

VENTAS INC
Form 10-Q
October 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

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: 1-10989

Ventas, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization) 61-1055020
(I.R.S. Employer
Identification No.)

353 N. Clark Street, Suite 3300
Chicago, Illinois
(Address of Principal Executive Offices)
60654

(Zip Code)
(877) 483-6827
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 a
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 Exchange Act). Yes No

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

Class of Common Stock: Outstanding at October 23, 2013:

Common Stock, \$0.25 par value

294,080,886

VENTAS, INC.
FORM 10-Q
INDEX

	Page	
<u>PART I—FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Financial Statements</u>	<u>1</u>
	<u>Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u>	<u>1</u>
	<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>2</u>
	<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>3</u>
	<u>Consolidated Statements of Equity for the Nine Months Ended September 30, 2013 and the Year Ended December 31, 2012</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012</u>	<u>5</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>60</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>63</u>
<u>PART II—OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>64</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>64</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>65</u>

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VENTAS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Assets		
Real estate investments:		
Land and improvements	\$1,856,739	\$1,772,417
Buildings and improvements	18,383,075	16,920,821
Construction in progress	79,172	70,665
Acquired lease intangibles	1,012,163	981,704
	21,331,149	19,745,607
Accumulated depreciation and amortization	(3,156,206)	(2,634,075)
Net real estate property	18,174,943	17,111,532
Secured loans receivable and investments, net	400,889	635,002
Investments in unconsolidated entities	91,531	95,409
Net real estate investments	18,667,363	17,841,943
Cash and cash equivalents	54,672	67,908
Escrow deposits and restricted cash	98,200	105,913
Deferred financing costs, net	55,242	42,551
Other assets	1,003,881	921,685
Total assets	\$19,879,358	\$18,980,000
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	\$9,413,318	\$8,413,646
Accrued interest	62,176	47,565
Accounts payable and other liabilities	1,019,166	995,156
Deferred income taxes	248,369	259,715
Total liabilities	10,743,029	9,716,082
Redeemable OP unitholder and noncontrolling interests	171,921	174,555
Commitments and contingencies		
Equity:		
Ventas stockholders' equity:		
Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued	—	—
Common stock, \$0.25 par value; 600,000 shares authorized, 297,328 and 295,565 shares issued at September 30, 2013 and December 31, 2012, respectively	74,345	73,904
Capital in excess of par value	10,032,285	9,920,962
Accumulated other comprehensive income	21,293	23,354
Retained earnings (deficit)	(1,021,628)	(777,927)
Treasury stock, 3,699 shares at September 30, 2013 and December 31, 2012	(221,203)	(221,165)
Total Ventas stockholders' equity	8,885,092	9,019,128
Noncontrolling interest	79,316	70,235
Total equity	8,964,408	9,089,363
Total liabilities and equity	\$19,879,358	\$18,980,000

See accompanying notes.

1

VENTAS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Rental income:				
Triple-net leased	\$219,170	\$207,372	\$645,719	\$613,939
Medical office buildings	115,444	100,814	337,536	253,889
	334,614	308,186	983,255	867,828
Resident fees and services	359,112	316,560	1,039,876	905,190
Medical office building and other services revenue	4,146	4,544	11,331	16,791
Income from loans and investments	14,448	9,035	45,284	25,223
Interest and other income	66	330	1,901	442
Total revenues	712,386	638,655	2,081,647	1,815,474
Expenses:				
Interest	84,089	74,037	245,622	214,028
Depreciation and amortization	177,710	188,540	528,180	534,792
Property-level operating expenses:				
Senior living	244,316	216,306	706,561	618,471
Medical office buildings	40,796	36,144	115,738	86,468
	285,112	252,450	822,299	704,939
Medical office building services costs	1,651	1,487	4,957	8,314
General, administrative and professional fees	28,659	26,867	84,760	75,488
(Gain) loss on extinguishment of debt, net	(189)	(1,194)	(909)	38,339
Merger-related expenses and deal costs	6,208	4,917	17,137	49,566
Other	4,353	1,966	13,325	5,052
Total expenses	587,593	549,070	1,715,371	1,630,518
Income before income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	124,793	89,585	366,276	184,956
Income from unconsolidated entities	110	17,074	533	17,905
Income tax benefit	2,780	8,886	13,100	2,727
Income from continuing operations	127,683	115,545	379,909	205,588
Discontinued operations	(9,084)	(3,724)	(33,679)	70,061
Net income	118,599	111,821	346,230	275,649
Net income (loss) attributable to noncontrolling interest	303	(61)	1,161	(884)
Net income attributable to common stockholders	\$118,296	\$111,882	\$345,069	\$276,533
Earnings per common share:				
Basic:				
Income from continuing operations attributable to common stockholders	\$0.43	\$0.39	\$1.30	\$0.71
Discontinued operations	(0.03)	(0.01)	(0.12)	0.24
Net income attributable to common stockholders	\$0.40	\$0.38	\$1.18	\$0.95
Diluted:				
Income from continuing operations attributable to common stockholders	\$0.43	\$0.39	\$1.28	\$0.70
Discontinued operations	(0.03)	(0.01)	(0.11)	0.24
Net income attributable to common stockholders	\$0.40	\$0.38	\$1.17	\$0.94

