, and a comprehensive suite of services provided by GEO to assist the government in solving this issue. What can this mean to GEO? Above, we mentioned the new North Lake ICE contract. This is the third new or adjusted contract from ICE in 2025, along with Delaney Hall and Karnes County. These three contracts could bring in over $150 million of revenue on an annualized basis. The six remaining idled facilities could add another $322 million of annualized revenue, once activated. In addition, GEO currently has approximately 7,000 unused beds at existing facilities. If occupied, these beds could add an additional $100-$150 million of annualized revenue.

Facilities Activation

Secure Services Facilities*	Potential Customer	Bed Count	Anticipated Revenues
Delaney Hall Facility (NJ)	ICE	1,000	$60 Million ✓
Karnes County ICE Repurposing (TX)	ICE	1,328	$79 Million(1) ✓
North Lake Facility (MI)	ICE	1,800	$70 Million ✓
D. Ray James (GA)	ICE	1,868	$66 Million
Rivers Facility (NC)	ICE/USMS	1,320	$47 Million
Big Spring: Flight Line (TX)	ICE/USMS	1,452	$75 Million
Big Spring: Cedar Hill (TX)	ICE/USMS	924	$66 Million
Cheyenne Mountation (CO)	ICE	700	$30 Million
McFarland (CA)	ICE	300	$38 Million
		10,692	$475M(1)

Additional Underutilized ICE/USMS Beds	~7,000	$100M-150M

17K Beds = $500M - $600M+ in Potential Revenue

**Idle Bed Counts Reconfigured for Detention Use*
1) Incremental Annualized Revenues of $23M for Karnes County ICE Center

