

STAG Industrial, Inc.
Form 10-Q
November 08, 2012
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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 September 30, 2012

OR

**o 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 1-34907

STAG INDUSTRIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

27-3099608
(IRS Employer
Identification No.)

99 High Street, 28th Floor
Boston, Massachusetts
(Address of principal executive offices)

02110
(Zip Code)

(617) 574-4777

(Registrant's telephone number, including area code)

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. Check one:

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 of the issuer's classes of common and preferred shares as of the latest practicable date.

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	Class	Outstanding at November 7, 2012
Common Stock (\$0.01 par value)		34,873,975
9.0 % Series A Cumulative Redeemable Preferred Stock (\$0.01 par value)		2,760,000

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements****STAG Industrial, Inc.****Consolidated Balance Sheets****(unaudited, in thousands, except share data)**

	September 30, 2012	December 31, 2011
Assets		
Rental Property:		
Land	\$ 90,337	\$ 70,870
Buildings	517,030	394,822
Tenant improvements	31,586	25,056
Building and land improvements	16,836	11,510
Less: accumulated depreciation	(41,881)	(30,004)
Total rental property, net	613,908	472,254
Cash and cash equivalents	10,684	16,498
Restricted cash	5,768	6,611
Tenant accounts receivable, net	7,100	5,592
Prepaid expenses and other assets	5,706	1,355
Deferred financing fees, net	3,646	2,634
Leasing commissions, net	1,335	954
Goodwill	4,923	4,923
Due from related parties	375	400
Deferred leasing intangibles, net	150,466	113,293
Total assets	\$ 803,911	\$ 624,514
Liabilities and Stockholders Equity		
Liabilities:		
Mortgage notes payable	\$ 161,894	\$ 296,779
Credit facility		
Unsecured credit facility	12,000	
Unsecured term loan	100,000	
Accounts payable, accrued expenses and other liabilities	8,179	6,044
Interest rate swaps	577	215
Tenant prepaid rent and security deposits	3,970	3,478
Dividends and distributions payable	12,772	6,160
Deferred leasing intangibles, net	5,513	1,929
Total liabilities	\$ 304,905	\$ 314,605
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized, 2,760,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at September 30, 2012 and December 31, 2011	69,000	69,000
Common stock \$0.01 par value, 100,000,000 shares authorized, 34,871,099 and 15,901,560 shares outstanding at September 30, 2012 and December 31, 2011, respectively	349	159
Additional paid-in capital	408,834	179,919
Common stock dividends in excess of earnings	(47,916)	(18,385)
Accumulated other comprehensive loss	(427)	

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Total stockholders' equity	429,840	230,693
Noncontrolling interest	69,166	79,216
Total equity	499,006	309,909
Total liabilities and equity	\$ 803,911	\$ 624,514

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

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STAG Industrial, Inc. and STAG Predecessor Group

Consolidated and Combined Statements of Operations

(unaudited, in thousands, except per share data)

	STAG Industrial, Inc. Three months Ended September 30, 2012	STAG Industrial, Inc. Three months Ended September 30, 2011	STAG Industrial, Inc. Nine months Ended September 30, 2012	STAG Industrial, Inc. Period from April 20 to September 30, 2011	STAG Predecessor Group Period from January 1 to April 19, 2011
Revenue					
Rental income	\$ 19,261	\$ 13,394	\$ 52,448	\$ 23,018	\$ 6,866
Tenant recoveries	2,135	1,438	6,283	2,511	1,218
Other income	331	321	982	588	
Total revenue	21,727	15,153	59,713	26,117	8,084
Expenses					
Property	1,345	1,315	4,439	2,110	1,193
General and administrative	3,656	2,453	9,962	4,513	322
Real estate taxes and insurance	1,677	1,284	4,816	2,184	879
Asset management fees					170
Property acquisition costs	1,067	368	2,509	695	
Depreciation and amortization	10,354	7,765	28,465	14,157	2,405
Loss on impairment	3,941		4,563		
Other expenses	87		146		
Total expenses	22,127	13,185	54,900	23,659	4,969
Other income (expense)					
Interest income	9	6	17	15	1
Interest expense	(3,578)	(4,330)	(11,888)	(7,446)	(3,954)
Gain on interest rate swaps		770	215	1,270	762
Formation transaction costs		(61)		(3,789)	
Offering costs		(78)	(68)	(78)	
Loss on extinguishment of debt	(947)		(929)		
Total other income (expense)	(4,516)	(3,693)	(12,653)	(10,028)	(3,191)
Net loss from continuing operations	\$ (4,916)	\$ (1,725)	\$ (7,840)	\$ (7,570)	\$ (76)
Discontinued operations					
Income (loss) attributable to discontinued operations		1,153	(184)	1,099	(153)
Gain on sale of real estate			219		
Total income (loss) attributable to discontinued operations		1,153	35	1,099	(153)
Net loss	\$ (4,916)	\$ (572)	\$ (7,805)	\$ (6,471)	\$ (229)
Less: loss attributable to noncontrolling interest	(1,248)	(188)	(3,244)	(2,155)	
Net loss attributable to STAG Industrial, Inc.	\$ (3,668)	\$ (384)	\$ (4,561)	\$ (4,316)	
Less: preferred stock dividends	1,553		4,659		
	41		81		

