

DESK NOTE

20.01.2025

GEO Group (GEO US) – A Compelling Buy with 72% Upside Driven by Expansion Plans

Conclusive Summary: The GEO Group presents a compelling investment opportunity, with a target price of \$60.35, representing a ~71% upside from its last closing price of \$35.35. The company's plans to expand its operational capacity by activating idle facilities and adding 18,000 new beds, coupled with its dominant 90% market share in electronic monitoring, position it to capitalize on increasing government demand. These initiatives could deliver substantial revenue and operating income growth and consequently upward analyst revisions that can boost the stock. While regulatory risks and competition in fragmented markets pose challenges, GEO's long-standing government relationships, international presence, and patented technologies provide a durable competitive edge. **With scalable growth prospects and expected upward revisions in financial estimates, we recommend purchasing GEO stock at current levels, targeting May 2025 for the realization of its valuation potential.**

Competitive Position: holds a strong competitive position in both the private and public sectors through its diversified service offerings and long-term relationships with government clients, some spanning over three decades. Unlike its primarily U.S.-focused peers, **GEO's international presence in Australia, South Africa, and the UK provides a diversified growth avenue.** Its scale and operational expertise deliver cost advantages, while patents in electronic monitoring create barriers to entry in this fragmented market. However, GEO faces challenges from regulatory shifts and local competitors with niche advantages. By leveraging its established relationships, patented technology, and global reach, GEO is well-positioned to navigate a competitive and evolving industry landscape.

Valuation: We derive a **target price (TP) of \$60.35 for GEO stock using a combination of EV/EBITDA and P/E multiples.** The stock trades at multiples near the highest levels observed over the past decade. Current 2025 analyst estimates suggest a target price of \$37.50, approximately in line with the recent closing price, but our calculations based on company's information on idle capacity and easy scalability of electronic monitoring provides much higher target price. **We recommend buying GEO Group at current levels given the significant upside potential.**

Ticker: GEO US

Previous day close price: \$35.35

Price range (52w.): \$10.97- \$35.62

Target price: \$60 (+71% upside)

Recommendation: **Buy@Current**

Description: The GEO Group, Inc. is a leading provider of private correctional and detention management services, operating primarily through two key business segments: U.S. Secure Services and Electronic Monitoring and Supervision Services. The U.S. Secure Services segment focuses on managing correctional and detention facilities, encompassing approximately 62,000 beds, with plans for significant expansion. The company earns revenue primarily through government contracts, receiving daily payments per occupied bed, with underutilized and idle facilities presenting opportunities for growth. The Electronic Monitoring and Supervision Services segment delivers electronic monitoring solutions, such as ankle bracelets, for individuals under home supervision. Together, these segments position GEO Group as a key player in addressing evolving public safety and immigration management requirements.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA	13.00	793.81	10,320	1,817	8,502	139.7	\$60.86
P/E	22.00	2.72					\$59.84
Avg. Multiple Price							\$60.35



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