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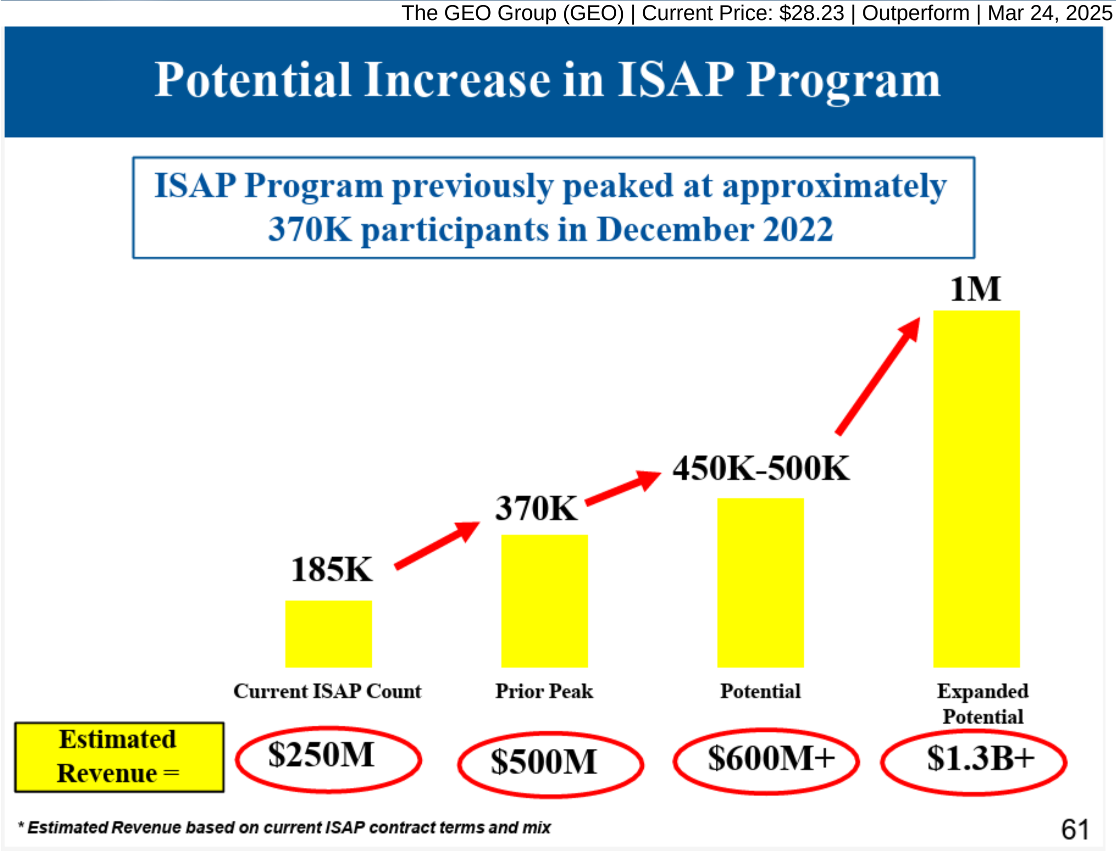
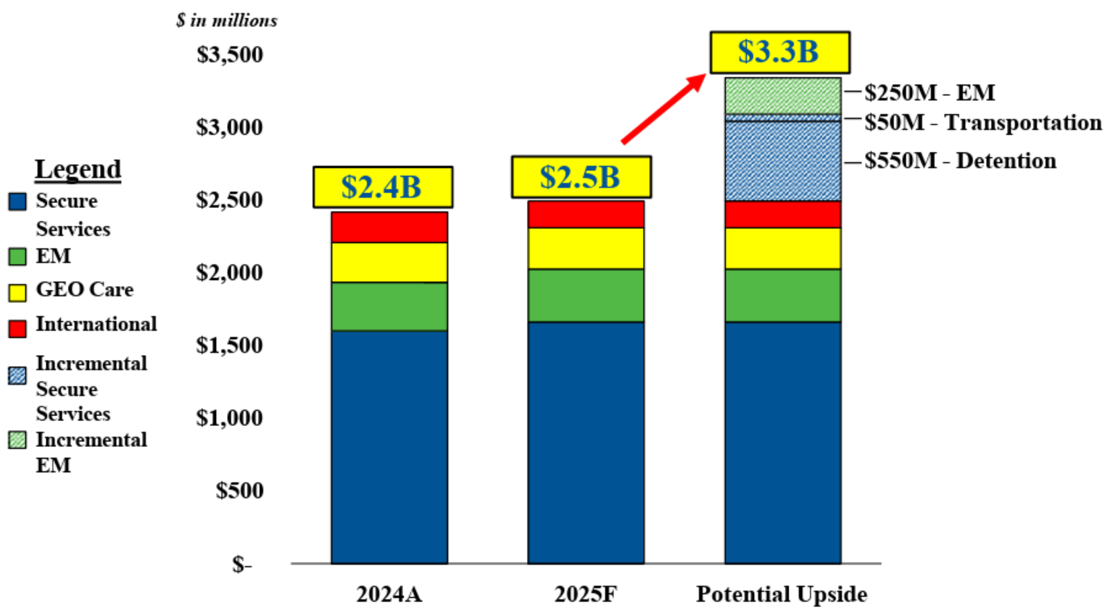
Next would be an additional population under the ISAP program. Over the past 21 months, populations under this program have been in the 175,000-196,000 range. However, in December 2022, the population under the program went up to 376,000. There have been calls among some to use the ISAP program to monitor all the non-detained population, which would be a huge increase in those under the program. Having assisted ICE under this program since 2004, we believe GEO is well positioned to garner any significant increase in ISAP populations. We believe large increases in ISAP populations are more likely a 2026 and beyond proposition as the federal government is currently focused on deporting undocumented migrants with criminal backgrounds, although the government could easily begin to increase ISAP numbers. The following chart illustrates the revenue potential for GEO's ISAP program at various population levels.



While not as dramatic, the increased pace of deportations could also see additional use of GEO's air support services subcontract, which could add another $40-$50 million of incremental revenue.

The next two charts illustrate the potential revenue and adjusted EBITDA upside for GO.

