Corrections Corporation of America Announces First Quarter Results

May 2, 2002

NASHVILLE, Tenn., May 2 /PRNewswire-FirstCall/ -- Corrections Corporation of America (NYSE: CXW) today announced its operating results for the three months ended March 31, 2002.

The Company reported a net loss of $46.3 million, or $1.23 per diluted share, for the first quarter of 2002 compared with a net loss of $10.1 million, or $0.43 per diluted share, for the first quarter of 2001. Results for the first quarter of 2002 include the effect of a non-cash charge of $80.3 million, or $2.25 per diluted share, for the cumulative effect of a change in accounting for goodwill in accordance with Statement of Financial Accounting Standards No. 142 ("SFAS 142") and a one-time cash income tax benefit of $32.2 million, or $0.91 per diluted share, resulting from an income tax change that was signed into law in March 2002, both as further discussed below.

Excluding these non-recurring items, net income available to common stockholders would have been $1.7 million, or $0.06 per diluted share. Operating results for the quarter also include the effects of a non-cash gain of $3.4 million associated with the accounting for an interest rate swap in accordance with Statement of Financial Accounting Standards No. 133.

Cash flow from operations continued to improve, with the Company generating adjusted free cash flow of $16.4 million, or $0.53 per diluted share, during the first quarter of 2002, compared with $14.3 million, or $0.47 per diluted share, during the first quarter of 2001, representing a 12.8% increase.

Consolidated revenues for the first quarter of 2002 amounted to $241.2 million, compared with $240.4 million for the first quarter of 2001. Consolidated EBITDA for the first quarter of 2002 was $45.1 million, compared with $47.1 million for the first quarter of 2001. Average compensated occupancy for the first quarter of 2002 was 87.4%, compared with 88.3% for the first quarter of 2001.

Debt Refinancing

As part of a comprehensive refinancing of the Company's existing senior debt, which includes the early extinguishment of the Company's existing secured bank credit facility and the purchase of substantially all of the Company's existing $100 million 12% senior notes, the Company recently announced the pricing of $250 million of seven-year senior notes at 9.875%. In addition, the Company also expects to obtain a new senior secured credit facility in the aggregate amount of $715 million which will consist of a revolving credit facility of up to $75 million with a term of four years, a $75 million term loan A with a maturity of four years and a $565 million term loan B with a maturity of six years. All borrowings under the new senior secured credit facility are expected to initially bear interest at a base rate or LIBOR plus 3.5%. The entire refinancing is expected to close on May 3, 2002. The Company intends to file a Current Report on Form 8-K with the Securities and Exchange Commission including the material terms of the new senior secured credit facility and other information regarding the refinancing promptly after closing.

As a result of the early extinguishment of the existing secured bank credit facility and the purchase of substantially all of the Company's existing $100 million 12% senior notes, the Company will record an extraordinary loss during its second quarter, representing the write-off of existing deferred loan costs, certain bank fees, premiums paid and certain other costs associated with the refinancing.

Commenting on the refinancing, Chief Financial Officer Irving E. Lingo, Jr. stated, "It has consistently been our objective to achieve a refinancing that significantly lengthened our debt maturities while enabling us to continue to pursue our deleveraging strategy. We believe this refinancing achieves each of these objectives while at the same time meaningfully lowers our interest costs."

Impairment of Goodwill

Effective January 1, 2002 the Company adopted SFAS 142, which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, all goodwill amortization ceased effective January 1, 2002, and goodwill attributable to each of the Company's reporting segments was tested for impairment by comparing the fair value of each reporting segment with its carrying value. Based on the requirements of SFAS 142, the Company recognized an impairment of approximately $80.3 million to write-off the carrying value of goodwill associated with its owned and managed facilities. Amortization expense of goodwill and other intangible assets that will no longer be recorded under SFAS 142 totaled $8.8 million during 2001.

