CCA Announces 2012 First Quarter Financial Results

May 3, 2012 7:35 AM ET

CCA Revises Full-Year 2012 Adjusted Diluted EPS Guidance Range From $1.60 to $1.70 to a Range of $1.53 to $1.61

NASHVILLE, TN, May 03, 2012 (MARKETWIRE via COMTEX) --CCA (NYSE: CXW) (the "Company" or "Corrections Corporation of America"), America's leader in partnership corrections and the nation's largest provider of corrections management services to government agencies, announced today its financial results for the first quarter ended March 31, 2012.

First Quarter Highlights

```
--  Diluted EPS of $0.32
--  Adjusted Diluted EPS of $0.33
--  Operating income of $69.5 million
--  EBITDA and Adjusted EBITDA of $96.4 million and $97.9 million,
    respectively
--  Funds From Operations and Adjusted Funds From Operations Per Diluted
    Share of $0.82 and $0.69, respectively
```

Total management revenue for the first quarter of 2012 increased to $434.2 million from $423.8 million during the first quarter of 2011. For the first quarter of 2012, CCA generated net income of $31.7 million, or $0.32 per diluted share, compared with net income of $40.3 million, or $0.37 per diluted share, for the first quarter of 2011. During the first quarter of 2012, CCA incurred approximately $1.0 million, net of taxes, for expenses associated with debt refinancing transactions. After adjusting for these expenses CCA generated $0.33 of earnings per diluted share.

Management revenue from our federal partners increased 3.8% to $189.3 million generated during the first quarter of 2012 compared with $182.4 million generated during the first quarter of 2011. The increase in federal revenue resulted from higher inmate populations and contractual rate increases associated with certain federal management contracts. These revenue increases occurred mostly within the owned and managed segment of our business.

Management revenue from our state partners increased to $215.8 million during the first quarter of 2012 compared with $213.8 million during the prior year period. State revenue increased primarily due to higher inmate populations from the state of Ohio as we commenced operations on January 1, 2012 at our newly acquired Lake Erie Correctional Institution. These increases were partially offset by lower inmate populations from the state of California due to our strategic decision in mid-2011 not to renew the contract for nearly 900 beds at our Florence facility, where we were able to replace such inmates with more inmates from the U.S. Marshals Service. We also experienced lower inmate populations from the District of Columbia at the D.C. Correctional Treatment Facility and lower populations from the state of Colorado.

EBITDA for the first quarter of 2012 was $96.4 million compared to $110.5 million during the first quarter of 2011. Adjusted EBITDA, which excludes expenses associated with debt refinancing transactions, was $97.9 million for the first quarter of 2012. Funds From Operations was $82.2 million during the first quarter of 2012 compared to $95.5 million in the prior year quarter. Adjusted Funds From Operations, which includes maintenance and technology capital expenditures, for the first quarter of 2012 was $69.4 million compared with $90.7 million during the prior year period. EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations in the first quarter of 2012 were impacted by wage increases as well as payroll tax credits that were available in the prior year that are no longer available in 2012. Additionally, we experienced increases in unemployment tax rates and in our self-insured employee medical and workers' compensation claims.

The first quarter of 2012 also included $3.9 million, or $0.03 per diluted share after taxes, in start-up expenses associated with the commencement of operations at our newly constructed 1,124-bed Jenkins Correctional Center and as we prepared for the intake of prisoners from Puerto Rico at our 1,692-bed Cimarron Correctional Facility pursuant to new management contracts.

Our earnings per share were favorably impacted by the reduction in our weighted average shares outstanding from 109.5 million during the first quarter of 2011 to 100.1 million during the first quarter of 2012 resulting from the purchase of 10.6 million shares of our outstanding stock during 2011. As previously announced, we terminated our stock repurchase plan during the first quarter of 2012 upon the announcement of our intention to initiate a dividend beginning in the second quarter of 2012. No shares were repurchased in the first quarter of 2012. Our earnings per share for the first quarter of 2012 were also favorably impacted by lower interest expense resulting from our refinancing efforts in the first quarter of 2012.

Our total average daily compensated population increased to 80,781 in the first quarter of 2012 from 79,916 in the first quarter of 2011. Our total portfolio occupancy decreased to 88.7% in the first quarter 2012 from 89.9% during the first quarter of 2011. The decline in average compensated occupancy resulted from the opening of our new 1,124-bed Jenkins facility, which opened in early March and continues to ramp-up its occupancy which is currently expected to be complete in the third quarter of 2012.

CCA President and Chief Executive Officer, Damon Hininger, stated, "During the first quarter we were pleased to commence a number of new management contracts, including with the state of Ohio at our newly acquired Lake Erie Correctional Institution, the Commonwealth of Puerto Rico at our Cimarron facility in Oklahoma and with the state of Georgia at our newly constructed Jenkins Correctional Center."

