

W. P. Carey Inc.
Form 10-Q
May 03, 2019

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, 2019
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: 001-13779

W. P. Carey Inc.

(Exact name of registrant as specified in its charter)

Maryland

45-4549771

(State of incorporation)

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

50 Rockefeller Plaza

New York, New York

10020

(Address of principal executive offices) (Zip Code)

Investor Relations (212) 492-8920

(212) 492-1100

(Registrant's telephone numbers, 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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company Emerging growth company

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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

Registrant has 170,396,695 shares of common stock, \$0.001 par value, outstanding at April 26, 2019. The registrant's shares of common stock are listed on the New York Stock Exchange under the ticker symbol "WPC."

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Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Report”), including Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of Part I of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will likely result,” and similar expressions. These forward-looking statements include, but are not limited to, statements regarding: our corporate strategy and estimated or future economic performance and results, underlying assumptions about our portfolio (e.g., occupancy rate, lease terms, and tenant credit quality, including our expectations about tenant bankruptcies and interest coverage), possible new acquisitions and dispositions, and our international exposure and acquisition volume; our capital structure, future capital expenditure levels (including any plans to fund our future liquidity needs), and future leverage and debt service obligations; prospective statements regarding our capital markets program, including our credit ratings and “at-the market” program (“ATM Program”); the outlook for the investment programs that we manage, including possible liquidity events for those programs; statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust (“REIT”); the impact of recently issued accounting pronouncements and regulatory activity; and the general economic outlook. These statements are based on the current expectations of our management. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition, liquidity, results of operations, Adjusted funds from operations (“AFFO”), and prospects. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties, and other factors that may materially affect our future results, performance, achievements, or transactions. Information on factors that could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission (“SEC”), including but not limited to those described in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018, dated February 25, 2019 (the “2018 Annual Report”). Moreover, because we operate in a very competitive and rapidly changing environment, new risks are likely to emerge from time to time. Given these risks and uncertainties, potential investors are cautioned not to place undue reliance on these forward-looking statements as a prediction of future results, which speak only as of the date of this Report, unless noted otherwise. Except as required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to “Notes” throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part I, Item 1. Financial Statements (Unaudited).

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

W. P. CAREY INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	March 31, 2019	December 31, 2018
Assets		
Investments in real estate:		
Land, buildings and improvements	\$9,396,426	\$9,251,396
Net investments in direct financing leases	1,279,122	1,306,215
In-place lease intangible assets and other	2,101,473	2,009,628
Above-market rent intangible assets	922,427	925,797
Investments in real estate	13,699,448	13,493,036
Accumulated depreciation and amortization	(1,681,942)	(1,564,182)
Net investments in real estate	12,017,506	11,928,854
Equity investments in the Managed Programs and real estate	320,066	329,248
Cash and cash equivalents	243,325	217,644
Due from affiliates	71,477	74,842
Other assets, net	584,855	711,507
Goodwill	918,673	920,944
Total assets	\$ 14,155,902	\$ 14,183,039
Liabilities and Equity		
Debt:		
Senior unsecured notes, net	\$3,513,268	\$3,554,470
Unsecured revolving credit facility	106,899	91,563
Non-recourse mortgages, net	2,503,321	2,732,658
Debt, net	6,123,488	6,378,691
Accounts payable, accrued expenses and other liabilities	452,920	403,896
Below-market rent and other intangible liabilities, net	217,506	225,128
Deferred income taxes	167,294	173,115
Dividends payable	176,965	172,154
Total liabilities	7,138,173	7,352,984
Commitments and contingencies (Note 11)		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 450,000,000 shares authorized; 169,636,526 and 165,279,642 shares, respectively, issued and outstanding	170	165
Additional paid-in capital	8,483,301	8,187,335
Distributions in excess of accumulated earnings	(1,256,754)	(1,143,992)
Deferred compensation obligation	37,263	35,766
Accumulated other comprehensive loss	(252,683)	(254,996)
Total stockholders' equity	7,011,297	6,824,278
Noncontrolling interests	6,432	5,777
Total equity	7,017,729	6,830,055
Total liabilities and equity	\$ 14,155,902	\$ 14,183,039

See Notes to Consolidated Financial Statements.

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W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2019	2018
Revenues		
Real Estate:		
Lease revenues	\$262,939	\$169,432
Operating property revenues	15,996	7,218
Lease termination income and other	3,270	942
	282,205	177,592
Investment Management:		
Asset management revenue	9,732	16,985
Reimbursable costs from affiliates	3,868	5,304
Structuring and other advisory revenue	2,518	1,929
	16,118	24,218
	298,323	201,810
Operating Expenses		
Depreciation and amortization	112,379	65,957
General and administrative	21,285	18,583
Reimbursable tenant costs	13,171	6,219
Operating property expenses	10,594	5,670
Property expenses, excluding reimbursable tenant costs	9,912	4,229
Stock-based compensation expense	4,165	8,219
Reimbursable costs from affiliates	3,868	5,304
Subadvisor fees	2,202	2,032
Merger and other expenses	146	(37)
Impairment charges	—	4,790
	177,722	120,966
Other Income and Expenses		
Interest expense	(61,313)	(38,074)
Equity in earnings of equity method investments in the Managed Programs and real estate	5,491	15,325
Other gains and (losses)		