Non-Recurring Cash Income Tax Benefit

On March 9, 2002, the "Job Creation and Worker Assistance Act of 2002" was signed into law. Among other changes, the law extends the net operating loss carryback period to five years from two years for net operating losses arising in tax years ending in 2001 and 2002. Under terms of the new law, the Company utilized net operating losses from 2001 to offset taxable income generated in 1997 and 1996. As a result of this tax law change, the Company recorded an income tax benefit of approximately $32.2 million during the first quarter, which was collected in April.

Operating EBITDA/Liquidity

EBITDA for the quarter amounted to $45.1 million, while debt service cost for the quarter, excluding non-cash items, amounted to approximately $24.8 million. At March 31, 2002, the Company had cash on hand of approximately $52.3 million and had $50.0 million available under its working capital line of credit. The existing $50 million credit facility will be replaced by the new $75 million revolving credit facility under the Company's new senior secured credit facility.

Operations Update

At March 31, 2002, key operating statistics for the Company were as follows:

Metric	Quarter Ended March 31, 2002	2001
Average Available Beds	61,208	61,462
Average Compensated Occupancy	87.4%	88.3%
Total Compensated Man-Days	4,812,776	4,883,865
Revenue per Compensated Man-Day	$49.08	$47.91
Operating Expense per Compensated Man-Day:		
Fixed	$28.42	$26.98
Variable	9.89	10.08
Total	$38.31	$37.06
Operating Margin per Compensated Man-Day	$10.77	$10.85
Operating Margin Rate	21.9%	22.6%

Consolidated EBITDA for the first quarter of 2002 was $45.1 million, compared with $47.1 million for the first quarter of 2001. The primary reason for the reduction in EBITDA for the first quarter of 2002 was lower occupancy of 87.4% as compared to 88.3% one year earlier. Occupancy was negatively impacted by the State of Wisconsin's decision in the third quarter of 2001 to relocate inmates from the Company's facilities to state operated facilities. In addition, inmate levels at the Company's Oklahoma facilities also declined from the prior year.

Operating margins declined slightly to $10.77 per compensated man-day in the first quarter of 2002 from $10.85 per compensated man-day in the prior year comparable quarter. The primary reason for the decline was higher salaries and benefit cost per man-day resulting from the aforementioned lower occupancy levels and annual salary increases.

Beginning late in the first quarter of 2002, the Company began receiving new inmates from Wisconsin as well as from a number of additional customers. On April 30, 2002 the Company received confirmation from the Commonwealth of Puerto Rico of its previously announced intent to assume management of the Ponce Adult Correctional Facility and the Ponce Young Adult Correctional Facility located in Ponce, Puerto Rico, which the Company currently manages. The Commonwealth is scheduled to assume management of the facilities beginning May 4, 2002. For the calendar year 2001, the Company generated combined EBITDA from the two facilities of approximately $2.2 million after taxes. Both facilities are owned by the Commonwealth of Puerto Rico, with a combined capacity of 1,500 beds, of which 1,371 beds were utilized at April 30, 2002. Company occupancy was approximately 89.5% as of April 30, 2002.

Commenting on the first quarter results, President and CEO John Ferguson stated, "Despite a drop in occupancy beginning late in the fourth quarter of 2001 and into our first quarter of 2002, the Company's adjusted free cash flow per diluted share increased 12.8% over the first quarter of 2001. The closing of our refinancing will serve as another step in the process of rationalizing our capital structure and will increase our available cash flow as a result of substantially lower interest expense in the future."

Ferguson continued, "From an operational perspective, we were able to hold our operating margin substantially in line with the first quarter of 2001 despite the decline in occupancy. We continue to make control of operating costs a major priority. While disappointed in the recent decision of the Commonwealth of Puerto Rico, we are nevertheless encouraged that since December 31, 2001, the Company has added approximately 1,470 inmates, raising our occupancy level to approximately 89.5%. We continue to pursue a number of viable occupancy initiatives which we believe will serve to increase profitability going forward."