Guidance

We expect Diluted EPS for the second quarter of 2012 to be in the range of $0.36 to $0.37. We are revising our full-year 2012 Adjusted Diluted EPS to be in the range of $1.53 to $1.61 with Funds From Operations for the full year 2012 to be in the range of $2.82 to $2.91, while full year Adjusted Funds From Operations Per Diluted Share is in the range of $2.28 to $2.42.

The revision of full-year guidance reflects several key items. First, as we noted in the February 2012 earnings call, we experienced a decline in U.S. Marshals populations beginning late in the fourth quarter of 2011. We originally expected those populations to fully rebound by the second quarter of 2012. While we have experienced some increase in those populations, we now believe they are not likely to reach the levels we previously forecasted as quickly as originally anticipated. While the difference in populations is relatively small, the impact on earnings is meaningful as these population declines from previous estimates are largely at facilities that are operating at full capacity where the incremental margins are very high.

We are also anticipating a small reduction in inmate populations from the state of Georgia at our Coffee and Wheeler facilities during the start-up of our new Jenkins County facility which is also housing state of Georgia populations. As Jenkins populations increase, we are experiencing some transitional impacts on populations at Coffee and Wheeler, which we believe will be corrected once Jenkins is fully occupied.

Finally, during February and March of this year, we experienced increases in claims under our self-insured employee medical and workers compensation programs. We have incorporated an increase in these expenses for the balance of the year, but at a growth rate lower than the rate we experienced in the first quarter.

Our guidance assumes no material change in inmate populations from the state of California, and does not include expenses associated with refinancing transactions. Additionally, our guidance does not include any expenses we will incur evaluating the feasibility of a conversion to a real estate investment trust, as announced earlier today.

During 2012, we expect to invest approximately $80.0 million to $90.0 million in capital expenditures, consisting of approximately $30.0 million to $35.0 million in on-going prison construction and expenditures related to potential land acquisitions, and $50.0 million to $55.0 million in maintenance and information technology. We also expect a full-year effective income tax rate of approximately 38.0%, with payments for income taxes expected to approximate $94.0 million to $97.0 million for the full year.

Supplemental Financial Information and Investor Presentations

We have made available on our website supplemental financial information and other data for the first quarter of 2012. We do not undertake any obligation, and disclaim any duty to update any of the information disclosed in this report. Interested parties may access this information through our website at www.cca.com under "Financial Information" of the Investors section.

Management may meet with investors from time to time during the second quarter of 2012. Written materials used in the investor presentations will also be available on our website beginning on or about May 25, 2012. Interested parties may access this information through our website at www.cca.com under "Webcasts" of the Investors section.

Webcast and Replay Information

We will host a webcast conference call at 10:00 a.m. central time (11:00 a.m. eastern time) today, to discuss our first quarter 2012 financial results. To listen to this discussion, please access "Webcasts" on the Investors page at www.cca.com. The conference call will be archived on our website following the completion of the call. In addition, a telephonic replay will be available at 2:00 p.m. eastern time on May 3, 2012 through 1:59 p.m. eastern time on May 9, 2012, by dialing (888) 203-1112 or (719) 457-0820, pass code 7939410.

About CCA

CCA is the nation's largest owner and operator of partnership correction and detention facilities and one of the largest prison operators in the United States, behind only the federal government and three states. We currently operate 67 facilities, including 47 company-owned facilities, with a total design capacity of approximately 92,000 beds in 20 states and the District of Columbia. We specialize 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, our facilities offer a variety of rehabilitation and educational programs, including basic education, religious services, 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. We also provide inmates health care (including medical, dental and psychiatric services), food services and work and recreational programs.

Forward-Looking Statements

This press release contains statements as to our beliefs and expectations of the outcome of future events that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. These include, but are not limited to, the risks and uncertainties associated with: (i) general economic and market conditions, including the impact governmental budgets can have on our per diem rates, occupancy and overall utilization; (ii) fluctuations in our operating results because of, among other things, changes in occupancy levels, competition, increases in cost of operations, fluctuations in interest rates and risks of operations; (iii) our ability to obtain and maintain correctional facility management contracts, including as a result of sufficient governmental appropriations and as a result of inmate disturbances; (iv) changes in the privatization of the corrections and detention industry, the public acceptance of our services, the timing of the opening of and demand for new prison facilities and the commencement of new management contracts; (v) the outcome of California's realignment program and utilization of out of state private correctional capacity; (vi) increases in costs to construct or expand correctional facilities that exceed original estimates, or the inability to complete such projects on schedule as a result of various factors, many of which are beyond our control, such as weather, labor conditions and material shortages, resulting in increased construction costs; and (vii) the outcome of our and our advisors' analysis of the feasibility of and the potential costs and operational challenges involved in converting the Company to a real estate investment trust structure, including our assessment of various complex tax, legal, financial and business issues and the likelihood of obtaining a favorable private letter ruling from the Internal Revenue Service. Other factors that could cause operating and financial results to differ are described in the filings made from time to time by us with the Securities and Exchange Commission.

