

Summit Hotel Properties, Inc.  
Form 10-Q  
October 30, 2018

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 September 30, 2018

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: 001-35074

SUMMIT HOTEL PROPERTIES, INC.  
(Exact name of registrant as specified in its charter)

---

Maryland	27-2962512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13215 Bee Cave Parkway, Suite B-300  
Austin, TX 78738  
(Address of principal executive offices, including zip code)

(512) 538-2300  
(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 website, 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 22, 2018, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 104,760,836.

---

TABLE OF CONTENTS

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets — September 30, 2018 (Unaudited) and December 31, 2017</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations (Unaudited) — Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) — Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Changes in Equity (Unaudited) — Nine Months Ended September 30, 2018 and 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) — Nine Months Ended September 30, 2018 and 2017</u>	<u>5</u>
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>40</u>
<u>Item 4. Controls and Procedures</u>	<u>40</u>
<u>PART II — OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>41</u>
<u>Item 1A. Risk Factors</u>	<u>41</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>41</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>41</u>
<u>Item 5. Other Information</u>	<u>41</u>
<u>Item 6. Exhibits</u>	<u>42</u>

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Summit Hotel Properties, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share amounts)

	September 30, 2018	December 31, 2017
	(Unaudited)	
<b>ASSETS</b>		
Investment in hotel properties, net	\$ 2,082,605	\$ 2,059,492
Investment in hotel properties under development	—	23,793
Land held for development	2,942	2,942
Assets held for sale, net	1,193	1,193
Investment in real estate loans, net	29,387	12,356
Cash and cash equivalents	60,533	36,545
Restricted cash	31,567	29,462
Trade receivables, net	23,969	16,985
Prepaid expenses and other	6,254	9,454
Deferred charges, net	4,854	5,221
Other assets	19,627	12,431
Total assets	\$ 2,262,931	\$ 2,209,874
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Debt, net of debt issuance costs	\$ 969,146	\$ 868,236
Accounts payable	5,200	7,774
Accrued expenses and other	71,350	56,488
Total liabilities	1,045,696	932,498
Commitments and contingencies (Note 8)		
Equity:		
Preferred stock, \$0.01 par value per share, 100,000,000 shares authorized:		
7.125% Series C - 3,400,000 shares issued and outstanding at December 31, 2017 (aggregate liquidation preference of \$85,522 at December 31, 2017)	—	34
6.45% Series D - 3,000,000 shares issued and outstanding at September 30, 2018 and December 31, 2017 (aggregate liquidation preference of \$75,403 and \$75,417 at September 30, 2018 and December 31, 2017, respectively)	30	30
6.25% Series E - 6,400,000 shares issued and outstanding at September 30, 2018 and December 31, 2017 (aggregate liquidation preference of \$160,833 and \$160,861 at September 30, 2018 and December 31, 2017, respectively)	64	64
Common stock, \$0.01 par value per share, 500,000,000 shares authorized, 104,745,710 and 104,287,128 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	1,047	1,043
Additional paid-in capital	1,183,694	1,262,679
Accumulated other comprehensive income	8,033	1,451
Retained earnings	21,648	9,201
Total stockholders' equity	1,214,516	1,274,502
Non-controlling interests in operating partnership	2,719	2,874
Total equity	1,217,235	1,277,376
Total liabilities and equity	\$ 2,262,931	\$ 2,209,874

See Notes to the Condensed Consolidated Financial Statements

1

---

Summit Hotel Properties, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)  
(in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Room	\$131,429	\$127,246	\$401,651	\$358,110
Food and beverage	5,817	5,465	18,663	15,718
Other	5,094	3,876	14,447	9,804
Total revenues	142,340	136,587	434,761	383,632
Expenses:				
Room	30,854	28,976	90,972	80,435
Food and beverage	4,684	4,444	14,790	12,277
Other hotel operating expenses	40,437	38,284	121,473	106,721
Property taxes, insurance and other	10,220	10,189	32,250	27,371
Management fees	4,188	4,177	14,928	13,969
Depreciation and amortization	24,941	23,594	75,141	62,052
Corporate general and administrative	4,852	4,550	17,079	14,998
Hotel property acquisition costs	—	—	—	354
Total expenses	120,176	114,214	366,633	318,177
Operating income	22,164	22,373	68,128	65,455
Other income (expense):				
Interest expense	(10,848 )	(7,768 )	(30,579 )	(21,486 )
Gain on disposal of assets, net	24,826	7,725	42,114	43,531
Other income (expense), net	1,327	(116 )	5,586	2,847
Total other income (expense)	15,305	(159 )	17,121	24,892
Income from continuing operations before income taxes	37,469	22,214	85,249	90,347
Income tax benefit (expense) (Note 10)	532	231	120	(613 )
Net income	38,001	22,445	85,369	89,734
Non-controlling interest in Operating Partnership	(100 )	(55 )	(204 )	(289 )
Net income attributable to Summit Hotel Properties, Inc.	37,901	22,390	85,165	89,445
Preferred dividends	(3,710 )	(4,200 )	(12,962 )	(12,600 )
Premium on redemption of preferred stock	—	—	(3,277 )	—
Net income attributable to common stockholders	\$34,191	\$18,190	\$68,926	\$76,845
Earnings per share:				
Basic	\$0.33	\$0.18	\$0.66	\$0.78
Diluted	\$0.33	\$0.17	\$0.66	\$0.78
Weighted average common shares outstanding:				
Basic	103,666	103,253	103,603	98,105
Diluted	103,821	103,632	103,868	98,471