About the Company

The Company is the nation's largest owner and operator of privatized correctional and detention facilities and one of the largest prison operators in the United States, behind only the federal government and four states. The Company currently owns 39 correctional, detention and juvenile facilities, three of which are leased to other operators, and two additional facilities which are not yet in operation. The Company also has a leasehold interest in a juvenile facility. Following the aforementioned termination of the contracts with the Commonwealth of Puerto Rico, the Company will operate 61 facilities, including 36 company owned facilities, with a total design capacity of approximately 60,000 beds in 21 states, the District of Columbia and Puerto Rico. The Company specializes in owning, operating and managing prisons and other correctional facilities and providing inmate residential and prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, the Company's facilities offer a variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. These services are intended to reduce recidivism and to prepare inmates for their successful re-entry into society upon their release. The Company also provides health care (including medical, dental and psychiatric services), food services and work and recreational programs.

Forward-Looking Statements

This press release contains statements that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's current plans and actual future activities, and the Company's results of operations may be materially different from those set forth in the forward-looking statements. Investors should refer to documents that the Company files from time to time with the Commission for a description of certain factors that could cause actual results to vary from current expectations and from the forward-looking statements contained in this press release. Such factors include, but are not limited to: (i) the growth in the privatization of the corrections and detention industry and the public acceptance of our services; (ii) the Company's ability to obtain and maintain correctional facility management contracts; (iii) changes in government policy and in legislation and regulation of the corrections and detention industry that adversely affect the Company's business; (iv) the successful refinancing of the Company's existing indebtedness; (v) fluctuations in operating results because of changes in occupancy levels, competition, increases in cost of operations, fluctuations in interest rates and risks of operations; (vi) general economic and market conditions; and (vii) other factors contained in the Company's filings with the Commission, including the Company's reports on Forms 10-K, 10-Q and 8-K.

The Company takes no responsibility for updating the information contained in this press release following the date hereof or for any changes or modifications made to this press release or the information contained herein by any third-parties, including, but not limited to, any wire or internet services.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	March 31, 2002	December 31, 2001
Cash and cash equivalents	$52,257	$46,307
Restricted cash	12,630	12,537
Accounts receivable, net of allowance of $715 and $729, respectively	134,155	144,078
Income tax receivable	32,599	568
Prepaid expenses and other current assets	12,174	12,841
Total current assets	243,815	216,331
Property and equipment, net	1,584,409	1,573,152
Investment in direct financing lease	18,747	18,873
Assets held for sale	1,758	22,312
Goodwill	24,432	104,019
Other assets	30,079	36,593
Total assets	$1,903,240	$1,971,280
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$136,795	$145,157
Income tax payable	11,369	10,137
Distributions payable	5,132	15,853
Fair value of interest rate swap agreement	9,525	13,564
Current portion of long-term debt	789,838	792,009
Total current liabilities	952,659	976,720
Long-term debt, net of current portion	170,449	171,591
Deferred tax liabilities	55,301	56,511
Other liabilities	19,041	19,297
Total liabilities	1,197,450	1,224,119
Commitments and contingencies		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
Series A - 4,300 shares issued and outstanding; stated at liquidation preference of $25.00 per share	107,500	107,500
Series B - 4,064 and 3,948 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively; stated at liquidation preference of $24.46 per share	99,400	96,566
Common stock - $0.01 par value; 80,000 shares authorized; 27,979 and 27,921 shares issued and 27,978 and 27,920 shares outstanding at March 31, 2002 and December 31, 2001, respectively	280	279
Additional paid-in capital	1,342,896	1,341,958
Deferred compensation	(2,596)	(3,153)
Retained deficit	(839,565)	(793,236)
Treasury stock, one share, at cost	(242)	(242)

Accumulated other comprehensive loss	(1,883)	(2,511)
Total stockholders' equity	705,790	747,161
Total liabilities and stockholders' equity	$1,903,240	$1,971,280

