

HCP, INC.  
Form 10-Q  
May 05, 2015  
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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 March 31, 2015.

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 001-08895

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HCP, INC.

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(Exact name of registrant as specified in its charter)

Maryland	33-0091377
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1920 Main Street, Suite 1200

Irvine, CA 92614

(Address of principal executive offices)

(949) 407-0700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

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Non-accelerated Filer

Smaller Reporting Company

(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 April 30, 2015, there were 461,676,261 shares of the registrant's \$1.00 par value common stock outstanding.

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## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Real estate:		
Buildings and improvements	\$ 10,980,848	\$ 10,972,973
Development costs and construction in progress	293,492	275,233
Land	1,882,476	1,889,438
Accumulated depreciation and amortization	(2,319,791)	(2,250,757)
Net real estate	10,837,025	10,886,887
Net investment in direct financing leases	6,827,596	7,280,334
Loans receivable, net	1,025,278	906,961
Investments in and advances to unconsolidated joint ventures	642,795	605,448
Accounts receivable, net of allowance of \$3,629 and \$3,785, respectively	40,153	36,339
Cash and cash equivalents	137,170	183,810
Restricted cash	47,279	48,976
Intangible assets, net	458,249	481,013
Other assets, net	1,008,897	940,172
Total assets(1)	\$ 21,024,442	\$ 21,369,940
<b>LIABILITIES AND EQUITY</b>		
Bank line of credit	\$ 358,555	\$ 838,516
Term loans	530,038	213,610
Senior unsecured notes	8,022,533	7,626,194
Mortgage debt	979,890	984,431
Other debt	95,747	97,022
Intangible liabilities, net	80,387	84,723
Accounts payable and accrued liabilities	314,226	432,934
Deferred revenue	87,420	95,411
Total liabilities(2)	10,468,796	10,372,841
Commitments and contingencies		
Common stock, \$1.00 par value: 750,000,000 shares authorized; 461,583,731 and 459,746,267 shares issued and outstanding, respectively	461,584	459,746
Additional paid-in capital	11,493,988	11,431,987
Cumulative dividends in excess of earnings	(1,633,841)	(1,132,541)
Accumulated other comprehensive loss	(28,461)	(23,895)
Total stockholders' equity	10,293,270	10,735,297
Joint venture partners	75,397	73,214

Non-managing member unitholders	186,979	188,588
Total noncontrolling interests	262,376	261,802
Total equity	10,555,646	10,997,099
Total liabilities and equity	\$ 21,024,442	\$ 21,369,940

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(1)The Company's consolidated total assets at March 31, 2015 and December 31, 2014 include assets of certain variable interest entities ("VIEs") that can only be used to settle the liabilities of those VIEs. Total assets at March 31, 2015 include VIE assets as follows: buildings and improvements \$699 million; land \$114 million; accumulated depreciation and amortization \$120 million; accounts receivable \$15 million; cash \$36 million; and other assets, net \$14 million. Total assets at December 31, 2014 include VIE assets as follows: buildings and improvements \$677 million; land \$113 million; accumulated depreciation and amortization \$111 million; accounts receivable \$5 million; cash \$42 million; and other assets, net of \$23 million from VIEs. See Note 17 to the Consolidated Financial Statements for additional information.

(2)The Company's consolidated total liabilities at March 31, 2015 and December 31, 2014 include certain liabilities of VIEs for which the VIE creditors do not have recourse to HCP, Inc. Total liabilities at March 31, 2015 include accounts payable and accrued liabilities of \$33 million and deferred revenue of \$9 million from VIEs. Total liabilities at December 31, 2014 include accounts payable and accrued liabilities of \$34 million and deferred revenue of \$12 million from VIEs. See Note 17 to the Consolidated Financial Statements for additional information.

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Rental and related revenues	\$ 275,082	\$ 284,823
Tenant recoveries	29,896	25,434
Resident fees and services	105,013	38,053
Income from direct financing leases	167,078	164,537
Interest income	33,262	16,696
Investment management fee income	460	449
Total revenues	610,791	529,992
Costs and expenses:		
Interest expense	116,780	106,638
Depreciation and amortization	114,522	107,388
Operating	132,031	75,707
General and administrative	24,773	20,899
Acquisition and pursuit costs	3,390	495
Impairments	478,464	—
Total costs and expenses	869,960	311,127
Gains on sales of real estate, net of income taxes	6,264	—
Other income, net	1,724	1,930
(Loss) income before income taxes and equity income from unconsolidated joint ventures	(251,181)	220,795
Income taxes benefit (provision)	77	(1,446)
Equity income from unconsolidated joint ventures	13,601	14,528
(Loss) income from continuing operations	(237,503)	233,877
Discontinued operations:		
Income before gain on sales of real estate, net of income taxes	—	1,736
Gain on sales of real estate, net of income taxes	—	28,010
Total discontinued operations	—	29,746
Net (loss) income	(237,503)	263,623
Noncontrolling interests' share in earnings	(3,111)	(4,512)
Net (loss) income attributable to HCP, Inc.	(240,614)	259,111
Participating securities' share in earnings	(335)	(1,064)
Net (loss) income applicable to common shares	\$ (240,949)	\$ 258,047