Potential Revenue Growth



Note: Recent contract awards represent ~$153M in annualized revenue comprised of Delaney Hall (NJ), Karnes (TX), and North Lake (MI)

Note: 2025 forecast is based on FY midpoint guidance

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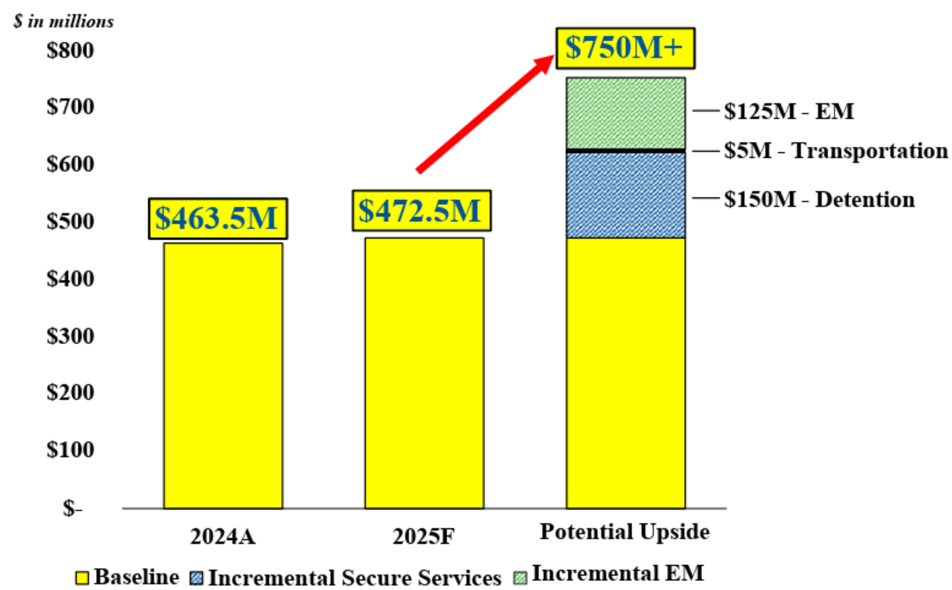
Potential Adjusted EBITDA Growth



Note: 2025 forecast based on mid-point average company facility margins of 25-30%

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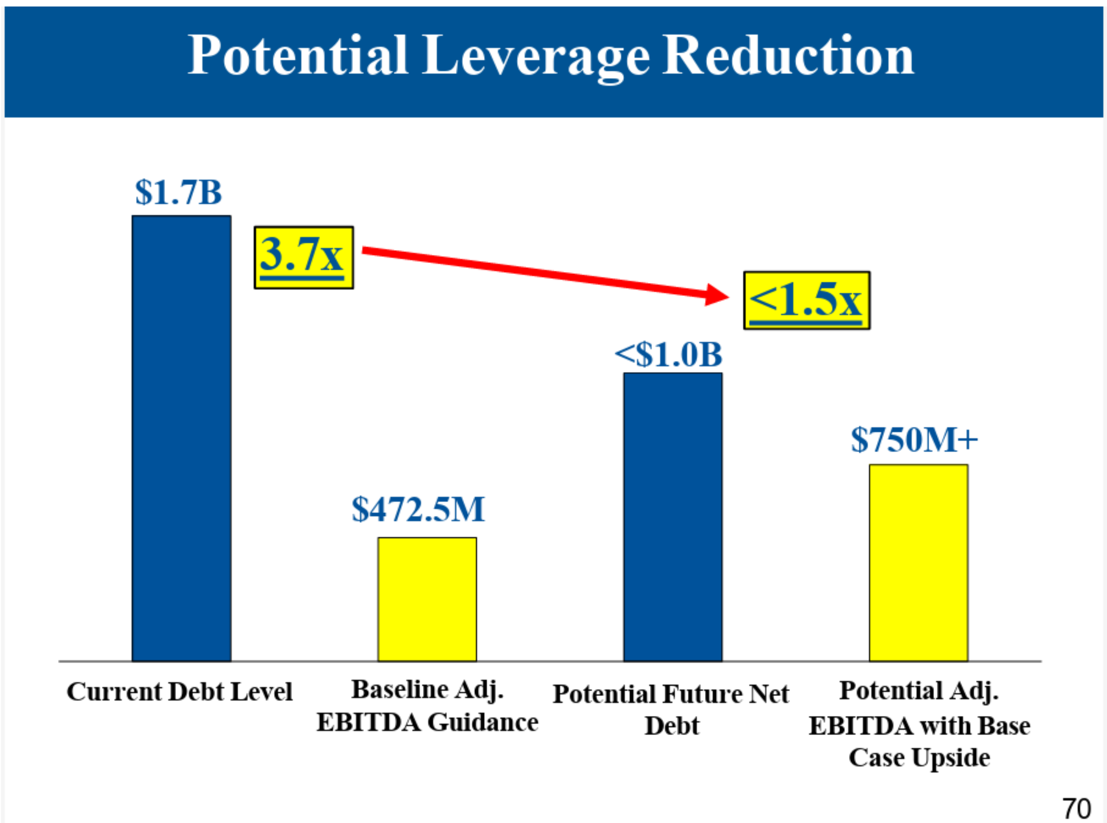
Leverage Reduction

