

NATIONAL RETAIL PROPERTIES, INC.
Form 10-Q
August 02, 2016

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 June 30, 2016

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 001-11290

NATIONAL RETAIL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization) 56-1431377 (I.R.S. Employer Identification No.)

450 South Orange Avenue, Suite 900

Orlando, Florida 32801

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (407) 265-7348

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 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 or a smaller reporting company. See definition 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 Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

147,003,019 shares of common stock, \$0.01 par value, outstanding as of July 28, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL RETAIL PROPERTIES, INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Real estate portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$5,630,117	\$ 5,253,511
Accounted for using the direct financing method	13,826	14,518
Real estate held for sale	3,062	35,429
Mortgages, notes and accrued interest receivable, net of allowance of \$17 and \$5, respectively	5,271	8,688
Commercial mortgage residual interests	10,580	11,115
Cash and cash equivalents	2,371	13,659
Restricted cash and cash held in escrow	242	601
Receivables, net of allowance of \$745 and \$566, respectively	2,205	3,344
Accrued rental income, net of allowance of \$3,110 and \$3,078, respectively	25,221	25,529
Debt costs, net of accumulated amortization of \$10,559 and \$9,877, respectively	3,396	4,003
Other assets	88,999	89,647
Total assets	\$5,785,290	\$ 5,460,044
LIABILITIES AND EQUITY		
Liabilities:		
Line of credit payable	\$ 147,300	\$ —
Mortgages payable, including unamortized premium and net of unamortized debt costs	16,900	23,964
Notes payable, net of unamortized discount and unamortized debt costs	1,953,479	1,951,980
Accrued interest payable	19,138	20,113
Other liabilities	100,977	121,594
Total liabilities	2,237,794	2,117,651
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
6.625% Series D, 115,000 shares issued and outstanding, at stated liquidation value of \$2,500 per share	287,500	287,500
5.700% Series E, 115,000 shares issued and outstanding, at stated liquidation value of \$2,500 per share	287,500	287,500
Common stock, \$0.01 par value. Authorized 375,000,000 shares; 146,002,140 and 141,007,725 shares issued and outstanding, respectively	1,462	1,412
Capital in excess of par value	3,270,587	3,049,198
Accumulated deficit	(281,818)	(263,124)
Accumulated other comprehensive income (loss)	(17,978)	(20,352)
Total stockholders' equity of NNN	3,547,253	3,342,134
Noncontrolling interests	243	259
Total equity	3,547,496	3,342,393
Total liabilities and equity	\$5,785,290	\$ 5,460,044

See accompanying notes to condensed consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Quarter Ended June		Six Months Ended	
	30,		June 30,	
	2016	2015	2016	2015
Revenues:				
Rental income from operating leases	\$ 126,418	\$ 112,715	\$ 248,063	\$ 224,189
Earned income from direct financing leases	347	397	703	802
Percentage rent	164	112	638	297
Real estate expense reimbursement from tenants	3,248	3,324	6,838	6,838
Interest and other income from real estate transactions	301	213	764	376
Interest income on commercial mortgage residual interests	448	447	901	892
	130,926	117,208	257,907	233,394
Operating expenses:				
General and administrative	8,735	7,830	17,984	16,435
Real estate	4,567	4,658	9,355	9,417
Depreciation and amortization	36,489	34,202	71,144	66,343
Impairment – commercial mortgage residual interests valuation	632	428	852	428
Impairment losses – real estate and other charges, net of recoveries	5,459	2,686	6,031	3,714
	55,882	49,804	105,366	96,337
Earnings from operations	75,044	67,404	152,541	137,057
Other expenses (revenues):				
Interest and other income				