

RLJ Lodging Trust
Form 10-Q
November 07, 2018
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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 September 30, 2018

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 001-35169

RLJ LODGING TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland 27-4706509
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

3 Bethesda Metro Center, Suite 1000
Bethesda, Maryland 20814
(Address of Principal Executive Offices) (Zip Code)

(301) 280-7777
(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 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, 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

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Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 1, 2018, 175,199,264 common shares of beneficial interest of the Registrant, \$0.01 par value per share, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RLJ Lodging Trust

Consolidated Balance Sheets

(Amounts in thousands, except share and per share data)

(unaudited)

	September 30, 2018	December 31, 2017
Assets		
Investment in hotel properties, net	\$ 5,373,171	\$ 5,791,925
Investment in unconsolidated joint ventures	22,472	23,885
Cash and cash equivalents	425,384	586,470
Restricted cash reserves	78,113	72,606
Hotel and other receivables, net of allowance of \$610 and \$510, respectively	76,914	60,011
Deferred income tax asset, net	52,415	56,761
Intangible assets, net	53,633	133,211
Prepaid expense and other assets	77,154	69,936
Assets of hotel properties held for sale, net	25,449	—
Total assets	\$ 6,184,705	\$ 6,794,805
Liabilities and Equity		
Debt, net	\$ 2,290,164	\$ 2,880,488
Accounts payable and other liabilities	203,982	225,664
Deferred income tax liability	5,547	5,547
Advance deposits and deferred revenue	29,506	30,463
Accrued interest	14,296	17,081
Distributions payable	65,746	65,284
Total liabilities	2,609,241	3,224,527
Commitments and Contingencies (Note 12)		
Equity		
Shareholders' equity:		
Preferred shares of beneficial interest, \$0.01 par value, 50,000,000 shares authorized		
Series A Cumulative Convertible Preferred Shares, \$0.01 par value, 12,950,000 shares authorized; 12,879,475 shares issued and outstanding, liquidation value of \$328,266, at September 30, 2018 and December 31, 2017	366,936	366,936
Common shares of beneficial interest, \$0.01 par value, 450,000,000 shares authorized; 175,215,202 and 174,869,046 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	1,752	1,749
Additional paid-in capital	3,215,208	3,208,002
Accumulated other comprehensive income	38,315	8,846
Distributions in excess of net earnings	(113,841)	(82,566)
Total shareholders' equity	3,508,370	3,502,967
Noncontrolling interest:		
Noncontrolling interest in consolidated joint ventures	11,640	11,700
Noncontrolling interest in the Operating Partnership	11,024	11,181
Total noncontrolling interest	22,664	22,881
Preferred equity in a consolidated joint venture, liquidation value of \$45,515 and \$45,430 at September 30, 2018 and December 31, 2017, respectively	44,430	44,430
Total equity	3,575,464	3,570,278

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Total liabilities and equity	\$ 6,184,705	\$ 6,794,805
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The accompanying notes are an integral part of these consolidated financial statements.

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RLJ Lodging Trust

Consolidated Statements of Operations and Comprehensive Income

(Amounts in thousands, except share and per share data)

