

CORRECTIONS CORP OF AMERICA

Form 10-Q

August 06, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 2015

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 001-16109

CORRECTIONS CORPORATION OF AMERICA

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)
10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215
(Address and zip code of principal executive offices)
(615) 263-3000
(Registrant's telephone number, including area code)

62-1763875
(I.R.S. Employer
Identification Number)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each class of Common Stock as of July 31, 2015:

Shares of Common Stock, \$0.01 par value per share: 117,119,202 shares outstanding.

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FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	June 30, 2015	December 31, 2014
<u>ASSETS</u>		
Cash and cash equivalents	\$ 41,069	\$ 74,393
Restricted cash	1,641	
Accounts receivable, net of allowance of \$1,407 and \$748, respectively	229,541	248,588
Current deferred tax assets	8,884	13,229
Prepaid expenses and other current assets	41,347	29,775
Total current assets	322,482	365,985
Property and equipment, net	2,755,292	2,658,628
Restricted cash	114	2,858
Investment in direct financing lease	1,992	3,223
Goodwill	15,155	16,110
Non-current deferred tax assets	4,035	2,301
Other assets	76,096	78,086
Total assets	\$ 3,175,166	\$ 3,127,191
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Accounts payable and accrued expenses	\$ 307,591	\$ 317,566
Income taxes payable	1,086	1,368
Current liabilities of discontinued operations		54
Total current liabilities	308,677	318,988
Long-term debt	1,238,000	1,200,000
Deferred revenue	82,976	87,227
Other liabilities	64,352	39,476
Total liabilities	1,694,005	1,645,691
Commitments and contingencies		
Preferred stock \$0.01 par value; 50,000 shares authorized; none issued and outstanding at June 30, 2015 and December 31, 2014, respectively		
Common stock \$0.01 par value; 300,000 shares authorized; 117,119 and 116,764 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1,171	1,168

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Additional paid-in capital	1,752,646	1,748,303
Accumulated deficit	(272,656)	(267,971)
Total stockholders' equity	1,481,161	1,481,500
Total liabilities and stockholders' equity	\$ 3,175,166	\$ 3,127,191

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
REVENUES:	\$ 459,295	\$ 410,694	\$ 885,295	\$ 814,916
EXPENSES:				
Operating	318,035	287,610	618,697	574,990
General and administrative	23,107	26,559	49,979	51,951
Depreciation and amortization	38,400	28,752	67,085	57,136
Asset impairments		2,238	955	2,238
	379,542	345,159	736,716	686,315
OPERATING INCOME	79,753	65,535	148,579	128,601
OTHER (INCOME) EXPENSE:				
Interest expense, net	11,761	8,364	21,951	18,712
Other (income) expense	36	(613)	10	(1,000)
	11,797	7,751	21,961	17,712
INCOME BEFORE INCOME TAXES	67,956	57,784	126,618	110,889
Income tax expense	(2,653)	(2,052)	(4,038)	(3,419)
NET INCOME	\$ 65,303	\$ 55,732	\$ 122,580	\$ 107,470
BASIC EARNINGS PER SHARE	\$ 0.56	\$ 0.48	\$ 1.05	\$ 0.93
DILUTED EARNINGS PER SHARE	\$ 0.55	\$ 0.48	\$ 1.04	\$ 0.92
DIVIDENDS DECLARED PER SHARE	\$ 0.54	\$ 0.51	\$ 1.08	\$ 1.02

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	For the Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 122,580	\$ 107,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,085	57,136
Asset impairments	955	2,238
Amortization of debt issuance costs and other non-cash interest	1,552	1,548
Deferred income taxes	2,611	93
Non-cash revenue and other income	(991)	(2,889)
Income tax benefit of equity compensation	(475)	(117)
Non-cash equity compensation	7,708	6,924
Other expenses and non-cash items	2,213	2,625
Changes in assets and liabilities, net:		
Accounts receivable, prepaid expenses and other assets	6,124	(10,196)
Accounts payable, accrued expenses and other liabilities	5,692	(30,476)
Income taxes payable	193	(450)
Net cash provided by operating activities	215,247	133,906
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for facility development and expansions	(112,548)	(27,750)
Expenditures for other capital improvements	(25,889)	(20,852)
Capitalized lease payments	(24,592)	
Decrease in restricted cash	603	2,983
Proceeds from sale of assets	57	704
Decrease in other assets	1,922	2,041
Payments received on direct financing lease and notes receivable	1,091	967
Net cash used in investing activities	(159,356)	(41,907)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	160,000	75,000
Principal repayments of debt	(122,000)	(85,000)
Payment of debt issuance and other refinancing and related costs	(134)	
Dividends paid	(124,261)	(115,469)
Income tax benefit of equity compensation	475	117
Purchase and retirement of common stock	(9,432)	(2,803)
Decrease in restricted cash for dividends	500	

Proceeds from exercise of stock options	5,637	4,852
Net cash used in financing activities	(89,215)	(123,303)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,324)	(31,304)
CASH AND CASH EQUIVALENTS, beginning of period	74,393	77,919
CASH AND CASH EQUIVALENTS, end of period	\$ 41,069	\$ 46,615
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amounts capitalized of \$2,792 and \$1,002 in 2015 and 2014, respectively)	\$ 18,609	\$ 19,912
Income taxes	\$ 6,706	\$ 8,697

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY****FOR THE SIX MONTHS ENDED JUNE 30, 2015**

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional	Accumulated	Total
	Shares	Par Value	Paid-in	Deficit	Stockholders
			Capital		Equity
Balance as of December 31, 2014	116,764	\$ 1,168	\$ 1,748,303	\$ (267,971)	\$ 1,481,500
Net income				122,580	122,580
Retirement of common stock	(235)	(3)	(9,429)		(9,432)
Regular dividends declared on common stock (\$1.08 per share)				(127,310)	(127,310)
Restricted stock compensation, net of forfeitures	(6)		7,188	45	7,233
Income tax benefit of equity compensation			475		475
Stock option compensation expense, net of forfeitures			475		475
Restricted stock grants	296	3			3
Stock options exercised	300	3	5,634		5,637
Balance as of June 30, 2015	117,119	\$ 1,171	\$ 1,752,646	\$ (272,656)	\$ 1,481,161

The accompanying notes are an integral part of these consolidated financial statements.

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(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional	Accumulated	Total
	Shares	Par Value	Paid-in Capital	Deficit	Stockholders Equity
Balance as of December 31, 2013	115,923	\$ 1,159	\$ 1,725,363	\$ (224,015)	\$ 1,502,507
Net income				107,470	107,470
Retirement of common stock	(85)	(1)	(2,802)		(2,803)
Regular dividends declared on common stock (\$1.02 per share)				(119,440)	(119,440)
Restricted stock compensation, net of forfeitures	(8)		5,833	47	5,880
Income tax benefit of equity compensation			117		117
Stock option compensation expense, net of forfeitures			1,044		1,044
Restricted stock grants	265	3			3
Stock options exercised	318	3	&		