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Less: amount allocated to unvested restricted stockholders								
Net loss attributable to common stockholders	\$	(5,262)	\$	(384)	\$	(9,301)	\$	(4,316)
Weighted average common shares outstanding basic and diluted		29,752,057		15,815,282		21,716,590		15,524,807
Income (loss) per share basic and diluted								
Loss from continuing operations attributable to common stockholders	\$	(0.18)	\$	(0.07)	\$	(0.43)	\$	(0.33)
Income from discontinued operations attributable to common stockholders	\$		\$	0.05	\$	0.00	\$	0.05
Loss per share basic and diluted	\$	(0.18)	\$	(0.02)	\$	(0.43)	\$	(0.28)
Dividends declared per common share	\$	0.27	\$	0.26	\$	0.80	\$	0.4657

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

Table of Contents**STAG Industrial, Inc. and STAG Predecessor Group****Consolidated Statements of Comprehensive Income**

(unaudited, in thousands, except per share data)

	STAG Industrial, Inc. Three months Ended September 30, 2012	STAG Industrial, Inc. Three months Ended September 30, 2011	STAG Industrial, Inc. Nine months Ended September 30, 2012	STAG Industrial, Inc. Period from April 20 to September 30, 2011	STAG Predecessor Group Period from January 1 to April 19, 2011
Net loss	\$ (4,916)	\$ (572)	\$ (7,805)	\$ (6,471)	\$ (229)
Other comprehensive loss:					
Unrealized loss on interest rate swaps	(577)		(577)		
Other comprehensive loss	(577)		(577)		
Comprehensive loss	(5,493)	(572)	(8,382)	(6,471)	(229)
Net loss attributable to noncontrolling interest	1,248	188	3,244	2,155	
Other comprehensive loss attributable to noncontrolling interest	111		150		
Comprehensive loss attributable to STAG Industrial, Inc.	\$ (4,134)	\$ (384)	\$ (4,988)	\$ (4,316)	

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

Table of Contents**STAG Industrial, Inc. and STAG Predecessor Group****Consolidated and Combined Statements of Stockholders' Equity**

(unaudited, in thousands, except share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock Dividends in Excess of Earnings	Predecessor's Owner's Deficit	Accumulated Other Comprehensive Loss	Total Stockholder Equity	Noncontrolling Interest Holders in Operating Partnership	Unit Total Equity
Nine months Ended										
September 30, 2012										
Balance, December 31, 2011	\$ 69,000	15,901,560	\$ 159	\$ 179,919	\$ (18,385)	\$	\$	\$ 230,693	\$ 79,216	\$ 309,909
Proceeds from sale of common stock		17,537,500	176	237,392				237,568		237,568
Offering costs				(10,863)				(10,863)		(10,863)
Issuance of restricted stock		87,025	1	(1)						
Issuance of common stock, net		9,790								
Dividends and distributions, net	(4,659)				(20,311)			(24,970)	(5,938)	(30,908)
Stock-based compensation				746				746	711	1,457
Issuance of units for acquisition fee									225	225
Conversion of operating partnership units to common stock		1,335,224	13	13,148				13,161	(13,161)	
Rebalancing of noncontrolling interest				(11,507)				(11,507)	11,507	
Comprehensive loss							(427)	(427)	(150)	(577)
Net income (loss)	4,659				(9,220)			(4,561)	(3,244)	(7,805)
Balance, September 30, 2012	\$ 69,000	34,871,099	\$ 349	\$ 408,834	\$ (47,916)	\$	(427)	\$ 429,840	\$ 69,166	\$ 499,006
Period from January 1 to April 19, 2011 (STAG Predecessor Group)										
Balance, December 31, 2010	\$		\$	\$	\$	\$ (8,336)	\$	\$ (8,336)	\$	\$ (8,336)
Contributions						4,420		4,420		4,420
Distributions						(9,900)		(9,900)		(9,900)
Net loss						(229)		(229)		(229)
Balance, April 19, 2011	\$		\$	\$	\$	\$ (14,045)	\$	\$ (14,045)	\$	\$ (14,045)
Period from April 20 to September 30, 2011 (STAG Industrial, Inc.)										
Balance, April 20, 2011	\$	110	\$	\$ 2	\$	\$ (14,045)	\$	\$ (14,043)	\$	\$ (14,043)
		15,812,500	158	205,405				205,563		205,563