Assuming we see the type of revenue and adjusted EBITDA growth illustrated above, we expect management to use a significant amount of the increased cash flow to reduce leverage. In addition, if the Company continues to market to state facilities that are sold, it could generate up to $550 million of revenue, which also would be used to reduce outstanding debt. Combined, incremental EBITDA and asset sale proceeds can reduce net debt below $1 billion from the current $1.7 billion level.



Management has stated they are comfortable with a leverage ratio in the 2.0x-2.5x ratio. We expect once the ratio gets into this range, we believe the Company will seek to return excess cash flow to investors, either through share buybacks or dividends.

Company Profile

Founded in 1984, The GEO Group specializes in the ownership, leasing and management of secure facilities, processing centers, and reentry facilities and the provision of community-based services in the United States, Australia, South Africa and the United Kingdom. GEO owns, leases and operates a broad range of secure facilities including maximum, medium and minimum security facilities, processing centers, as well as community-based reentry facilities. As of December 31, 2024, GEO's worldwide operations included the management and/or ownership of approximately 79,000 beds at 99 secure and community-based facilities, including idle facilities, and also includes the provision of reentry and electronic monitoring and supervision services for thousands of individuals, including an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

In addition to owning and operating secure and community facilities, GEO provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through joint venture GEO Amey PECS Ltd.

Finally, The GEO Group develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what are state-of-the-art facilities that maximize security and efficiency.

For the year ended December 31, 2024, The GEO Group generated approximately 66.2% of revenues from its U.S. Secure Services business, 13.7% from its Electronic Monitoring segment, 11.5% from its Reentry Services business, and 8.6% of revenue from its International Services segment.

Fundamental Analysis: 3.5/5.0 checks

We give The GEO Group 3.5 checks out of 5.0, which falls within our "Above Average" range of 3.5 to 4.0 checks. We give the Company high marks for its Corporate Governance and Management. Officers and Directors, lead by Executive Chairman Zoley, hold a significant ownership position in the Company. The Company holds annual election of all directors. In addition, there are ownership guidelines for senior management and directors, many of whom have enjoyed long careers in the corrections industry. We view GEO's Competitive position favorably, as the Company holds a leading position in the private prison industry, is a leading company in residential reentry markets, and has a growing presence in the alternative incarceration market. We view the Company's Market Opportunity as mixed, with declining inmate populations and shifting political views as significant potential negatives, although aging government infrastructure could result in continued demand for the Company's services. We view the Company's Operating Leverage as Average. While existing idled facilities could generate increases in operating income, government contracts can be cancelled or not renewed which could negatively impact operating leverage.

