

Howard Hughes Corp
Form 10-Q
August 08, 2016
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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 June 30, 2016

or

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

Commission file number 001-34856

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	36-4673192
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

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13355 Noel Road, 22nd Floor, Dallas, Texas 75240

(Address of principal executive offices, including zip code)

(214) 741-7744

(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 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

The number of shares of common stock, \$0.01 par value, outstanding as of August 8, 2016 was 39,833,975.

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THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

(In thousands, except share amounts)	June 30, 2016	December 31, 2015
Assets:		
Investment in real estate:		
Master Planned Community assets	\$ 1,652,056	\$ 1,642,842
Land	315,617	322,462
Buildings and equipment	1,910,016	1,772,401
Less: accumulated depreciation	(271,451)	(232,969)
Developments	915,157	1,036,927
Net property and equipment	4,521,395	4,541,663
Investment in Real Estate and Other Affiliates	65,834	57,811
Net investment in real estate	4,587,229	4,599,474
Cash and cash equivalents	670,800	445,301
Accounts receivable, net	40,152	32,203
Municipal Utility District receivables, net	163,639	139,946
Notes receivable, net	69	1,664
Deferred expenses, net	63,099	61,804
Prepaid expenses and other assets, net	692,631	441,190
Total assets	\$ 6,217,619	\$ 5,721,582
Liabilities:		
Mortgages, notes and loans payable	\$ 2,651,805	\$ 2,443,962
Deferred tax liabilities	158,177	89,221
Warrant liabilities	322,090	307,760
Uncertain tax position liability	9,588	1,396
Accounts payable and accrued expenses	572,772	515,354
Total liabilities	3,714,432	3,357,693
Commitments and Contingencies (see Note 15)		
Equity:		
Preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued	—	—
Common stock: \$.01 par value; 150,000,000 shares authorized, 39,846,036 shares issued and 39,833,975 outstanding as of June 30, 2016 and 39,714,838 shares issued and outstanding as of December 31, 2015	398	398
Additional paid-in capital	2,853,880	2,847,823

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Accumulated deficit	(329,480)	(480,215)
Accumulated other comprehensive loss	(24,152)	(7,889)
Treasury stock, at cost, 12,061 shares as of June 30, 2016 and 0 shares as of December 31, 2015	(1,231)	—
Total stockholders' equity	2,499,415	2,360,117
Noncontrolling interests	3,772	3,772
Total equity	2,503,187	2,363,889
Total liabilities and equity	\$ 6,217,619	\$ 5,721,582

See Notes to Condensed Consolidated Financial Statements.

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THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Condominium rights and unit sales	\$ 125,112	\$ 86,513	\$ 247,206	\$ 121,370
Master Planned Community land sales	61,098	45,433	103,040	93,514
Minimum rents	42,036	36,989	83,345	72,183
Builder price participation	6,501	7,907	11,148	13,605
Tenant recoveries	10,923	10,701	21,451	20,368
Hospitality revenues	19,129	11,481	32,038	23,484
Other land revenues	2,759	3,145	5,792	6,438
Other rental and property revenues	4,593	6,994	7,797	13,291
Total revenues	272,151	209,163	511,817	364,253
Expenses and other income:				
Condominium rights and unit cost of sales	79,726	56,765	154,541	79,174
Master Planned Community cost of sales	29,008	24,236	44,696	48,132
Master Planned Community operations	7,806	11,963	17,400	21,946
Other property operating costs	15,236	19,634	30,978	37,779
Rental property real estate taxes	7,329	6,568	14,077	12,768
Rental property maintenance costs	2,753	2,900	5,885	5,644
Hospitality costs				