(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Revenues				
Operating revenues				
Room revenue	\$377,237	\$292,046	\$1,138,115	\$770,751
Food and beverage revenue	47,211	35,580	157,850	91,392
Other revenue	22,594	13,629	65,362	31,628
Total revenues	\$447,042	\$341,255	\$1,361,327	\$893,771
Expenses				
Operating expenses				
Room expense	\$95,161	\$69,380	\$279,589	\$176,523
Food and beverage expense	37,780	27,061	121,450	66,458
Management and franchise fee expense	34,838	29,571	107,766	86,110
Other operating expense	105,646	78,120	320,325	195,000
Total property operating expenses	273,425	204,132	829,130	524,091
Depreciation and amortization	60,373	45,231	183,429	122,136
Property tax, insurance and other	34,382	23,618	104,418	60,929
General and administrative	11,622	9,506	38,059	28,757
Transaction costs	261	32,607	2,181	36,923
Total operating expenses	380,063	315,094	1,157,217	772,836
Operating income	66,979	26,161	204,110	120,935
Other income	856	110	2,514	323
Interest income	1,149	1,157	3,339	2,306
Interest expense	(24,629)	(19,650)	(78,772)	(48,527)
Gain (loss) on sale of hotel properties, net	35,895	(19)	32,957	(49)
(Loss) gain on extinguishment of indebtedness, net	(1,656)	—	6,010	—
Gain on settlement of investment in loan	—	2,670	—	2,670
Income before equity in income from unconsolidated joint ventures	78,594	10,429	170,158	77,658
Equity in income from unconsolidated joint ventures	219	57	637	57
Income before income tax expense	78,813	10,486	170,795	77,715
Income tax expense	(4,156)	(6,375)	(7,852)	(9,362)
Net income	74,657	4,111	162,943	68,353
Net (income) loss attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	(9)	(32)	170	5
Noncontrolling interest in the Operating Partnership	(299)	(43)	(626)	(318)
Preferred distributions - consolidated joint venture	(374)	(122)	(1,109)	(122)
Net income attributable to RLJ	73,975	3,914	161,378	67,918
Preferred dividends	(6,279)	(2,093)	(18,836)	(2,093)
Net income attributable to common shareholders	\$67,696	\$1,821	\$142,542	\$65,825
Basic per common share data:				
Net income per share attributable to common shareholders	\$0.39	\$0.01	\$0.81	\$0.50
Weighted-average number of common shares	174,326,198	40,249,961	174,253,393	129,317,120

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Diluted per common share data:				
Net income per share attributable to common shareholders	\$ 0.39	\$ 0.01	\$ 0.81	\$ 0.50
Weighted-average number of common shares	174,479,341	140,307,269	174,365,101	129,399,177
Comprehensive income:				
Net income	\$ 74,657	\$ 4,111	\$ 162,943	\$ 68,353
Unrealized gain on interest rate derivatives	4,675	1,746	29,469	5,579
Comprehensive income	79,332	5,857	192,412	73,932
Comprehensive (income) loss attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	(9) (32) 170	5
Noncontrolling interest in the Operating Partnership	(299) (43) (626) (318
Preferred distributions - consolidated joint venture	(374) (122) (1,109) (122
Comprehensive income attributable to RLJ	\$ 78,650	\$ 5,660	\$ 190,847	\$ 73,497

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

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RLJ Lodging Trust
Consolidated Statements of Changes in Equity
(Amounts in thousands, except share data)
(unaudited)

	Shareholders' Equity					Noncontrolling Interest				
	Preferred Stock		Common Stock			Distributions in excess of net earnings	Accumulated Other Comprehensive Income	Operating Partnership	Consolidated Joint Ventures	Preferred Equity in a Consolidated Joint Venture
Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Partnership					
Balance at December 31, 2017	12,879,475	\$366,936	174,869,046	\$1,749	\$3,208,002	\$(82,566)	\$8,846	\$11,181	\$11,700	\$44,430
Net income (loss)	—	—	—	—	—	161,378	—	626	(170)	1,109
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	29,469	—	—	—
Contributions from joint venture partners	—	—	—	—	—	—	—	—	110	—
Issuance of restricted stock	—	—	591,851	6	(6)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	10,135	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(132,370)	(2)	(2,924)	—	—	—	—	—
Forfeiture of restricted stock	—	—	(113,325)	(1)	1	—	—	—	—	—
Distributions on preferred shares	—	—	—	—	—	(18,836)	—	—	—	—

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Distributions on common shares and units	—	—	—	—	—	(173,817)	—	(783)	—	—
Preferred distributions - consolidated joint venture	—	—	—	—	—	—	—	—	—	(1,109)
Balance at September 30, 2018	12,879,475	\$366,936	175,215,202	\$1,752	\$3,215,208	\$(113,841)	\$38,315	\$11,024	\$11,640	\$44,430

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

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RLJ Lodging Trust
 Consolidated Statements of Changes in Equity
 (Amounts in thousands, except share data)
 (unaudited)

	Shareholders' Equity		Noncontrolling Interest				Total Equity
	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss) of net earnings	Operating Partnership	Consolidated Joint Ventures	
Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings			
Balance at December 31, 2016	—	124,364,178	\$1,244	\$			\$