See Notes to the Condensed Consolidated Financial Statements

Summit Hotel Properties, Inc.  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)  
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$38,001	\$22,445	\$85,369	\$89,734
Other comprehensive income, net of tax:				
Changes in fair value of derivative financial instruments	2,495	157	6,601	680
Comprehensive income	40,496	22,602	91,970	90,414
Comprehensive income attributable to non-controlling interests:				
Less - Comprehensive income attributable to non-controlling interest in Operating Partnership	(107 )	(56 )	(223 )	(292 )
Comprehensive income attributable to Summit Hotel Properties, Inc.	40,389	22,546	91,747	90,122
Preferred dividends	(3,710 )	(4,200 )	(12,962 )	(12,600 )
Premium on redemption of preferred stock	—	—	(3,277 )	—
Comprehensive income attributable to common stockholders	\$36,679	\$18,346	\$75,508	\$77,522

See Notes to the Condensed Consolidated Financial Statements

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Summit Hotel Properties, Inc.  
 Condensed Consolidated Statements of Changes in Equity  
 For the Nine Months Ended September 30, 2018 and 2017  
 (Unaudited)  
 (in thousands, except share amounts)

	Shares of Preferred Stock	Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) and Distributions	Total Stockholders' Equity	Non-controlling Interests in Operating Partnership	Total Equity
Balance at December 31, 2017	12,800,000	\$ 128	104,287,128	\$ 1,043	\$ 1,262,679	\$ 1,451	\$ 9,201	\$ 1,274,502	\$ 2,874	\$ 1,277,376
Redemption of preferred stock	(3,400,000 )	(34 )	—	—	(81,689 )	—	(3,277 )	(85,000 )	—	(85,000 )
Common stock redemption of common units	—	—	25,839	—	227	—	—	227	(227 )	—
Dividends	—	—	—	—	—	—	(69,441 )	(69,441 )	(167 )	(69,608 )
Equity-based compensation	—	—	620,593	6	5,345	—	—	5,351	16	5,367
Shares acquired for employee withholding requirements	—	—	(187,850 )	(2 )	(2,722 )	—	—	(2,724 )	—	(2,724 )
Other	—	—	—	—	(146 )	—	—	(146 )	—	(146 )
Other comprehensive income	—	—	—	—	—	6,582	—	6,582	19	6,601
Net income	—	—	—	—	—	—	85,165	85,165	204	85,369
Balance at September 30, 2018	9,400,000	\$ 94	104,745,710	\$ 1,047	\$ 1,183,694	\$ 8,033	\$ 21,648	\$ 1,214,516	\$ 2,719	\$ 1,217,235
Balance at December 31, 2016	9,400,000	\$ 94	93,525,469	\$ 935	\$ 1,011,412	\$(977 )	\$(1,422 )	\$ 1,010,042	\$ 3,428	\$ 1,013,470
Net proceeds from sale of common stock	—	—	10,350,000	104	163,516	—	—	163,620	—	163,620
Common stock redemption of common units	—	—	52,808	1	466	—	—	467	(467 )	—
Dividends	—	—	—	—	—	—	(63,240 )	(63,240 )	(184 )	(63,424 )
Equity-based compensation	—	—	397,421	4	4,462	—	—	4,466	17	4,483
Shares acquired for employee withholding requirements	—	—	(59,111 )	(1 )	(960 )	—	—	(961 )	—	(961 )



Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Other comprehensive income	—	—	—	—	677	—	677	3	680
Net income	—	—	—	—	—	—	—	—	—