Valuation Summary

We are maintaining our Outperform rating on GEO shares and raising our near-term price target to $35 from a prior $32. We believe there is substantial opportunity just in filling existing beds under current contracts, with the opening of currently idled facilities, new facilities, and expansion of the ISAP program providing additional upside.

The shares have basically round tripped since the election as the initial excitement about the incoming Trump Administration wore off. While still early days, the Administration has backed its words with ongoing detention and deportation of deportable migrants. We expect the Administration will begin to use available and new capacity to begin detaining migrants until they are deported. At our price target, GEO shares would trade at 2.6x on an EV/2025 revenue basis and 13.5x on an EV/2025 Adjusted EBITDA basis. This compares to a peer group of diversified government services providers of 2.1x and 9.9x, respectively.

We also look at GEO stock from a property valuation perspective. The cost to build prison and detention facilities increases annually. Government at all levels face either a shortage of available facilities, old and outdated facilities, or a combination of both. One potential outcome of the private prison debate could be a government takeover of the existing private beds. In the table below, we provide a matrix of the valuation of GEO shares based on the cost of a bed, the current net value (after subtracting current outstanding debt) to GEO, and what the value per GEO share is if the government acquired the assets at either a 25% discount or 50% discount. For example, if the value of a prison bed was $150,000, GEO's 45,133 owned beds would be worth some $6.8 billion, or $5.1 billion after subtracting outstanding net debt. This equates to a value per GEO share of $36.16. If the government were to acquire the beds at 75% of fair value, then GEOs shares would be valued at approximately $24.24. If the government were to pay only 50% of value, then the per share value to GEO would be just $12.32. Unlike in the past, the recent sharp rise in GEO shares has made many of the current values below the current share price. Based on increased construction and development costs, management estimates the Company-owned facilities have a combined replacement value in excess of $6 billion. And, not included in the valuation is the significant domestic managed only secure business, the Community segment, and the electronic monitoring business, nor the International segment.

Safety Segment Property Valuation Matrix

(Value $ in millions, except per share)

Owned Beds	Cost to Build/Bed	Gross Value	Net Value	Value/ Share	Value at 25% Discount	Net Value	Value/ Share	Value at 50% Discount	Net Value	Value/ Share
45,133	$50,000	$2,257	$622	$4.38	$1,692	$57	$0.40	$1,128	-$507	-$3.57
45,133	$75,000	$3,385	$1,750	$12.32	$2,539	$904	$6.36	$1,692	$57	$0.40
45,133	$100,000	$4,513	$2,878	$20.27	$3,385	$1,750	$12.32	$2,257	$622	$4.38
45,133	$125,000	$5,642	$4,007	**$28.22**	$4,231	$2,596	$18.28	$2,821	$1,186	$8.35
45,133	$150,000	$6,770	$5,135	**$36.16**	$5,077	$3,442	$24.24	$3,385	$1,750	$12.32
45,133	$200,000	$9,027	$7,392	**$52.05**	$6,770	$5,135	**$36.16**	$4,513	$2,878	$20.27
45,133	$250,000	$11,283	$9,648	**$67.95**	$8,462	$6,827	**$48.08**	$5,642	$4,007	**$28.22**
45,133	$300,000	$13,540	$11,905	**$83.84**	$10,155	$8,520	**$60.00**	$6,770	$5,135	**$36.16**

