

Edgar Filing: Easterly Government Properties, Inc. - Form 10-Q

Easterly Government Properties, Inc.
Form 10-Q
August 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x 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 001-36834

EASTERLY GOVERNMENT PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of Incorporation)

47-2047728
(IRS Employer Identification No.)

2101 L Street NW, Suite 650, Washington, D.C.
(Address of Principal Executive Offices)

20037
(Zip Code)

(202) 595-9500

(Registrant's telephone number, including area code)

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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 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 (Do not check if smaller reporting company) 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

As of August 8, 2016, the registrant had 35,062,243 shares of common stock, par value \$0.01 per share, outstanding.

INDEX TO FINANCIAL STATEMENTS

	Page
Part I: Financial Information	
Item 1: Financial Statements: Consolidated Financial Statements	
<u>Consolidated Balance Sheets as of June 30, 2016 (unaudited) and December 31, 2015</u>	1
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	2
<u>Consolidated Statements of Cash Flows for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	3
<u>Notes to the Consolidated Financial Statements</u>	5
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4: Controls and Procedures</u>	26
Part II: Other Information	
<u>Item 1: Legal Proceedings</u>	27
<u>Item 1A: Risk Factors</u>	27
<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3: Defaults Upon Senior Securities</u>	27
<u>Item 4: Mine Safety Disclosures</u>	27
<u>Item 5: Other Information</u>	27
<u>Item 6: Exhibits</u>	28
<u>Signatures</u>	

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Easterly Government Properties, Inc.

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Real estate properties, net	\$808,177	\$ 772,007
Cash and cash equivalents	3,704	8,176
Restricted cash	1,557	1,736
Deposits on acquisitions	77,796	—
Rents receivable	6,920	6,347
Accounts receivable	3,709	2,920
Deferred financing, net	2,296	2,726
Intangible assets, net	111,728	116,585
Prepaid expenses and other assets	1,958	1,509
Total assets	\$1,017,845	\$ 912,006
Liabilities		
Revolving credit facility	198,167	154,417
Mortgage notes payable, net	82,289	83,744
Intangible liabilities, net	42,119	44,605
Accounts payable and accrued liabilities	9,949	9,346
Total liabilities	332,524	292,112
Equity		
Common stock, par value \$0.01, 200,000,000 shares authorized, 34,648,580 and 24,168,379 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively.	346	241
Additional paid-in capital	560,072	391,767
Retained (deficit)	(320)	(1,694)
Cumulative dividends	(25,857)	(13,051)
Total stockholders' equity	534,241	377,263
Non-controlling interest in Operating Partnership	151,080	242,631
Total equity	685,321	619,894
Total liabilities and equity	\$1,017,845	\$ 912,006

The accompanying notes are an integral part of these consolidated financial statements.

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Easterly Government Properties, Inc.

Consolidated Statements of Operations (unaudited)

(Amounts in thousands, except per share amounts)

	For the three months ended		For the six months ended	
	June 30,	2015	June 30,	2015
	2016		2016	2015
Revenues				
Rental income	\$22,291	\$17,626	\$44,027	\$26,930
Tenant reimbursements	2,476	1,572	4,631	2,348
Other income	154	58	234	69
Total revenues	24,921	19,256	48,892	29,347
Operating expenses				
Property operating	5,085	3,558	9,418	5,288
Real estate taxes	2,332	1,755	4,700	2,714
Depreciation and amortization	11,074	9,151	21,937	14,051
Acquisition costs	346	195	679	1,635
Formation expenses	—	72	—	1,666
Corporate general and administrative	3,052	2,239	6,088	3,811
Fund general and administrative	—	—	—	75
Total expenses	21,889	16,970	42,822	29,240
Operating income	3,032	2,286	6,070	107
Other (expenses) / income				
Interest expense, net	(1,995)	(1,321)	(3,924)	(2,021)
Net unrealized (loss) on investments	—	—	—	(5,122)
Net income (loss)	1,037	965	2,146	(7,036)
Non-controlling interest in Operating Partnership	(338)	(377)	(772)	4,739
Net income (loss) available to Easterly Government				
Properties, Inc.	\$699	\$588	\$1,374	\$(2,297)
Net income (loss) available to Easterly Government				
Properties, Inc. per share:				
Basic	\$0.02	\$0.02	\$0.05	\$(0.12)
Diluted	\$0.02	\$0.02	\$0.05	\$(0.12)
Weighted- average common shares outstanding				
Basic	27,484,075	24,141,712	25,812,893	18,673,374
Diluted	29,267,258	25,435,010	27,538,423	18,673,374

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Cash Flows (unaudited)

(Amounts in thousands)

	For the six months ended June 30,	
	2016	2015
Cash flows from operating activities		
Net income (loss)	\$2,146	\$(7,036)
Adjustments to reconcile net income (loss) to net cash provided by (used in)		
operating activities		
Depreciation and amortization	21,937	14,051
Straight line rent	33	(99)
Amortization of above- / below-market leases	(3,409)	(1,976)
Amortization of unearned revenue	(50)	—
Amortization of loan premium / discount	(43)	(38)
Amortization of deferred financing costs	432	329
Contributions to investments	—	(257)
Net unrealized loss on investments	—	5,122
Non-cash compensation	1,422	512
Net change in:		
Rents receivable	(517)	