

OPTIBASE LTD  
Form 6-K  
August 30, 2017

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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

Date of Report: August 30, 2017  
Commission File No.: 000-29992

OPTIBASE LTD.  
(Translation of registrant's name into English)

8 Hamanofim Street  
Herzliya 4672559, Israel  
+972-73-7073700  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☐

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-  
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Attached hereto and incorporated by way of reference herein is a press release issued by the Registrant and entitled "Optibase Ltd. announces second quarter results".

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPTIBASE LTD.  
(the "Registrant")

By: /s/ Amir Philips

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Amir Philips  
Chief Executive Officer

Date: August 30, 2017

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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, August 30, 2017 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the second quarter ended June 30, 2017.

Revenues from fixed income real estate totaled \$4.1 million for the quarter ended June 30, 2017, compared to revenues of \$4.2 million for the second quarter of 2016.

Net loss attributable to Optibase Ltd shareholders for the quarter ended June 30, 2017 was \$35,000 or \$0.01 per basic and diluted share compared to net income of \$933,000 or \$0.18 per basic and diluted share for the second quarter of 2016.

For the six months ended June 30, 2017 and June 30, 2016, revenues totaled \$8.2 million, Net loss attributable to Optibase Ltd Shareholders for the period was \$550,000 or \$0.11 per basic and diluted share, compared to a net income of \$1.7 million or \$0.32 per basic and diluted share for the six months ended June 30, 2016.

Weighted average shares outstanding used in the calculation for the periods were approximately 5.2 million basic and diluted shares for each period.

As of June 30, 2017, we had cash and cash equivalents of \$18 million, and shareholders' equity of \$77 million, compared with \$16 million, and \$74.1 million, respectively, as of December 31, 2016.

Amir Philips, Chief Executive Officer of Optibase commented on the second quarter results "This quarter results are stable compared to the second quarter of 2016 in our fixed income real estate rent and operating income, while our net income has decreased mostly in Other income and Equity share in income (losses) of associates, net. For the second quarter of 2017 we generated NOI of \$3.3 million representing a slight decrease compared to the same period in 2016. In addition, for the second quarter of 2017, our Recurring FFO decreased to \$806,000 compared to \$2 million in the second quarter of 2016. The decrease in our Recurring FFO is due to a decrease in our Equity share in income (losses) of associates, net, related to our investment in 300 River Holdings, LLC and a decrease in Other income from our investment in Texas." Mr. Philips concluded: "We will continue to work to maintain our operating results and to increase our financial stability."

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ACCOUNTING AND OTHER DISCLOSURES

Non-GAAP Net Operating Income, or NOI, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is operating income, which, to calculate NOI, is adjusted to add back real estate depreciation, and amortization, general and administrative expenses and other operation expenses less gain on sale of operating properties. We use NOI internally as a performance measure and believe that NOI (when combined with the primary GAAP presentations) provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense item that are incurred at the property level.

We consider the NOI to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, to understand the core property operations prior to depreciation and amortization expenses and general and administrative costs. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by acquiring real estate, we consider the NOI to be a useful measure for determining the value of a real estate asset or groups of assets.

The metric NOI should only be considered as supplemental to the metric operating income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. NOI should also not be used as a supplement to, or substitute for, cash flow from operating activities (computed in accordance with generally accepted accounting principles in the United States).

Non-GAAP Funds from operation, or FFO, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income, which, to calculate FFO, is adjusted to add back depreciation and amortization and after adjustments for unconsolidated associates. We make certain adjustments to FFO, which it refers to as Non-GAAP recurring FFO or recurring FFO, to account for items we do not believe are representative of ongoing operating results, including transaction costs associated with acquisitions. We use FFO internally as a performance measure and we believe FFO (when combined with the primary GAAP presentations) is a useful, supplemental measure of our operating performance as it's a recognized metric used extensively by the real estate industry. We also believe that Recurring FFO is a useful, supplemental measure of our core operating performance. The company believes that financial analysts, investors and shareholders are better served by the presentation of operating results generated from its FFO and Recurring FFO measures.

We consider the FFO and Recurring FFO to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, in analyzing our operating performance.