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Basic earnings per common share:		
Continuing operations	\$ (0.52)	\$ 0.50
Discontinued operations	—	0.06
Net (loss) income applicable to common shares	\$ (0.52)	\$ 0.56
Diluted earnings per common share:		
Continuing operations	\$ (0.52)	\$ 0.50
Discontinued operations	—	0.06
Net (loss) income applicable to common shares	\$ (0.52)	\$ 0.56
Weighted average shares used to calculate earnings per common share:		
Basic	460,880	457,294
Diluted	460,880	457,674
Dividends declared per common share	\$ 0.565	0.545

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net (loss) income	\$ (237,503)	\$ 263,623
Other comprehensive loss:		
Change in net unrealized gains (losses) on securities:		
Unrealized gains (losses)	(5)	3
Change in net unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses)	2,339	(695)
Reclassification adjustment realized in net (loss) income	(6)	605
Change in Supplemental Executive Retirement Plan obligation	69	54
Foreign currency translation adjustment	(6,963)	(50)
Total other comprehensive loss	(4,566)	(83)
Total comprehensive (loss) income	(242,069)	263,540
Total comprehensive income attributable to noncontrolling interests	(3,111)	(4,512)
Total comprehensive (loss) income attributable to HCP, Inc.	\$ (245,180)	\$ 259,028

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

## CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except per share data)

(Unaudited)

	Common Stock		Additional	Cumulative	Accumulated	Total	Total	Total
	Shares	Amount	Paid-In	Dividends	Other	Stockholders'	Noncontrolling	Equity
			Capital	In Excess	Comprehensive	Equity	Interests	Equity
				Of Earnings	Loss			
January 1, 2015	459,746	\$ 459,746	\$ 11,431,987	\$ (1,132,541)	\$ (23,895)	\$ 10,735,297	\$ 261,802	\$ 10,997,099
Net loss	—	—	—	(240,614)	—	(240,614)	3,111	(237,503)
Other comprehensive loss	—	—	—	—	(4,566)	(4,566)	—	(4,566)
Issuance of common stock, net	1,155	1,155	35,657	—	—	36,812	(1,608)	35,204
Repurchase of common stock	(128)	(128)	(5,968)	—	—	(6,096)	—	(6,096)
Exercise of stock options	811	811	26,410	—	—	27,221	—	27,221
Amortization of deferred compensation	—	—	6,165	—	—	6,165	—	6,165
Common dividends (\$0.565 per share)	—	—	—	(260,686)	—	(260,686)	—	(260,686)
Distributions to noncontrolling interests	—	—	(263)	—	—	(263)	(3,861)	(4,124)
Issuance of noncontrolling interests	—	—	—	—	—	—	2,932	2,932
March 31, 2015	461,584	\$ 461,584	\$ 11,493,988	\$ (1,633,841)	\$ (28,461)	\$ 10,293,270	\$ 262,376	\$ 10,555,646

Cumulative      Accumulated

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	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Dividends In Excess Of Earnings	Other Comprehens Loss	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
January 1, 2014	456,961	\$ 456,961	\$ 11,334,041	\$ (1,053,215)	\$ (14,487)	\$ 10,723,300	\$ 207,834	\$ 10,931,134
Net income	—	—	—	259,111	—	259,111	4,512	263,623
Other comprehensive loss	—	—	—	—	(83)	(83)	—	(83)
Issuance of common stock, net	1,287	1,287	31,419	—	—	32,706	(73)	32,633
Repurchase of common stock	(208)	(208)	(7,860)	—	—	(8,068)	—	(8,068)
Exercise of stock options	4	4	91	—	—	95	—	95
Amortization of deferred compensation	—	—	4,890	—	—	4,890	—	4,890
Common dividends (\$0.545 per share)	—	—	—	(250,198)	—	(250,198)	—	(250,198)
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,975)	(3,975)
Issuance of noncontrolling interests	—	—	—	—	—	—	1,193	1,193
Purchase of noncontrolling interests	—	—	—	—	—	—	(1,671)	(1,671)
March 31, 2014	458,044	\$ 458,044	\$ 11,362,581	\$ (1,044,302)	\$ (14,570)	\$ 10,761,753	\$ 207,820	\$ 10,969,573

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net (loss) income	\$ (237,503)	\$ 263,623
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of real estate, in-place lease and other intangibles	114,522	107,388
Amortization of market lease intangibles, net	(378)	