CCA takes no responsibility for updating the information contained in this press release following the date hereof to reflect events or circumstances occurring after the date hereof or the occurrence of unanticipated events or for any changes or modifications made to this press release.

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

ASSETS	March 31, 2012	December 31, 2011
Cash and cash equivalents	$ 31,351	$ 55,802
Accounts receivable, net of allowance of $2,053 and $1,218, respectively	257,981	269,685

Deferred tax assets	11,068	11,768
Prepaid expenses and other current assets	13,610	18,676
Current assets of discontinued operations	16	3,498
Total current assets	314,026	359,429
Property and equipment, net	2,601,303	2,608,740
Restricted cash	5,015	5,013
Investment in direct financing lease	8,811	9,233
Goodwill	11,988	11,988
Other assets	29,983	25,047
Non-current assets of discontinued operations	-	181
Total assets	$ 2,971,126	$ 3,019,631

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	$ 162,153	$ 195,726
Income taxes payable	13,530	605
Current portion of long-term debt	40,000	-
Current liabilities of discontinued operations	1,196	2,031
Total current liabilities	216,879	198,362
Long-term debt, net of current portion	1,140,386	1,245,014
Deferred tax liabilities	135,750	136,503
Other liabilities	34,540	31,730
Total liabilities	1,527,555	1,611,609
Commitments and contingencies		
Preferred stock -- $0.01 par value; 50,000 shares authorized; none issued and outstanding at March 31, 2012 and December 31, 2011, respectively	-	-
Common stock -- $0.01 par value; 300,000 shares authorized; 99,944 and 99,528 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	999	995
Additional paid-in capital	1,133,300	1,129,435
Retained earnings	309,272	277,592
Total stockholders' equity	1,443,571	1,408,022
Total liabilities and stockholders' equity	$ 2,971,126	$ 3,019,631

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,

	2012	2011
REVENUE:		
Management and other	$ 434,754	$ 424,629
Rental	551	551
	435,305	425,180
EXPENSES:		
Operating	315,534	293,162
General and administrative	21,840	21,447
Depreciation and amortization	28,387	26,926
	365,761	341,535
OPERATING INCOME	69,544	83,645
OTHER EXPENSES:		
Interest expense, net	16,890	18,402
Expenses associated with debt refinancing transactions	1,541	-
Other expenses	12	71
	18,443	18,473
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	51,101	65,172
Income tax expense	(19,059)	(24,732)
INCOME FROM CONTINUING OPERATIONS	32,042	40,440
Loss from discontinued operations, net of taxes	(362)	(110)
NET INCOME	$ 31,680	$ 40,330
BASIC EARNINGS PER SHARE:		
Income from continuing operations	$ 0.32	$ 0.37
Loss from discontinued operations, net of taxes	-	-
Net income	$ 0.32	$ 0.37
DILUTED EARNINGS PER SHARE:		
Income from continuing operations	$ 0.32	$ 0.37
Loss from discontinued operations, net of taxes	-	-
Net income	$ 0.32	$ 0.37

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

CALCULATION OF ADJUSTED DILUTED EARNINGS PER SHARE

	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011
Net income	$ 31,680	$ 40,330
Special Items:		
Expenses associated with debt refinancing transactions	1,541	-
Income tax benefit for special items	(575)	-
Adjusted net income	$ 32,646	$ 40,330
Weighted average common shares outstanding -- basic	99,292	108,688
Effect of dilutive securities:		
Stock options	631	693
Restricted stock-based compensation	163	162
Weighted average shares and assumed conversions -- diluted	100,086	109,543
Adjusted Diluted Earnings Per Share	$ 0.33	$ 0.37

CALCULATION OF FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011
Net income	$ 31,680	$ 40,330
Income tax expense	19,059	24,732
Expenses associated with debt refinancing transactions	1,541	-
Income tax benefit for debt refinancing transactions	(575)	-
Income taxes (paid) refund	(1,198)	4
Depreciation and amortization	28,387	26,926
Depreciation and amortization for discontinued operations	-	129
Income tax benefit for discontinued operations	(215)	(68)
Stock-based compensation reflected in G&A expense	2,411	2,377
Amortization of debt costs and other non-cash interest	1,153	1,066
Funds From Operations	$ 82,243	$ 95,496
Maintenance and technology capital expenditures	(12,800)	(4,830)
Adjusted Funds From Operations	$ 69,443	$ 90,666

