

NATIONAL RETAIL PROPERTIES, INC.
Form 10-Q
May 01, 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 March 31, 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 001-11290

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

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 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.

153,849,191 shares of common stock, \$0.01 par value, outstanding as of April 27, 2018.

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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)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Real estate portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$6,529,910	\$ 6,426,640
Accounted for using the direct financing method	9,422	9,650
Real estate held for sale	3,791	6,371
Cash and cash equivalents	4,002	1,364
Receivables, net of allowance of \$879 and \$1,119, respectively	3,863	4,317
Accrued rental income, net of allowance of \$1,936	26,361	25,916
Debt costs, net of accumulated amortization of \$13,023 and \$12,667, respectively	5,062	5,380
Other assets	78,245	80,896
Total assets	\$6,660,656	\$ 6,560,534
LIABILITIES AND EQUITY		
Liabilities:		
Line of credit payable	\$ 176,400	\$ 120,500
Mortgages payable, including unamortized premium and net of unamortized debt costs	13,149	13,300
Notes payable, net of unamortized discount and unamortized debt costs	2,447,393	2,446,407
Accrued interest payable	36,379	20,311
Other liabilities	122,829	119,106
Total liabilities	2,796,150	2,719,624
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
5.700% Series E, 115,000 shares issued and outstanding, at stated liquidation value of \$2,500 per share	287,500	287,500
5.200% Series F, 138,000 shares issued and outstanding, at stated liquidation value of \$2,500 per share	345,000	345,000
Common stock, \$0.01 par value. Authorized 375,000,000 shares; 153,848,013 and 153,577,028 shares issued and outstanding, respectively	1,540	1,537
Capital in excess of par value	3,602,865	3,599,475
Accumulated deficit	(357,216)	(379,181)
Accumulated other comprehensive income (loss)	(15,509)	(13,738)
Total stockholders' equity of NNN	3,864,180	3,840,593
Noncontrolling interests	326	317
Total equity	3,864,506	3,840,910
Total liabilities and equity	\$6,660,656	\$ 6,560,534

See accompanying notes to condensed consolidated financial statements.

NATIONAL RETAIL PROPERTIES, INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(dollars in thousands, except per share data)
(Unaudited)

	Quarter Ended March	
	31,	
	2018	2017
Revenues:		
Rental income from operating leases	\$147,829	\$136,493
Earned income from direct financing leases	230	257
Percentage rent	546	548
Real estate expense reimbursement from tenants	4,158	3,860
Interest and other income from real estate transactions	73	274
	152,836	141,432
Operating expenses:		
General and administrative	8,697	8,919
Real estate	5,862	5,663
Depreciation and amortization	44,498	40,143
Impairment losses – real estate and other charges, net of recoveries	2,248	1,206
Retirement severance costs	261	—
	61,566	55,931
Earnings from operations	91,270	85,501
Other expenses (revenues):		
Interest and other income	(25)	(137)
Interest expense	26,602	26,614
	26,577	26,477
Earnings before gain on disposition of real estate	64,693	59,024
Gain on disposition of real estate	38,596	14,624
Net earnings	103,289	73,648
Loss (earnings) attributable to noncontrolling interests	(9)	9
Net earnings attributable to NNN	103,280	73,657
Series D preferred stock dividends	—	(3,598)
Series E preferred stock dividends	(4,097)	(4,097)
Series F preferred stock dividends	(4,485)	(4,485)
Excess of redemption value over carrying value of Series D preferred shares redeemed	—	(9,855)
Net earnings attributable to common stockholders	\$94,698	\$51,622
Net earnings per share of common stock:		
Basic	\$0.62	\$0.35
Diluted	\$0.62	\$0.35
Weighted average number of common shares outstanding:		
Basic	153,041,056	146,929,678
Diluted	153,393,383	