

NATIONAL RETAIL PROPERTIES, INC.
Form 10-Q
November 04, 2014

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, 2014

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 001-11290

NATIONAL RETAIL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

56-1431377

(I.R.S. Employer Identification No.)

450 South Orange Avenue, Suite 900

Orlando, Florida 32801

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (407) 265-7348

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 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 website, 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 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.

126,422,761 shares of common stock, \$0.01 par value, outstanding as of October 30, 2014.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL RETAIL PROPERTIES, INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Real estate portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$4,662,775	\$4,250,547
Accounted for using the direct financing method	17,329	18,342
Real estate held for sale	14,060	18,161
Mortgages, notes and accrued interest receivable	11,279	17,119
Commercial mortgage residual interests	12,075	11,721
Cash and cash equivalents	4,904	1,485
Receivables, net of allowance of \$1,759 and \$2,822, respectively	2,135	4,107
Accrued rental income, net of allowance of \$3,086 and \$3,181, respectively	25,972	24,797
Debt costs, net of accumulated amortization of \$13,637 and \$20,213, respectively	14,111	12,877
Other assets	101,937	95,367
Total assets	\$4,866,577	\$4,454,523
LIABILITIES AND EQUITY		
Liabilities:		
Line of credit payable	\$134,900	\$46,400
Mortgages payable, including unamortized premium of \$214 and \$130, respectively	11,558	9,475
Notes payable, net of unamortized discount of \$10,599 and \$10,816, respectively	1,714,401	1,514,184
Accrued interest payable	30,537	17,142
Other liabilities	91,852	89,037
Total liabilities	1,983,248	1,676,238
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
Series D, 11,500,000 depositary shares issued and outstanding, at stated liquidation value of \$25 per depositary share	287,500	287,500
Series E, 11,500,000 depositary shares issued and outstanding, at stated liquidation value of \$25 per depositary share	287,500	287,500
Common stock, \$0.01 par value. Authorized 375,000,000 shares; 126,421,631 and 121,991,677 shares issued and outstanding, respectively	1,266	1,221
Excess stock, \$0.01 par value. Authorized 390,000,000 shares; none issued or outstanding	—	—
Capital in excess of par value	2,504,837	2,353,166
Retained earnings (deficit)	(188,843) (147,837
Accumulated other comprehensive income (loss)	(9,491) (4,505
Total stockholders' equity of NNN	2,882,769	2,777,045
Noncontrolling interests	560	1,240

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Total equity	2,883,329	2,778,285
Total liabilities and equity	\$4,866,577	\$4,454,523

See accompanying notes to condensed consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Rental income from operating leases	\$105,013	\$95,921	\$304,798	\$275,009
Earned income from direct financing leases	427	489	1,306	1,495
Percentage rent	177	267	489	800
Real estate expense reimbursement from tenants	3,323	3,162	9,783	9,343
Interest and other income from real estate transactions	452	342	1,786	1,098
Interest income on commercial mortgage residual interests	464	594	1,370	1,789
	109,856	100,775	319,532	289,534
Operating expenses:				
General and administrative	9,007	7,536	25,995	25,213
Real estate	4,583	4,543	13,669	12,870
Depreciation and amortization	29,768	25,831	85,787	72,092
Impairment – commercial mortgage residual interests valuation	21	16	256	16
Impairment losses and other charges	77	435	562	3,550
	43,456	38,361	126,269	113,741
Earnings from operations	66,400	62,414	193,263	175,793
Other expenses (revenues):				
Interest and other income	(87)		