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended March 31, 2002	2001
REVENUE:		
Management and other	$240,059	$237,972
Rental	1,127	2,410
	241,186	240,382
EXPENSES:		
Operating	188,922	184,655
General and administrative	7,191	8,600
Depreciation and amortization	12,458	12,701
	208,571	205,956
OPERATING INCOME	32,615	34,426
OTHER (INCOME) EXPENSE:		
Equity in (earnings) loss of joint venture	(117)	85
Interest expense, net	28,760	34,069
Change in fair value of interest rate swap agreement	(3,411)	5,969
Gain on sale of assets	(3)	--
Unrealized foreign currency transaction loss	95	385
	25,324	40,508
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	7,291	(6,082)
Income tax benefit	31,733	775
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	39,024	(5,307)
Cumulative effect of accounting change	(80,276)	--
NET LOSS	(41,252)	(5,307)
Distributions to preferred stockholders	(5,077)	(4,821)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$(46,329)	$(10,128)
BASIC EARNINGS (LOSS) PER SHARE:		
Before cumulative effect of accounting change	$1.23	$(0.43)
Cumulative effect of accounting change	(2.91)	--
Net loss available to common stockholders	$(1.68)	$(0.43)
DILUTED EARNINGS (LOSS) PER SHARE:		
Before cumulative effect of accounting change	$1.02	$(0.43)
Cumulative effect of accounting change	(2.25)	--
Net loss available to common stockholders	$(1.23)	$(0.43)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION

CALCULATION OF EARNINGS (LOSS) PER SHARE
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended March 31, 2002	2001
NUMERATOR		
Basic:		
Income before cumulative effect of accounting change	$33,947	$(10,128)
Cumulative effect of accounting change	(80,276)	--
Net loss available to common stockholders	$(46,329)	$(10,128)
Diluted:		
Income before cumulative effect of accounting change	$33,947	$(10,128)
Interest expense applicable to convertible notes *	2,485	--
Diluted income (loss) before cumulative effect of accounting change	36,432	(10,128)
Cumulative effect of accounting change	(80,276)	--
Diluted net loss available to common stockholders	$(43,844)	$(10,128)
DENOMINATOR		
Basic:		
Weighted average common shares outstanding	27,641	23,603
Diluted:		
Weighted average common shares outstanding	27,641	23,603
Effect of dilutive securities: *		
Stock options and warrants	656	--
Stockholder litigation	310	--
Convertible notes	6,747	--
Restricted stock-based compensation	248	--
Weighted average shares and assumed conversions	35,602	23,603
BASIC EARNINGS (LOSS) PER SHARE		
Income (loss) before cumulative effect of accounting change	$1.23	$(0.43)
Cumulative effect of accounting change	(2.91)	--
Net loss available to common stockholders	$(1.68)	$(0.43)
DILUTED EARNINGS (LOSS) PER SHARE		
Income (loss) before cumulative effect of accounting change	$1.02	$(0.43)
Cumulative effect of accounting change	(2.25)	--
Net loss available to common stockholders	$(1.23)	$(0.43)

* Amounts are not included for the 2001 period presented, as the effects are anti-dilutive.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
CALCULATION OF ADJUSTED FREE CASH FLOW
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

For the Three Months Ended March 31,
2002 2001

Pre-tax net loss available to common stockholders	$(78,062)	$(10,903)
Cumulative effect of accounting change	80,276	--
Income taxes paid	(30)	(1,412)
Depreciation and amortization	12,458	12,701
Amortization of debt costs and other non-cash interest	6,186	5,600
Change in fair value of derivative instrument	(3,411)	5,969
Series B preferred stock dividend satisfied with series B preferred stock	2,927	2,671
Capital expenditures	(3,902)	(311)
Adjusted free cash flow	$16,442	$14,315
ADJUSTED FREE CASH FLOW PER SHARE - BASIC	$0.59	$0.61
ADJUSTED FREE CASH FLOW PER SHARE - DILUTED	$0.53	$0.47

Note (1) EBITDA is computed by adding depreciation and amortization to operating income, as presented in the accompanying Statements of Operations. EBITDA and adjusted free cash flow are presented because we believe they are frequently used by securities analysts, investors and other interested parties as a supplemental measure of company performance. However, other companies may calculate EBITDA and adjusted free cash flow differently than we do. EBITDA and adjusted free cash flow are not measures of performance under generally accepted accounting principles and should not be considered as an alternative to cash flows from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measure of performance derived in accordance with generally accepted accounting principles. This data should be read in conjunction with our combined and consolidated financial statements and related notes included in our filings with the Securities and Exchange Commission.