Corrections Corporation of America Announces 2001 Fourth Quarter And Annual Results

February 14, 2002

Financial Highlights (dollars in thousands, except per share data)

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Total revenue	$246,496	$238,256	$980,791	$ 310,278
EBITDA*	$ 47,260	$ 41,282	$192,702	$ 34,179
Change in fair value of derivative instruments	$ 26,499	$ -	$ 14,554	$ -
Net income (loss) available to common stockholders	$ 25,942	$(365,780)	$ 5,670	$ 744,308)
Basic earnings (loss) per share	$ 1.05	$ (21.55)	$ 0.23	$ (56.68)
Diluted earnings (loss) per share	$ 0.80	$ (21.55)	$ 0.20	$ (56.68)
Average compensated occupancy	87.6%	86.9%	88.5%	84.8%
Facility operating margin	23.0%	17.6%	23.1%	18.0%

- EBITDA is computed by adding depreciation and amortization and impairment losses to operating income (loss), as presented in the accompanying Statements of Operations.

	As of December 31, 2001	As of December 31, 2000
Total assets	$1,971,280	$2,176,992
Total debt	$963,600	$1,152,570
Total market capitalization (market value of equity plus debt)	$1,639,353	$1,275,204
Total number of facilities	70	74

NASHVILLE, Tenn., Feb. 14 /PRNewswire-FirstCall/ -- Corrections Corporation of America (NYSE: CXW) (the "Company") today announced its operating results for the three-month period and year ended December 31, 2001.

The fourth quarter results discussed below include the operating results of the former operating company that was acquired October 1, 2000, and the former service companies that were acquired December 1, 2000. As a result of these acquisitions, the operating results of the Company for 2001 are not comparable with 2000.

For the fourth quarter of 2001, the Company reported net income available to common stockholders of $25.9 million, or $0.80 per diluted share, compared with a net loss available to common stockholders of $365.8 million, or $21.55 per diluted share, for the same period in the prior year. For the full year ended December 31, 2001, the Company reported net income available to common stockholders of $5.7 million, or $0.20 per diluted share, compared with a net loss available to common stockholders of $744.3 million, or $56.68 per diluted share, for the same period in 2000. Per share results for 2000 have been retroactively restated to reflect the one-for-ten reverse stock split of the Company's common stock effective May 18, 2001.

The fourth quarter and annual results for 2001 included the effects of a non-cash gain of $25.6 million for the extinguishment of a subordinated promissory note payable issued in connection with the Company's federal stockholder litigation settlement. Results for the fourth quarter and year ended December 31, 2001 also included the non-cash effects of a $0.9 million gain and an $11.0 million charge, respectively, associated with the accounting for interest rate swap agreements in accordance with Statement of Financial Accounting Standards No. 133. The fourth quarter and annual results for 2000 include the effect of a non-cash charge of $508.7 million associated with writing down certain real estate assets to net realizable value in accordance with Statement of Financial Accounting Standards No. 121.

Consolidated revenue for the fourth quarter of 2001 amounted to $246.5 million. Consolidated EBITDA for the quarter was $47.3 million, while average compensated occupancy for the quarter was 87.6%.

Commenting on the results for the fourth quarter, President and CEO John Ferguson stated, "The Company had an eventful fourth quarter culminating with the extension and modification of our senior bank credit facility in December. Operating cash flow remained strong, with the Company generating adjusted free cash flow of $18.3 million or $0.59 per diluted share. Occupancy remains a challenge, as the Company's fourth quarter operating results reflect the expected reduction in occupancy brought about by the transfer of Wisconsin inmates from our Whiteville, Tennessee facility to state-operated facilities within the state of Wisconsin. We are currently pursuing a number of initiatives at both the federal and state levels intended to increase overall portfolio occupancy."

Debt Repayment

On October 3, 2001, the Company sold its Southern Nevada Correctional facility for $24.1 million. Proceeds from the sale were used to reduce the outstanding balance under the Company's senior bank credit facility. During the year ended December 31, 2001, the Company paid down approximately $189.0 million in total debt through a combination of cash generated from asset sales and working capital.

Operating EBITDA/Liquidity

EBITDA for the fourth quarter of 2001 amounted to $47.3 million, while debt service for the quarter, excluding non-cash items, amounted to $25.1 million. At December 31, 2001, the Company had cash on hand of approximately $46.3 million and had $50.0 million available under its working capital line of credit. The balance on the Company's senior bank credit facility has been reduced from $972.3 million on January 1, 2001 to its year-end balance of $791.9 million.