The metric's FFO and Recurring FFO should only be considered as supplemental to the metric net income as a measure of our performance. FFO (i) does not represent cash flow from operations as defined by GAAP, (ii) is not indicative of cash available to fund all cash flow needs, including the ability to make distributions, (iii) is not an alternative to cash flow as a measure of liquidity, and (iv) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for purposes of evaluating our operating performance.

## OPTIBASE REPORTS/3

Reconciliation of GAAP to Non-GAAP (Unaudited) Supplemental Financial Data

A reconciliation of operating income to NOI is as follows:

|   | Six months ended |           | Three months ended |           |
|---|------------------|-----------|--------------------|-----------|
|   | June 30          | June 30   | June 30            | June 30   |
|   | 2017             | 2016      | 2017               | 2016      |
|   | \$               | \$        | \$                 | \$        |
|   | Unaudited        | Unaudited | Unaudited          | Unaudited |
| GAAP Operating income                     | 3,328            | 3,286     | 1,685              | 1,715     |
| Adjustments:                              |                  |           |                    |           |
| Real estate depreciation and amortization | 2,099            | 2,129     | 1,061              | 1,078     |
| General and administrative                | 1,224            | 1,203     | 598                | 606       |
| Non-GAAP Net Operating Income NOI         | 6,651            | 6,618     | 3,344              | 3,399     |

A reconciliation of net income to FFO and Recurring FFO is as follows:

|   | Six months ended |           | Three months ended |           |
|---|------------------|-----------|--------------------|-----------|
|   | June 30          | June 30   | June 30            | June 30   |
|   | 2017             | 2016      | 2017               | 2016      |
|   | \$               | \$        | \$                 | \$        |
|   | Unaudited        | Unaudited | Unaudited          | Unaudited |
| GAAP Net income (loss) attributable to Optibase LTD                                       | (550 )           | 1,651     | (35 )              | 933       |
| Adjustments :   |                  |           |                    |           |
| Real estate depreciation and amortization   | 2,099            | 2,129     | 1,061              | 1,078     |
| Prorata share of real estate depreciation and amortization from unconsolidated associates | 123              | 728       | 63                 | 281       |
| Non controlling interests share in the above adjustments                                  | (562 )           | (572 )    | (283 )             | (290 )    |
| Non-GAAP Fund From Operation (FFO))   | 1,110            | 3,936     | 806                | 2,002     |
| Non-GAAP Recurring Fund From Operation (Recurring FFO)                                    | 1,110            | 3,936     | 806                | 2,002     |

Amounts in thousands

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About Optibase

Optibase invests in the fixed-income real estate field and currently holds properties and beneficial interest in real-estate assets and projects in Switzerland, Germany and in Texas, Philadelphia, PA and Miami, FL, Chicago, IL, USA and is currently looking for additional real estate investment opportunities. Optibase was previously engaged in the field of digital video technologies until the sale of its video solutions business to Optibase Technologies Ltd., a wholly owned subsidiary of VITEC Multimedia in July 2010. For further information, please visit [www.optibase-holdings.com](http://www.optibase-holdings.com).

This press release contains forward-looking statements concerning our marketing and operations plans. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. All forward-looking statements in this press release are made based on management's current expectations which involve risks, uncertainties and other factors that could cause results to differ materially from those expressed in forward-looking statements. These statements involve a number of risks and uncertainties including, but not limited to, difficulties in finding suitable real-estate properties for investment, availability of financing for the acquisition of real-estate, difficulties in leasing of real-estate properties, insolvency of tenants, difficulties in the disposition of real-estate projects, risk relating to collaborative arrangements with our partners relating to our real-estate properties, risks relating to the full consummation of the transaction for the sale of our video solutions business, general economic conditions and other risk factors. For a more detailed discussion of these and other risks that may cause actual results to differ from the forward looking statements in this press release, please refer to Optibase's most recent annual report on Form 20-F. The Company does not undertake any obligation to update forward-looking statements made herein.