Source: Company reports and Noble estimates

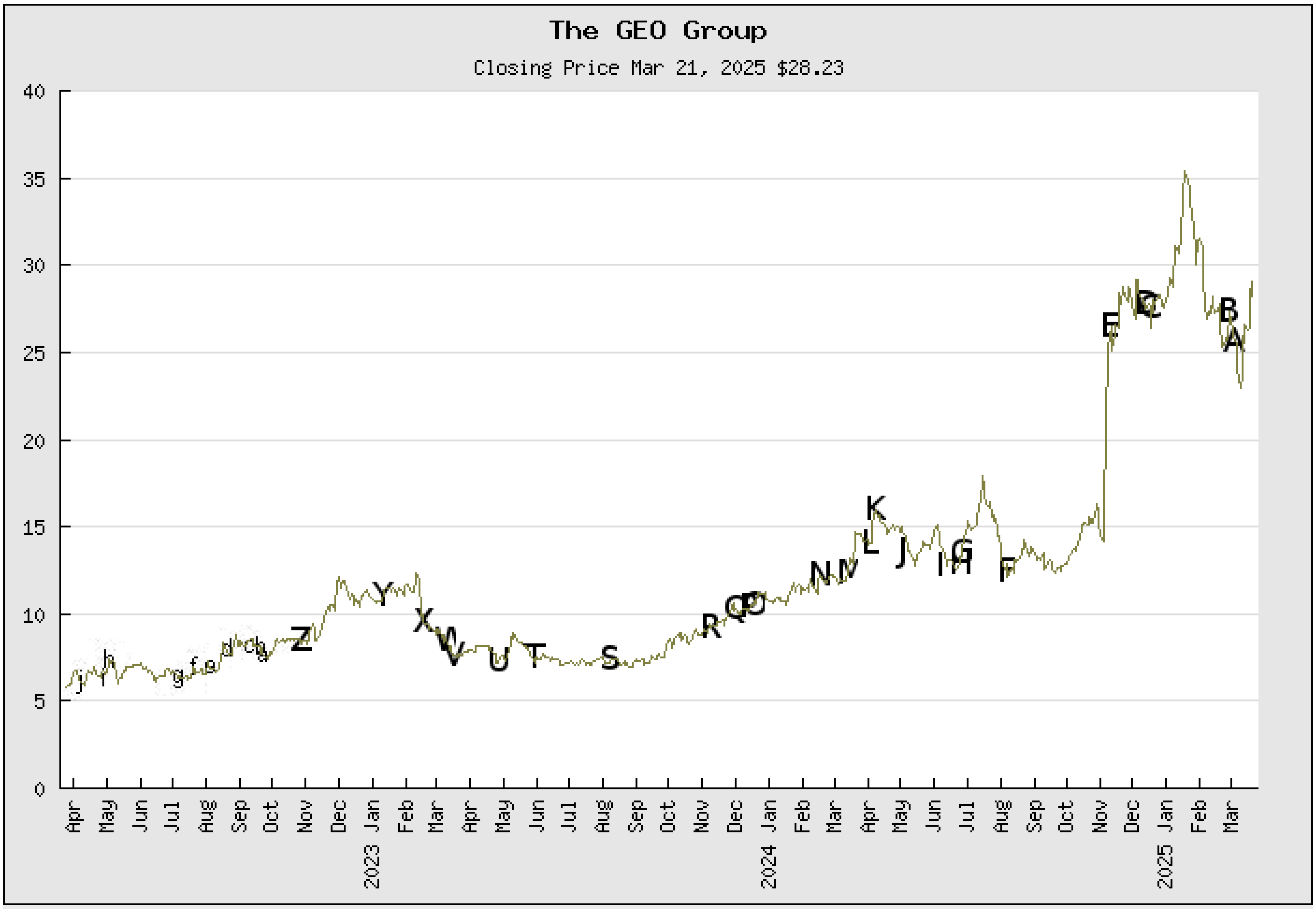
Gross Value = Number of beds multiplied by cost to build a bed

Net Value = Gross value minus net outstanding recourse debt at 12/31/2024

Value/GEO Share = Net Value divided by 142 million fully diluted shares

Investment Risks Include:

- Declining inmate populations. Since peaking in 2009, inmate populations have been declining due to changing laws. Continued declines in inmate populations could negatively impact GEO's operations.
- Political risk. The Biden Administration has taken steps to eliminate contracts with for profit prisons. GEO's business is dependent on government appropriations.
- Concentrated government customer base. In 2023, ICE, the USMS, and the BOP accounted for 63% of total revenues, with ICE accounting for 43% of total revenue. Any declines in these customers, could negatively impact financial results.
- More limited access to capital. Due to political pressure, certain banks have declined to do business with for profit prison operators which could make raising additional capital more difficult.
- Past and/or future acquisitions may not be successful.