Refinancing Status

During December 2001, the Company successfully completed an amendment and restatement of its senior bank credit facility, which, among other changes, converted the revolving portion of the loan, which expired on January 1, 2002, to a term loan with a maturity of December 31, 2002. Upon completion of the amendment and restatement, Moody's Investors Service increased its rating on the Company's senior secured debt to B2. Commenting on the Company's refinancing plans, Irving E. Lingo, Jr., the Company's chief financial officer, stated, "Our goal since the restructuring of the Company in 2000 has been to achieve a financing that takes into account the improving financial and operating profile of the Company. Accordingly, during the first half of 2002, we will strive to complete a financing that sufficiently lengthens our debt maturities, while maintaining flexible prepayment provisions. Given current market conditions, we anticipate that the new financing will result in measurably lower interest expense to the Company over the next several years."

Promissory Note

The results for the quarter and year ended December 31, 2001, included the positive impact of the extinguishment of a promissory note issued in connection with the final settlement of previously outstanding shareholder litigation. The terms of the note provided that all amounts due under the note would be extinguished if the average closing price of the Company's common stock on the NYSE met or exceeded a "termination price" of $16.30 per share for any fifteen consecutive trading days following the date of the note's issuance and prior to January 2, 2009, the maturity date of the note. As the average closing price of the Company's stock for the period January 2, 2002, to January 23, 2002, exceeded the termination price of $16.30, the note was extinguished in 2002. The carrying value of the liability extinguished amounted to $25.6 million.

An additional note in the amount of $2.9 million remains to be issued in connection with the state portion of the stockholder litigation settlement. The note, which is anticipated to be issued late in the first quarter or second quarter of 2002, would also be extinguishable if the average closing price of the Company's common stock meets or exceeds a termination price of $16.30 per share for any 15 consecutive trading days following the note's issuance and prior to its maturity in 2009.

New Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Under this statement, beginning in 2002, goodwill will no longer be subject to amortization, but instead will be tested for impairment at least annually. Amortization of goodwill for the fourth quarter and year ended December 31, 2001, totaled $1.9 million and $7.6 million, respectively. As of December 31, 2001, the Company had $104.0 million of goodwill reflected on the balance sheet. The Company has not yet determined the impairment loss, if any, that may result from the initial application of the new accounting pronouncement.

Operations Update

For the quarter ended December 31, 2001, key operating statistics were as follows:

Metric	Quarter Ended December 31, 2001	Quarter Ended September 30, 2001	Quarter Ended June 30, 2001	Quarter Ended March 31, 2001
Average Available Beds	61,208	61,343	61,408	61,462
Average Compensated Occupancy	87.6%	88.8%	89.1%	88.3%
Total Compensated Man-Days	4,933,309	5,010,195	4,979,785	4,883,865
Revenue per Compensated Man-Day	$48.99	$48.46	$48.03	$47.91
Operating Expenses per Compensated Man-Day:				
Fixed	$27.66	$27.28	$27.09	$26.98
Variable	10.05	9.62	10.05	10.08

Total	$37.71	$36.90	$37.14	$37.06
Operating Margin per Compensated Man-Day	$11.28	$11.56	$10.89	$10.85
Operating Margin Rate	23.0%	23.8%	22.7%	22.6%
EBITDA	$47,260	$50,205	$48,110	$47,127

During the fourth quarter, the Company signed two new contracts with the State of Kansas and the State of Wyoming, and successfully renewed two contracts at increased rates. The Company also achieved ACA accreditation at four facilities during the quarter, increasing the number of facilities that have received ACA accreditation as of December 31, 2001, to approximately 84%.

"The Company registered a very solid year on a number of fronts during 2001," stated Ferguson. "We repaid a significant amount of debt, positioning the Company to recapitalize its balance sheet in 2002. Additionally, revenue increases, combined with our cost management efforts, resulted in improving operating margins over the preceding year. We were also successful in settling a number of outstanding legal matters, significantly reducing our contingent liabilities."