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Weighted average shares used in computing earnings per
common share:

Basic	292,818	294,928	292,308	291,177
Diluted	295,190	297,407	294,788	293,622
Dividends declared per common share	\$0.67	\$0.62	\$2.01	\$1.86

See accompanying notes.

2

VENTAS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$118,599	\$111,821	\$346,230	\$275,649
Other comprehensive income (loss):				
Foreign currency translation	1,665	2,838	(3,148)	3,180
Change in unrealized gain on marketable debt securities	(208)	(509)	(1,015)	(1,220)
Other	84	(107)	2,102	(396)
Total other comprehensive income (loss)	1,541	2,222	(2,061)	1,564
Comprehensive income	120,140	114,043	344,169	277,213
Comprehensive income (loss) attributable to noncontrolling interest	303	(61)	1,161	(884)
Comprehensive income attributable to common stockholders	\$119,837	\$114,104	\$343,008	\$278,097

See accompanying notes.

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VENTAS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

For the Nine Months Ended September 30, 2013 and the Year Ended December 31, 2012

(In thousands, except per share amounts)

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock	Total Ventas Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2012	\$72,240	\$9,593,583	\$22,062	\$(412,181)	\$(747)	\$9,274,957	\$80,987	\$9,355,944
Net income (loss)	—	—	—	362,800	—	362,800	(1,025)	361,775
Other comprehensive income	—	—	1,292	—	—	1,292	—	1,292
Acquisition-related activity	—	(8,571)	—	—	(221,076)	(229,647)	(9,429)	(239,076)
Net change in noncontrolling interest	—	—	—	—	—	—	(5,194)	(5,194)
Dividends to common stockholders—\$2.48 per share	—	—	—	(728,546)	—	(728,546)	—	(728,546)
Issuance of common stock	1,495	340,974	—	—	—	342,469	—	342,469
Issuance of common stock for stock plans	128	22,126	—	—	2,841	25,095	—	25,095
Change in redeemable noncontrolling interest	—	(17,317)	—	—	—	(17,317)	4,896	(12,421)
Adjust redeemable OP unitholder interests to current fair value	—	(19,819)	—	—	—	(19,819)	—	(19,819)
Purchase of OP units	3	(1,651)	—	—	324	(1,324)	—	(1,324)
Grant of restricted stock, net of forfeitures	38	11,637	—	—	(2,507)	9,168	—	9,168
Balance at December 31, 2012	73,904	9,920,962	23,354	(777,927)	(221,165)	9,019,128	70,235	9,089,363
Net income	—	—	—	345,069	—	345,069	1,161	346,230
Other comprehensive loss	—	—	(2,061)	—	—	(2,061)	—	(2,061)
Acquisition-related activity	—	(762)	—	—	—	(762)	12,717	11,955

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Net change in noncontrolling interest	—	—	—	—	—	—	(6,530)	(6,530)
Dividends to common stockholders—\$2.01 per share	—	—	—	(588,770)	—	(588,770)	—	(588,770)
Issuance of common stock	376	105,626	—	—	—	106,002	—	106,002
Issuance of common stock for stock plans	17	4,926	—	—	5,956	10,899	—	10,899
Change in redeemable noncontrolling interest	—	(13,354)	—	—	—	(13,354)	1,733	(11,621)
Adjust redeemable OP unitholder interests to current fair value	—	2,538	—	—	—	2,538	—	2,538
Purchase of OP units	—	(388)	—	—	502	114	—	114
Grant of restricted stock, net of forfeitures	48	12,737	—	—	(6,496)	6,289	—	6,289
Balance at September 30, 2013								