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Brixmor Property Group Inc.
Form 10-Q
May 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2014

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: 001-36160

Brixmor Property Group Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

45-2433192

(I.R.S. Employer Identification No.)

420 Lexington Avenue, New York, New York 10170

(Address of principal executive offices) (Zip code)

212-869-3000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 (§ 232.405 of this chapter) 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).

Yes No

As of May 1, 2014, the registrant had 229,689,960 shares of common stock outstanding.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in our Form 10-K for the year ended December 31, 2013, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov, including the following:

- adverse global, national and regional economic, market and real estate conditions;
- the competitive environment in which we operate and the ability to renew or re-let space as leases expire;
- financial stability of tenants, including the ability of tenants to pay rent, tenants’ decision to close stores or maintain and renew leases and the effect of bankruptcy laws;
- the illiquidity of real estate property investments;
- increasing or constant expenses at times when income from our properties decreases;
- adverse effects of required payments of debt or related interest;
- our significant leverage;
- inability to obtain financing through the debt and equity markets;
- interest rate risk due to our variable rate indebtedness;
- loss of our investment in a property or group of properties through foreclosure due to default in our mortgage debt obligations;
- covenants in our debt agreements limiting our flexibility in operating our business;
- inability to realize expected returns on current and future redevelopment or real estate property acquisitions;
- inadequate insurance coverage;
- environmental regulations, expenditures and liabilities;
- expenditures in connection with compliance with the Americans with Disabilities Act and fire, safety and other regulations;
- future losses;

impairment of the value of our real estate assets;

cybersecurity risks;

failure to attract and retain key members of senior management;

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• competition in pursuing acquisition opportunities;

• Blackstone's (as defined in Note 1) control of us;

• consequences of a loss of our qualification as a real estate investment trust ("REIT");

• incurrence of tax liabilities in connection with our REIT status;

• compliance with REIT requirements (i) causing us to forego otherwise attractive opportunities and limit our expansion opportunities; (ii) forcing us to liquidate or restructure otherwise attractive investments; (iii) limiting our ability to hedge effectively and causing us to incur tax liabilities; (iv) causing us to borrow to make distributions to stockholders; (v) causing us to depend on external sources of capital to fund growth and (vi) restricting our ownership of and relationship with any taxable REIT subsidiaries ("TRS"); and

• adverse legislative or regulatory tax changes.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Unless otherwise stated or indicated by context, all references to "we," "us," "our," "ours," "Brixmor" or the "Company" in this Quarterly Report refer to Brixmor Property Group Inc. and its consolidated subsidiaries.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share information)

	March 31, 2014	December 31, 2013
Assets		
Real estate		
Land	\$1,998,902	\$2,055,802
Buildings and improvements	8,674,870	8,781,926
	10,673,772	10,837,728
Accumulated depreciation and amortization	(1,260,355)	(1,190,170)
Real estate, net	9,413,417	9,647,558
Investments in and advances to unconsolidated joint ventures		
Cash and cash equivalents	5,087	9,205
Restricted cash	55,696	113,915
Marketable securities	65,417	75,457
Receivables, net	25,414	22,104
Deferred charges and prepaid expenses, net	167,780	178,505
Other assets	104,393	105,522
Total assets	13,605	19,650
	\$9,850,809	\$10,171,916
Liabilities		
Debt obligations, net	\$5,975,891	\$5,981,289
Financing liabilities, net	121,470	175,111
Accounts payable, accrued expenses and other liabilities	660,826	709,529
Total liabilities	6,758,187	6,865,929
Redeemable non-controlling interests	21,467	21,467
Commitments and contingencies	—	—
Equity		
Common stock, \$0.01 par value; authorized 3,000,000,000 shares; 229,689,960 shares outstanding	2,297	2,297
Additional paid in capital	2,551,947	2,543,690
Accumulated other comprehensive loss	(6,608)	(6,812)
Distributions and accumulated losses	(227,323)	(196,707)
Total stockholders' equity	2,320,313	2,342,468
Non-controlling interests	750,842	942,052
Total equity	3,071,155	3,284,520
Total liabilities and equity	\$9,850,809	\$10,171,916