Management Transition

CCA announced today that J. Michael Quinlan will step down as Executive Vice President and Chief Operating Officer of the Company effective upon CCA's hiring of his successor. During discussions with respect to a renewal of his employment agreement, which expired December 31, 2001, Mr. Quinlan expressed a desire to return to the Washington D.C. area on a permanent basis. Mr. Quinlan has agreed to assist CCA in its search for a new chief operating officer and to continue to serve in his current capacity until a new COO is identified. Following this transition, pursuant to the terms of a new two- year employment agreement with the Company, Mr. Quinlan will continue to assist CCA in its operations and with respect to business development activities with its customers, including the federal government and state agencies. "Mike has provided outstanding service to the Company for many years," said John Ferguson. "While we will miss him at our headquarters, this move will allow Mike to be closer to his family in the Washington D.C. area and will provide the Company with increased communications with its existing and prospective customers."

About the Company

The Company is the nation's largest provider of outsourced corrections management services, housing an inmate population larger than all but five public correctional systems in the United States. 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, each of the Company's facilities offers a variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. The Company also provides health care (including medical, dental and psychiatric services), institutional food services and work and recreational programs. The Company owns or manages 70 facilities, including 68 correctional and detention facilities, with a total design capacity of approximately 65,000 beds in 21 states, the District of Columbia and Puerto Rico, of which 68 facilities are operating (two of which are idle) and two are under construction.

Conference Call Information

A live broadcast of the Company's earnings conference call will be available on line at www.viavid.com or www.streetevents.com today at 2:00 pm Central Time. An on-line replay will follow immediately and continue for approximately 30 days. In addition, there will be a telephonic replay available beginning at 4:00 p.m. (Central Time) February 14, 2002, through 5:00 pm (Central Time) February 22, 2002. To access the telephonic replay dial 1-888-203-1112 and enter confirmation number 574407.

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 Securities and Exchange 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 Company's ability to obtain management contracts for which it has submitted proposals, to retain existing contracts and to renew such contracts at increased rates; (ii) the timing and costs of expansions of existing facilities; (iii) changes in governmental policy to eliminate or discourage the privatization of corrections and detention services in the United States; (iv) the availability of debt and equity financing on terms that are favorable to the Company, including a successful refinancing of the Company's senior bank credit facility; (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; and (vi) other factors contained in the Company's Securities and Exchange Commission filings, including the Company's reports on Forms 10-K, 10-Q and 8-K.

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

	As of December 31,	
ASSETS	2001	2000

Cash and cash equivalents	$46,307	$20,889
Restricted cash	12,537	9,209
Accounts receivable, net of allowance of $729 and $1,486, respectively	144,078	132,306
Income tax receivable	568	32,662
Prepaid expenses and other current assets	12,841	18,726
Assets held for sale under contract	--	24,895
Total current assets	216,331	238,687
Property and equipment, net	1,573,152	1,615,130
Investment in direct financing lease	18,873	23,808
Assets held for sale	22,312	138,622
Goodwill	104,019	109,006
Other assets	36,593	51,739
Total assets	$1,971,280	$2,176,992
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$145,157	$243,312
Income tax payable	10,137	8,437
Distributions payable	15,853	9,156
Fair value of interest rate swap agreement	13,564	--
Current portion of long-term debt	792,009	14,594
Total current liabilities	976,720	275,499
Long-term debt, net of current portion	171,591	1,137,976
Deferred tax liabilities	56,511	56,450
Other liabilities	19,297	19,052
Total liabilities	1,224,119	1,488,977
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 - 3,948 and 3,297 shares issued and outstanding at December 31, 2001 and 2000, respectively; stated at liquidation preference of $24.46 per share	96,566	80,642
Common stock - $0.01 par value; 80,000 and 400,000 shares authorized; 27,921 and 235,395 shares issued and 27,920 and 235,383 shares outstanding at December 31, 2001 and 2000, respectively	279	2,354
Additional paid-in capital	1,341,958	1,299,390
Deferred compensation	(3,153)	(2,723)
Retained deficit	(793,236)	(798,906)
Treasury stock, 1.2 and 12 shares, respectively, at cost	(242)	(242)
Accumulated other comprehensive loss	(2,511)	--
Total stockholders' equity	747,161	688,015
Total liabilities and stockholders' equity	$1,971,280	$2,176,992