## OPTIBASE REPORTS/5

Optibase Ltd.  
Condensed Consolidated Statement of Operations  
For the Period Ended June 30, 2017

|  | Six months ended |           | Three months ended |           |
|--|------------------|-----------|--------------------|-----------|
|  | June 30          | June 30   | June 30            | June 30   |
|  | 2017             | 2016      | 2017               | 2016      |
|  | \$               | \$        | \$                 | \$        |
|  | Unaudited        | Unaudited | Unaudited          | Unaudited |
| Fixed income real estate rent                                | 8,176            | 8,215     | 4,149              | 4,172     |
| Cost and expenses:   |                  |           |                    |           |
| Cost of real estate operation                                | 1,525            | 1,597     | 805                | 773       |
| Real estate depreciation and amortization                    | 2,099            | 2,129     | 1,061              | 1,078     |
| General and administrative                                   | 1,224            | 1,203     | 598                | 606       |
| Total cost and expenses                                      | 4,848            | 4,929     | 2,464              | 2,457     |
| Operating income   | 3,328            | 3,286     | 1,685              | 1,715     |
| Other Income   | 308              | 848       | 147                | 619       |
| Financial expenses, net                                      | (1,546)          | (1,508)   | (656)              | (867)     |
| Income before taxes on income                                | 2,090            | 2,626     | 1,176              | 1,467     |
| Taxes on income  | (827)            | (808)     | (412)              | (416)     |
| Equity share in income (losses) of associates, net           | (734)            | 882       | (242)              | 422       |
| Net income   | 529              | 2,700     | 522                | 1,473     |
| Net income attributable to non-controlling interests         | 1,079            | 1,049     | 557                | 540       |
| Net income (loss) attributable to Optibase LTD               | (550)            | 1,651     | (35)               | 933       |
| Net income (loss) per share :                                |                  |           |                    |           |
| Basic and Diluted  | \$ (0.11)        | \$ 0.32   | \$ (0.01)          | \$ 0.18   |
| Number of shares used in computing earnings losses per share |                  |           |                    |           |
| Basic  | 5,180            | 5,141     | 5,172              | 5,141     |
| Diluted  | 5,180            | 5,141     | 5,172              | 5,141     |

Amounts in thousands

## OPTIBASE REPORTS/6

Condensed Consolidated Balance Sheets

|   | June 30,<br>2017<br>Unaudited | December<br>31,<br>2016<br>Audited |
|---|-------------------------------|------------------------------------|
| <u>Assets</u>   |                               |                                    |
| Current Assets:   |                               |                                    |
| Cash and cash equivalents                               | 18,054                        | 16,024                             |
| Trade receivables                                       | 512                           | 220                                |
| Other accounts receivables and prepaid expenses         | 634                           | 528                                |
| Total current assets                                    | 19,200                        | 16,772                             |
| Long term investments:                                  |                               |                                    |
| Other long term deposits and receivables                | 4,358                         | 2,785                              |
| Investments in companies and associates                 | 21,828                        | 22,892                             |
| Total Long term investments                             | 26,186                        | 25,677                             |
| Property and other assets, net:                         |                               |                                    |
| Real estate properties, net                             | 219,364                       | 207,690                            |
| Other assets, net                                       | 153                           | 245                                |
| Total property and other assets                         | 219,517                       | 207,935                            |
| Total assets  | 264,903                       | 250,384                            |
| <u>Liabilities and shareholders' equity</u>             |                               |                                    |
| Current Liabilities:                                    |                               |                                    |
| Current maturities of long term loans and bonds         | 8,312                         | 10,360                             |
| Accounts payable and accrued expenses                   | 5,369                         | 4,254                              |
| Total liabilities attributed to discontinued operations | 2,061                         | 2,061                              |
| Total current liabilities                               | 15,742                        | 16,675                             |
| Long term liabilities:                                  |                               |                                    |
| Deferred tax liabilities                                | 14,398                        | 13,620                             |
| Land lease liability, net                               | 6,470                         | 6,133                              |
| Other long-term liabilities                             | 316                           | 407                                |
| Long term loans, net of current maturities              | 141,168                       | 129,261                            |
| Long term bonds, net of current maturities              | 9,795                         | 10,160                             |
| Total long term liabilities                             | 172,147                       | 159,581                            |
| Shareholders' equity:                                   |                               |                                    |
| Shareholders' equity of Optibase Ltd                    | 57,836                        | 55,134                             |
| Non-controlling interests                               | 19,178                        | 18,994                             |
| Total shareholders' equity                              | 77,014                        | 74,128                             |
| Total liabilities and shareholders' equity              | 264,903                       | 250,384                            |



Amounts in thousands

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