Funds From Operations Per Diluted Share	$ 0.82	$ 0.87
Adjusted Funds From Operations Per Diluted Share	$ 0.69	$ 0.83

CALCULATION OF EBITDA AND ADJUSTED EBITDA

	For the Three Months Ended March 31,	
	2012	2011
Net income	$ 31,680	$ 40,330
Interest expense, net	16,890	18,402
Depreciation and amortization	28,387	26,926
Income tax expense	19,059	24,732
Loss from discontinued operations, net of taxes	362	110
EBITDA	96,378	110,500
Expenses associated with debt refinancing transactions	1,541	-
Adjusted EBITDA	$ 97,919	$ 110,500

CALCULATION OF ADJUSTED FUNDS FROM OPERATIONS PER SHARE GUIDANCE

	For the Year Ending December 31, 2012	
	Low End of Guidance	High End of Guidance
Net income	$ 154,000	$ 162,000
Income tax expense	94,000	97,000
Income taxes paid	(94,000)	(97,000)
Depreciation and amortization	115,000	115,000
Expenses associated with debt refinancing transactions, net of tax	1,000	1,000
Other non-cash items	15,000	16,000
Funds From Operations	$ 285,000	$ 294,000
Maintenance and technology capital expenditures	(55,000)	(50,000)
Adjusted Funds From Operations	$ 230,000	$ 244,000
Funds From Operations Per Diluted Share	$ 2.82	$ 2.91
Adjusted Funds From Operations Per Diluted Share	$ 2.28	$ 2.42

NOTE TO SUPPLEMENTAL FINANCIAL INFORMATION

Adjusted Net Income, EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations, and their corresponding per share metrics are non-GAAP financial measures. The Company believes that these measures are important operating measures that supplement discussion and analysis of the Company's results of operations and are used to review and assess operating performance of the Company and its correctional facilities and their management teams. The Company believes that it is useful to provide investors, lenders and security analysts disclosures of its results of operations on the same basis as that used by management.

Management and investors review both the Company's overall performance using GAAP and non-GAAP measures including Net Income, Adjusted Net Income, Funds From Operations and Adjusted Funds From Operations, and their corresponding per share metrics, as well as EBITDA and Adjusted EBITDA to assess the operating performance of the Company's correctional facilities. EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations are useful as supplemental measures of the performance of the Company's correctional facilities because they do not take into account depreciation and amortization, or with respect to EBITDA and Adjusted EBITDA, the impact of the Company's tax provisions and financing strategies. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), this accounting presentation assumes that the value of real estate assets diminishes at a level rate over time. Because of the unique structure, design and use of the Company's correctional facilities, management believes that assessing performance of the Company's correctional facilities without the impact of depreciation or amortization is useful. The calculation of Adjusted Funds From Operations substitutes capital expenditures incurred to maintain the functionality and condition of the Company's correctional facilities in lieu of a provision for depreciation. Some of these capital expenditures contain a discretionary element with respect to when they are incurred, while others may be more urgent. Therefore, maintenance capital expenditures may fluctuate from quarter to quarter, depending on the nature of the expenditures required, seasonal factors such as weather, and budgetary conditions. The calculation of Funds From Operations and Adjusted Funds From Operations also reflect the amount of income taxes paid. We continuously evaluate tax planning strategies to reduce the effective tax rate for financial reporting purposes as well as strategies to reduce the amount of taxes we pay. As a result, the amount of taxes we pay may fluctuate from period to period depending on the effectiveness of our strategies. The amount of taxes we pay may also result from many factors beyond our control, such as changes in tax law. Finally, income taxes paid fluctuate significantly from quarter to quarter based on statutory methods of computing inter-period payment requirements and the date such taxes are due.

The Company may make adjustments to GAAP net income, EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations from time to time for certain other income and expenses that it considers non-recurring, infrequent or unusual, even though such items may require cash settlement, because such items do not reflect a necessary component of the ongoing operations of the Company. Other companies may calculate Adjusted net income, EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations differently than the Company does, or adjust for other items, and therefore comparability may be limited. Adjusted net income, EBITDA, Adjusted EBITDA, Funds From Operations and Adjusted Funds From Operations, and their corresponding per share measures are not measures of performance under GAAP, and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of the Company's operating performance or any other measure of performance derived in accordance with GAAP. This data should be read in conjunction with the Company's consolidated financial statements and related notes included in its filings with the Securities and Exchange Commission.

Contact:
Investors and Analysts:
Karin Demler
CCA
(615) 263-3005

Financial Media:
Dave Gutierrez
Dresner Corporate Services
(312) 780-7204

SOURCE: Corrections Corporation of America