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

	Consolidated Three Months Ended Dec. 31, 2001	Combined Three Months Ended Dec. 31, 2000	Consolidated Year Ended Dec. 31, 2001	Combined Year Ended Dec. 31, 2000
REVENUE:				
Management and other	$245,379	$235,708	$974,360	$261,774
Rental	1,117	2,548	6,431	40,938
Licensing fees from affiliates	-	-	-	7,566
	246,496	238,256	980,791	310,278
EXPENSES:				
Operating	190,133	192,511	753,521	214,872
General and administrative	9,103	2,276	34,568	45,463
Lease	-	2,187	-	2,443
Depreciation and amortization	14,047	18,029	54,135	59,799
Licensing fees to Operating Company	-	-	-	501
Administrative service fee to Operating Company	-	-	-	900
Write-off of amounts under lease arrangements	-	-	-	11,920
Impairment loss	-	508,680	-	527,919
	213,283	723,683	842,224	863,817
OPERATING INCOME (LOSS)	33,213	(485,427)	138,567	(553,539)
OTHER (INCOME) EXPENSE:				
Equity (earnings) loss and amortization of deferred gain, net	93	(1,754)	358	11,638
Interest expense, net	28,888	36,046	125,640	131,545
Other income	-	-	-	(3,099)
Change in fair value of derivative instruments	(26,499)	-	(14,554)	-
(Gain) loss on disposal of assets	(67)	(1,591)	74	1,733
Unrealized foreign currency transaction (gain) loss	90	(1,293)	219	8,147
Stockholder litigation settlements	-	-	-	75,406
	2,505	31,408	111,737	225,370
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	30,708	(516,835)	26,830	(778,909)
Income tax (expense) benefit	343	157,890	(1,136)	48,002
INCOME (LOSS) BEFORE MINORITY INTEREST	31,051	(358,945)	25,694	(730,907)
Minority interest in net (income) loss of PMSI and JJFMSI	-	(193)	-	125
NET INCOME (LOSS)	31,051	(359,138)	25,694	(730,782)
Distributions to preferred stockholders	(5,109)	(6,642)	(20,024)	(13,526)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$25,942	$(365,780)	$5,670	$(744,308)

BASIC EARNINGS (LOSS) PER SHARE	$ 1.05	$ (21.55)	$ 0.23	$ (56.68)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.80	$ (21.55)	$ 0.20	$ (56.68)

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

	Consolidated Three Months Ended Dec. 31, 2001	Combined Three Months Ended Dec. 31, 2000	Consolidated Year Ended Dec. 31, 2001	Combined Year Ended Dec. 31, 2000
NUMERATOR				
Basic:				
Net income (loss) available to common stockholders	$25,942	$(365,780)	$5,670	$(744,308)
Diluted:				
Net income (loss) available to common stockholders	$25,942	$(365,780)	$5,670	$(744,308)
Interest expense applicable to convertible notes *	2,533	-	-	-
Diluted net income (loss) available to common stockholders	$28,475	$(365,780)	$5,670	$(744,308)
DENOMINATOR				
Basic:				
Weighted average common shares outstanding	24,802	16,975	24,380	13,132
Diluted:				
Weighted average common shares outstanding	24,802	16,975	24,380	13,132
Effect of dilutive securities:				
Convertible notes *	6,827	-	-	-
Stockholder litigation shares	3,068	-	3,402	-
Stock options and warrants *	685	-	371	-
Restricted stock-based compensation *	267	-	239	-
Weighted average shares and assumed conversions	35,649	16,975	28,392	13,132
BASIC EARNINGS (LOSS) PER SHARE	$ 1.05	$ (21.55)	$ 0.23	$(56.68)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.80	$ (21.55)	$ 0.20	$(56.68)

- Amounts are not included for the three and twelve months ended December 31, 2000, as the effects are anti-dilutive. Additionally, the amounts associated with the convertible notes are not included for the year ended December 31, 2001, 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)

	Quarter Ended December 31, 2001	Year Ended December 31, 2001
Pre-tax net income available to common stockholders	$ 25,599	$ 6,806
Income taxes paid	(482)	(3,014)
Depreciation and amortization	14,047	54,135
Amortization of debt costs	5,988	23,114
Change in fair value of derivative instruments	(26,499)	(14,554)
Series B preferred stock dividend satisfied with series B preferred stock	2,959	11,424
Capital expenditures	(3,284)	(6,435)
ADJUSTED FREE CASH FLOW	$ 18,328	$ 71,476
ADJUSTED FREE CASH FLOW PER SHARE - BASIC	$ 0.74	$ 2.93
ADJUSTED FREE CASH FLOW PER SHARE - DILUTED	$ 0.59	$ 2.33

SOURCE Corrections Corporation of America

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