A - 03/05/2025 Outperform Target $32.00 Current $25.68
B - 02/28/2025 Market Perform Current $27.36
C - 12/17/2024 Market Perform Current $27.53
D - 12/12/2024 Market Perform Current $27.77
E - 11/11/2024 Market Perform Current $26.48
F - 08/08/2024 Outperform Target $17.00 Current $12.46
G - 06/27/2024 Outperform Target $17.00 Current $13.51
H - 06/24/2024 Outperform Target $17.00 Current $12.84
I - 06/12/2024 Outperform Target $17.00 Current $12.80
J - 05/08/2024 Outperform Target $17.00 Current $13.60
K - 04/08/2024 Outperform Target $17.00 Current $15.93
L - 04/04/2024 Outperform Target $15.00 Current $14.05
M - 03/13/2024 Outperform Target $15.00 Current $12.30
N - 02/16/2024 Outperform Target $15.00 Current $12.23
O - 12/18/2023 Outperform Target $15.00 Current $10.56
P - 12/14/2023 Outperform Target $15.00 Current $10.44
Q - 12/01/2023 Outperform Target $15.00 Current $10.25
R - 11/08/2023 Outperform Target $15.00 Current $9.27
S - 08/10/2023 Outperform Target $15.00 Current $7.42
T - 05/31/2023 Outperform Target $15.00 Current $7.46
U - 04/26/2023 Outperform Target $15.00 Current $7.28
V - 03/17/2023 Outperform Target $15.00 Current $7.57
W - 03/09/2023 Outperform Target $15.00 Current $8.52
X - 02/17/2023 Outperform Target $15.00 Current $9.54
Y - 01/11/2023 Outperform Target $15.00 Current $11.03
Z - 10/28/2022 Outperform Target $15.00 Current $8.49
a - 09/22/2022 Outperform Target $15.00 Current $7.73
b - 09/19/2022 Outperform Target $15.00 Current $8.18
c - 09/08/2022 Outperform Target $15.00 Current $8.29
d - 08/18/2022 Outperform Target $15.00 Current $8.00
e - 08/03/2022 Outperform Target $15.00 Current $7.09
f - 07/20/2022 Outperform Target $15.00 Current $6.95
g - 07/05/2022 Outperform Target $15.00 Current $6.55
h - 05/04/2022 Outperform Target $15.00 Current $7.41
i - 04/26/2022 Outperform Target $15.00 Current $6.37
j - 04/05/2022 Outperform Target $15.00 Current $6.27

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Noble intends to seek compensation for investment banking services and non-investment banking services (securities and non-securities related) within the next 3 months.

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FUNDAMENTAL ASSESSMENT

The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company’s fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Generalist Equity Analyst. Chartered Financial Analyst©. Over 25 years experience as a Generalist Analyst focused in the small to mid-cap space. MBA in Finance from Pace University and a BS in Agricultural Economics from Cornell University.
FINRA licenses 6, 7, 24, 63, 86, 87.

CONTINUING COVERAGE

Unless otherwise noted through the dropping of coverage or change in analyst, the analyst who wrote this research report will provide continuing coverage on this company through the publishing of research available through Noble Capital Market's distribution lists, website, third party distribution partners, and through Noble’s affiliated website, channelchek.com.

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RESEARCH ANALYST CERTIFICATION

Independence Of View

All views expressed in this report accurately reflect my personal views about the subject securities or issuers.

Receipt of Compensation

No part of my compensation was, is, or will be directly or indirectly related to any specific recommendations or views expressed in the public appearance and/or research report.

Ownership and Material Conflicts of Interest

Neither I nor anybody in my household has a financial interest in the securities of the subject company or any other company mentioned in this report.

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	88%	16%
Market Perform: potential return is -15% to 15% of the current price	12%	6%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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