

REALTY INCOME CORP  
Form 10-Q  
October 29, 2015  
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 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 September 30, 2015, or**

**o Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File Number 1-13374**

**REALTY INCOME CORPORATION**

(Exact name of registrant as specified in its charter)

**Maryland**

**33-0580106**

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(State or Other Jurisdiction of  
Incorporation or Organization)

(IRS Employer Identification  
Number)

**11995 El Camino Real, San Diego, California 92130**

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(858) 284-5000**

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  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

There were 249,600,461 shares of common stock outstanding as of October 22, 2015.

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**REALTY INCOME CORPORATION**

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**September 30, 2015**

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## REALTY INCOME CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**

September 30, 2015 and December 31, 2014

(dollars in thousands, except per share data)

	2015 (unaudited)	2014
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$ 3,246,465	\$ 3,046,372
Buildings and improvements	8,859,414	8,107,199
Total real estate, at cost	12,105,879	11,153,571
Less accumulated depreciation and amortization	(1,609,914)	(1,386,871)
Net real estate held for investment	10,495,965	9,766,700
Real estate held for sale, net	13,346	14,840
Net real estate	10,509,311	9,781,540
Cash and cash equivalents	7,074	3,852
Accounts receivable, net	74,977	64,386
Acquired lease intangible assets, net	1,043,554	1,039,724
Goodwill	15,372	15,470
Other assets, net	88,281	107,650
Total assets	\$ 11,738,569	\$ 11,012,622
<b>LIABILITIES AND EQUITY</b>		
Distributions payable	\$ 47,844	\$ 43,675
Accounts payable and accrued expenses	97,219	123,287
Acquired lease intangible liabilities, net	241,128	220,469
Other liabilities	36,993	53,145
Lines of credit payable	439,000	223,000
Term loans	320,000	70,000
Mortgages payable, net	706,141	852,575
Notes payable, net	3,786,408	3,785,372
Total liabilities	5,674,733	5,371,523
Commitments and contingencies		
Stockholders' equity:		
Preferred stock and paid in capital, par value \$0.01 per share, 69,900,000 shares authorized, 16,350,000 shares issued and outstanding as of September 30, 2015 and December 31, 2014	395,378	395,378
Common stock and paid in capital, par value \$0.01 per share, 370,100,000 shares authorized, 238,085,515 shares issued and outstanding as of September 30, 2015 and 224,881,192 shares issued and outstanding as of December 31, 2014	7,107,662	6,464,987
Distributions in excess of net income	(1,463,392)	(1,246,964)

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Total stockholders' equity	6,039,648	5,613,401
Noncontrolling interests	24,188	27,698
Total equity	6,063,836	5,641,099
Total liabilities and equity	\$ 11,738,569	\$ 11,012,622

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

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## REALTY INCOME CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME**

For the three and nine months ended September 30, 2015 and 2014

(dollars in thousands, except per share data) (unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b>REVENUE</b>				
Rental	\$ 247,578	\$ 226,832	\$ 724,131	\$ 662,822
Tenant reimbursements	10,187	8,275	31,757	20,872
Other	1,124	606	3,729	2,238
Total revenue	258,889	235,713	759,617	685,932
<b>EXPENSES</b>				
Depreciation and amortization	104,338	95,260	303,476	278,124
Interest	63,950	52,814	181,098	157,246
General and administrative	10,861	11,025	36,331	35,499
Property (including reimbursable)	13,542	12,770	42,455	33,474
Income taxes	745	697	2,448	2,358
Provisions for impairment	3,864	495	9,182	2,676
Total expenses	197,300	173,061	574,990	509,377
Gain on sales of real estate	6,224	10,975	17,117	14,211
Income from continuing operations	67,813	73,627	201,744	190,766
Income from discontinued operations	-	-	-	3,097
Net income	67,813	73,627	201,744	193,863
Net income attributable to noncontrolling interests	(338)	(344)	(919)	(1,016)
Net income attributable to the Company	67,475	73,283	200,825	192,847
Preferred stock dividends	(6,770)	(9,327)	(20,310)	(30,292)
Excess of redemption value over carrying value of preferred shares redeemed	-	(6,015)	-	(6,015)
Net income available to common stockholders	\$ 60,705	\$ 57,941	\$ 180,515	\$ 156,540
Amounts available to common stockholders per common share, basic and diluted:				
Income from continuing operations	\$ 0.26	\$ 0.26	\$ 0.78	\$ 0.71
Net income	\$ 0.26	\$ 0.26	\$ 0.78	\$ 0.72
Weighted average common shares outstanding:				
Basic	236,211,706	222,061,661	231,434,521	216,804,815

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Diluted	236,739,942	222,236,071	231,862,767	217,147,035
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*The accompanying notes to consolidated financial statements are an integral part of these statements.*

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## REALTY INCOME CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30, 2015 and 2014

(dollars in thousands) (unaudited)

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 201,744	\$ 193,863
Adjustments to net income:		
Depreciation and amortization	303,476	278,124
Income from discontinued operations	-	(3,097)
Amortization of share-based compensation	7,598	7,653
Non-cash rental adjustments	(6,462)	(5,390)
Amortization of net premiums on mortgages payable	(5,608)	(10,843)
Amortization of deferred financing costs	6,806	8,027
Loss on interest rate swaps	7,138	409
Gain on sales of real estate	(17,117)	(14,211)
Provisions for impairment on real estate	9,182	2,676
Cash provided by discontinued operations	-	1,310
Change in assets and liabilities		
Accounts receivable and other assets	2,351	11,976
Accounts payable, accrued expenses and other liabilities	(36,160)	(30,416)
Net cash provided by operating activities	472,948	440,081
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in real estate	(1,061,871)	(1,076,391)
Improvements to real estate, including leasing costs	(5,861)	(4,538)
Proceeds from sales of real estate:		
Continuing operations	51,958	46,644
Discontinued operations	-	6,918
Collection of loans receivable	-	350
Restricted escrow deposits for Section 1031 tax-deferred exchanges and pending acquisitions	20,517	(27,340)
Net cash used in investing activities	(995,257)	(1,054,357)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash distributions to common stockholders	(392,767)	(356,735)
Cash dividends to preferred stockholders	(20,310)	(31,447)
Borrowings on line of credit	1,059,000	1,359,121
Payments on line of credit	(843,000)	(1,442,121)
Proceeds from notes and bonds payable issued	-	598,594
Principal payments on mortgages payable	(140,825)	(77,619)
Proceeds from term loans	250,000	-
Proceeds from common stock offerings, net	276,430	528,615
Redemption of preferred units	(6,750)	-
Distributions to noncontrolling interests	(1,267)	(1,390)
Debt issuance costs	(10,358)	(5,609)
Proceeds from dividend reinvestment and stock purchase plan, net	360,941	56,580
Other items, including shares withheld upon vesting	(5,563)	(7,034)
Net cash provided by financing activities	525,531	