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2014	2013
Revenues		
Rental income	\$237,260	\$214,558
Expense reimbursements	68,623	59,603
Other revenues	1,813	3,157
Total revenues	307,696	277,318
Operating expenses		
Operating costs	34,888	29,846
Real estate taxes	44,446	41,700
Depreciation and amortization	113,268	111,777
Provision for doubtful accounts	2,877	2,324
General and administrative	19,658	23,068
Total operating expenses	215,137	208,715
Other income (expense)		
Dividends and interest	108	181
Interest expense	(67,966) (91,871
Gain on sale of real estate assets	378	—
Gain (loss) on extinguishment of debt, net	(2,276) 2,150
Other	(2,161) (960
Total other income (expense)	(71,917) (90,500
Income (loss) before equity in income of unconsolidated joint ventures	20,642	(21,897
Equity in income of unconsolidated joint ventures	65	247
Gain on disposal of investments in unconsolidated joint ventures	1,820	—
Income (loss) from continuing operations	22,527	(21,650
Discontinued operations:		
Income (loss) from discontinued operations	4,787	(763
Gain on disposition of operating properties	14,426	—
Impairment on real estate held for sale	—	(3,033
Income (loss) from discontinued operations	19,213	(3,796
Net income (loss)	41,740	(25,446
Non-controlling interests		
Net (income) loss attributable to non-controlling interests	(26,339) 5,947
Net income (loss) attributable to common stockholders	\$15,401	\$(19,499
Per common share:		
Income (loss) from continuing operations:		
Basic	\$0.07	\$(0.09
Diluted	\$0.07	\$(0.09

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Net income (loss) attributable to common stockholders:

Basic	\$0.07	\$(0.11)
Diluted	\$0.07	\$(0.11)

Weighted average number of vested common shares:

Basic	228,113	180,675
Diluted	229,365	180,675

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Three Months Ended March	
	31,	
	2014	2013
Net income (loss)	\$41,740	\$(25,446)
Other comprehensive income (loss)		
Unrealized gain on interest rate hedges	198	—
Unrealized gain on marketable securities	6	39
Comprehensive income (loss)	41,944	(25,407)
Comprehensive (income) loss attributable to non-controlling interests	(26,339)	5,947
Comprehensive income (loss) attributable to the Company	\$ 15,605	\$(19,460)

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

BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited, in thousands)

	Common Stock			Accumulated Other Comprehensive Loss	Distributions and Accumulated Losses	Non-controlling Interests	Total
	Number	Amount	Additional Paid in Capital				
Beginning balance, January 1, 2014	229,689	\$2,297	\$2,543,690	\$ (6,812)	\$ (196,707)	\$ 942,052	\$3,284,520
Common stock dividends (\$0.20 per common share)	—	—	—	—	(46,017)	—	(46,017)
Distributions to non-controlling interests	—	—	—	—	—	(14,908)	(14,908)
Redemption of Series A Equity based compensation expense	—	—	6,222	—	—	(201,400)	(195,178)
Acquisition of non-controlling interests	—	—	1,598	—	—	519	2,117
Change in value of credit swap liability	—	—	437	—	—	(1,437)	(1,000)
Unrealized gain on marketable securities	—	—	—	198	—	—	198
Net income	—	—	—	6	—	—	6
Ending balance, March 31, 2014	229,689	\$2,297	\$2,551,947	\$ (6,608)	\$ (227,323)	\$ 750,842	\$3,071,155

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

BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended	
	March 31,	
	2014	2013
Operating activities:		
Net income (loss)	\$41,740	\$(25,446)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	113,699	115,637
Debt premium and discount amortization	(5,467)	