

HEALTHCARE REALTY TRUST INC

Form 10-Q

July 30, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2014

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: 001-11852

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HEALTHCARE REALTY TRUST INCORPORATED

(Exact name of Registrant as specified in its charter)

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Maryland

(State or other jurisdiction of  
incorporation or organization)

62 – 1507028

(I.R.S. Employer  
Identification No.)

3310 West End Avenue  
Suite 700  
Nashville, Tennessee 37203  
(Address of principal executive offices)

(615) 269-8175  
(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 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company

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(Do not check if a 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

As of July 25, 2014, the Registrant had 97,461,515 shares of Common Stock outstanding.

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FORM 10-Q  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Healthcare Realty Trust Incorporated

Condensed Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	(Unaudited)	
	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Real estate properties:		
Land	\$ 183,581	\$ 178,931
Buildings, improvements and lease intangibles	3,014,422	2,861,935
Personal property	9,504	9,267
Land held for development	17,054	17,054
	3,224,561	3,067,187
Less accumulated depreciation	(675,890 )	(632,109 )
Total real estate properties, net	2,548,671	2,435,078
Cash and cash equivalents	17,523	8,671
Mortgage notes receivable	4,858	125,547
Assets held for sale and discontinued operations, net	5,759	6,852
Other assets, net	173,299	153,514
Total assets	\$ 2,750,110	\$ 2,729,662
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Notes and bonds payable	\$ 1,397,027	\$ 1,348,459
Accounts payable and accrued liabilities	72,460	73,741
Liabilities of discontinued operations	1,041	1,112
Other liabilities	60,232	61,064
Total liabilities	1,530,760	1,484,376
Commitments and contingencies		
Equity:		
Preferred stock, \$.01 par value; 50,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.01 par value; 150,000 shares authorized; 97,172 and 95,924 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	972	959
Additional paid-in capital	2,348,925	2,325,228
Accumulated other comprehensive income	51	51
Cumulative net income attributable to common stockholders	818,185	808,362
Cumulative dividends	(1,948,783 )	(1,891,123 )
Total stockholders' equity	1,219,350	1,243,477
Noncontrolling interests	—	1,809
Total equity	1,219,350	1,245,286
Total liabilities and equity	\$ 2,750,110	\$ 2,729,662

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, are an integral part of these financial statements.

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Healthcare Realty Trust Incorporated  
Condensed Consolidated Statements of Operations  
For the Three and Six Months Ended June 30, 2014 and 2013  
(Amounts in thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>REVENUES</b>				
Rental income	\$90,541	\$76,883	\$178,301	\$152,687
Mortgage interest	969	3,427	3,590	6,364
Other operating	1,425	1,508	2,874	2,964
	92,935	81,818	184,765	162,015
<b>EXPENSES</b>				
Property operating	34,136	31,235	67,510	60,636
General and administrative	5,666	5,840	11,644	12,380
Depreciation	24,911	21,379	48,990	42,501
Amortization	2,775	2,559	5,534	5,225
Bad debt, net of recoveries	73	19	120	7
	67,561	61,032	133,798	120,749
<b>OTHER INCOME (EXPENSE)</b>				
Loss on extinguishments of debt	—	(29,638)	—	(29,638)
Interest expense	(18,066)	(18,925)	(35,984)	(38,695)
Interest and other income, net	2,036	219	2,136	449
	(16,030)	(48,344)	(33,848)	(67,884)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	9,344	(27,558)	17,119	(26,618)
<b>DISCONTINUED OPERATIONS</b>				
Income (loss) from discontinued operations	(231)	1,537	(619)	3,209
Impairments	(3,105)	—	(6,529)	(3,630)
Gain on sales of real estate properties	3	1,783	3	1,783
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>	(3,333)	3,320	(7,145)	1,362
<b>NET INCOME (LOSS)</b>	6,011	(24,238)	9,974	(25,256)
Less: Net (income) loss attributable to noncontrolling interests	(40)	33	(151)	52
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	\$5,971	\$(24,205)	\$9,823	\$(25,204)
<b>BASIC EARNINGS (LOSS) PER COMMON SHARE:</b>				
Income (loss) from continuing operations	\$0.10	\$(0.31)	\$0.18	\$(0.30)
Discontinued operations	(0.04)	0.04	(0.08)	0.01
Net income (loss) attributable to common stockholders	\$0.06	\$(0.27)	\$0.10	\$(0.29)
<b>DILUTED EARNINGS (LOSS) PER COMMON SHARE:</b>				
Income (loss) from continuing operations	\$0.10	\$(0.31)	\$0.18	\$(0.30)
Discontinued operations	(0.04)	0.04	(0.08)	0.01
Net income (loss) attributable to common stockholders	\$0.06	\$(0.27)	\$0.10	\$(0.29)
	94,508	89,204	94,331	88,056

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC				
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—DILUTED	95,978	89,204	95,788	88,056
DIVIDENDS DECLARED, PER COMMON SHARE, DURING THE PERIOD	\$0.30	\$0.30	\$0.60	\$0.60

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Healthcare Realty Trust Incorporated  
 Condensed Consolidated Statements of Comprehensive Income (Loss)  
 For the Three and Six Months Ended June 30, 2014 and 2013  
 (Dollars in thousands)  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
NET INCOME (LOSS)	\$6,011	\$(24,238 )	\$9,974	\$(25,256 )
Less: Comprehensive (income) loss attributable to noncontrolling interests	(40 )	) 33	(151 )	) 52
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$5,971	\$(24,205 )	\$9,823	\$(25,204 )

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, are an integral part of these financial statements.

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Healthcare Realty Trust Incorporated  
Condensed Consolidated Statements of Cash Flows  
For the Six Months Ended June 30, 2014 and 2013  
(Dollars in thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$9,974	\$(25,256 )
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	56,875	51,625
Stock-based compensation	2,782	2,985
Straight-line rent receivable	(4,816 )	(3,492 )
Straight-line rent liability	317	204
Gain on sales of real estate properties	(3 )	(1,783 )
Loss on extinguishment of debt	—	29,907
Impairments	6,529	3,630
Provision for bad debt, net	128	7
Changes in operating assets and liabilities:		
Other assets	(14,305 )	(4,060 )
Accounts payable and accrued liabilities	(5,308 )	(8,806 )
Other liabilities	(961 )	(1,406 )
Net cash provided by operating activities	51,212	43,555
<b>INVESTING ACTIVITIES</b>		
Acquisitions of real estate	(20,003 )	(34,591 )
Additional long-lived assets	(36,171 )	(34,305 )
Funding of mortgages and notes receivable	(1,244 )	(45,908 )
Proceeds from acquisition of real estate upon mortgage note receivable default	204	—
Proceeds from sales of real estate	5,904	12,239
Proceeds from mortgages and notes receivable repayments	754	68
Net cash used in investing activities	(50,556 )	(102,497 )
<b>FINANCING ACTIVITIES</b>		
Net borrowings (repayments) on unsecured credit facility	(149,000 )	120,000
Borrowings on term loan	200,000	—