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Proceeds from sale of common stock									
Redemption of initial capitalization of STAG Industrial, Inc.	(110)	(2)			(2)		(2)		
Issuance of units for acquisition of properties						95,670		95,670	
Exchange of owners equity for units				14,045		14,045	(14,045)		
Offering costs		(17,042)				(17,042)		(17,042)	
Issuance of restricted stock	80,809	1	(1)						
Issuance of common stock	3,281								
Dividends and distributions				(7,402)		(7,402)	(3,628)	(11,030)	
Stock-based compensation			142			142	234	376	
Rebalancing of noncontrolling interest			(7,140)			(7,140)	7,140		
Net loss				(4,316)		(4,316)	(2,155)	(6,471)	
Balance, September 30, 2011	\$	15,896,590	\$ 159	\$ 181,364	\$ (11,718)	\$	\$ 169,805	\$ 83,216	\$ 253,021

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

Table of Contents**STAG Industrial, Inc. and STAG Predecessor Group****Consolidated and Combined Statements of Cash Flows****(unaudited, in thousands)**

	STAG Industrial, Inc. Nine months Ended September 30, 2012	STAG Industrial, Inc. Period from April 20 to September 30, 2011	STAG Predecessor Group Period from January 1 to April 19, 2011
Cash flows from operating activities:			
Net loss	\$ (7,805)	\$ (6,471)	\$ (229)
Adjustment to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	28,486	14,778	2,459
Loss on impairment	4,563		
Non-cash portion of interest expense	755	538	31
Intangible amortization in rental income, net	3,481	1,714	(2)
Straight line adjustment, net	(1,733)	(821)	(16)
Gain on interest rate swaps	(215)	(1,270)	(762)
Loss on extinguishment of debt	929		
Gain on sale of real estate	(219)		
Stock-based compensation expense	1,457	376	
Issuance of units for acquisition fee	225		
Change in assets and liabilities:			
Tenant accounts receivable, net	(317)	(126)	88
Leasing commissions, net	(567)	(819)	(24)
Restricted cash	(943)	(551)	
Prepaid expenses and other assets	(716)	(56)	(87)
Accounts payable, accrued expenses and other liabilities	2,308	1,902	106
Tenant prepaid rent and security deposits	492	1,217	169
Due from related parties	25	55	767
Due to related parties		91	(141)
Total adjustments	38,011	17,028	2,588
Net cash provided by operating activities	30,206	10,557	2,359
Cash flows from investing activities:			
Additions of land and building improvements	(159,951)	(49,340)	(39)
Proceeds from sale of rental property, net	3,216		
Restricted cash	3,339	(1,834)	(542)
Cash paid for contributed assets, net		(425)	
Cash paid for deal deposits, net	(3,675)	(2,159)	
Additions to lease intangibles	(54,239)	(18,266)	
Net cash used in investing activities	(211,310)	(72,024)	(581)
Cash flows from financing activities:			
Proceeds from issuance of common stock at initial public offering		205,563	
Offering costs related to issuance of common stock		(17,042)	
Redemption of initial capitalization of STAG Industrial, Inc. shares			(2)
Proceeds from notes payable to related parties			