

STAG Industrial, Inc.
Form 10-Q
May 04, 2015
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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 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 1-34907

STAG INDUSTRIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	27-3099608 (IRS Employer Identification No.)
One Federal Street, 23rd Floor Boston, Massachusetts (Address of principal executive offices)	02110 (Zip Code)

(617) 574-4777

(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. Check one:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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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 and preferred stock as of the latest practicable date.

Class	Outstanding at April 30, 2015
Common Stock (\$0.01 par value)	65,155,340
9.0 % Series A Cumulative Redeemable Preferred Stock (\$0.01 par value)	2,760,000
6.625 % Series B Cumulative Redeemable Preferred Stock (\$0.01 par value)	2,800,000

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Part I. Financial Information

Item 1. Financial Statements

STAG Industrial, Inc.

Consolidated Balance Sheets

(unaudited, in thousands, except share data)

	March 31, 2015	December 31, 2014
Assets		
Rental Property:		
Land	\$ 202,930	\$ 191,238
Buildings and improvements, net of accumulated depreciation of \$117,106 and \$105,789, respectively	1,171,160	1,118,938
Deferred leasing intangibles, net of accumulated amortization of \$159,206 and \$146,026, respectively	254,155	247,904
Total rental property, net	1,628,245	1,558,080
Cash and cash equivalents	11,688	23,878
Restricted cash	7,233	6,906
Tenant accounts receivable, net	18,554	16,833
Prepaid expenses and other assets	26,397	22,531
Interest rate swaps	111	959
Due from related parties	121	130
Total assets	\$ 1,692,349	\$ 1,629,317
Liabilities and Equity		
Liabilities:		
Unsecured credit facility	\$ 73,000	\$ 131,000
Unsecured term loans	150,000	150,000
Unsecured notes	300,000	180,000
Mortgage notes payable	224,131	225,347
Accounts payable, accrued expenses and other liabilities	17,543	21,558
Interest rate swaps	4,037	873
Tenant prepaid rent and security deposits	11,644	11,480
Dividends and distributions payable	7,696	7,355
Deferred leasing intangibles, net of accumulated amortization of \$7,242 and \$6,565, respectively	10,246	10,180
Total liabilities	798,297	737,793
Commitments and contingencies (Note 10)		
Equity:		

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Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized, Series A, 2,760,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at March 31, 2015 and December 31, 2014	69,000	69,000
Series B, 2,800,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at March 31, 2015 and December 31, 2014	70,000	70,000
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 64,947,384 and 64,434,825 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	649	644
Additional paid-in capital	949,467	928,242
Common stock dividends in excess of earnings	(229,006)	(203,241)
Accumulated other comprehensive loss	(4,302)	(489)
Total stockholders' equity	855,808	864,156
Noncontrolling interest	38,244	27,368
Total equity	894,052	891,524
Total liabilities and equity	\$ 1,692,349	\$ 1,629,317

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

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STAG Industrial, Inc.

Consolidated Statements of Operations

(unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2015	2014
Revenue		
Rental income	\$ 43,249	\$ 34,118
Tenant recoveries	7,587	5,416
Other income	153	209
Total revenue	50,989	39,743
Expenses		
Property	10,246	7,985
General and administrative	7,530	5,475
Property acquisition costs	318	559
Depreciation and amortization	26,129	19,854
Other expenses	186	237
Total expenses	44,409	34,110
Other income (expense)		
Interest income	3	4
Interest expense	(8,010)	(5,666)
Gain on sale of rental property	—	50
Total other income (expense)	(8,007)	(5,612)
Net income (loss) from continuing operations	\$ (1,427)	\$ 21
Net income (loss)	\$ (1,427)	\$ 21
Less: loss attributable to noncontrolling interest after preferred stock dividends	(198)	(364)
Net income (loss) attributable to STAG Industrial, Inc.	\$ (1,229)	\$ 385
Less: preferred stock dividends	2,712	2,712
Less: amount allocated to unvested restricted stockholders	101	88
Net loss attributable to common stockholders	\$ (4,042)	\$ (2,415)
Weighted average common shares outstanding — basic and diluted	64,286,213	45,139,481
Loss per share — basic and diluted		
Loss from continuing operations attributable to common stockholders	\$ (0.06)	\$ (0.05)
Loss per share — basic and diluted	\$ (0.06)	\$ (0.05)

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

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STAG Industrial, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited, in thousands)

	Three months ended March 31,	
	2015	2014
Net income (loss)	\$ (1,427)	\$ 21
Other comprehensive income (loss):		
Loss on interest rate swaps	(4,005)	(1,082)
Other comprehensive loss	(4,005)	(1,082)
Comprehensive loss	(5,432)	(1,061)
Net loss attributable to noncontrolling interest after preferred stock dividends	198	364
Other comprehensive loss attributable to noncontrolling interest	192	146
Comprehensive loss attributable to STAG Industrial, Inc.	\$ (5,042)	\$ (551)

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

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STAG Industrial, Inc.

Consolidated Statements of Equity

(unaudited, in thousands, except share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Dividends in Excess of Earnings	Accumulated Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest — Unit Holders in Operating Partnership	Total Equity
months									
March 31, 2015	\$ 139,000	64,434,852	\$ 644	\$ 928,242	\$ (203,241)	\$ (489)	\$ 864,156	\$ 27,368	\$ 891,524
Issuance of common stock	—	417,115	4	10,129	—	—	10,133	—	10,137
Issuance of restricted stock, net of stock options	—	—	—	(202)	—	—	(202)	—	(202)
Issuance of common stock	—	92,119	1	(1)	—	—	—	—	—
Issuance of common stock and options	—	3,298	—	—	—	—	—	—	—
Repurchase of common stock	(2,712)	—	—	—	(21,824)	—	(24,536)	(1,120)	(25,656)
Repurchase of cash conversion units	—	—	—	710	—	—	710	1,137	1,847
Repurchase of cash conversion units	—	—	—	—	—	—	—	(64)	(64)
Repurchase of common stock	—	—	—	—	—	—	—	21,902	21,902
Repurchase of common stock	—	—	—	10,589	—	—	10,589	(10,589)	—
Repurchase of comprehensive income	—	—	—	—	—	(3,813)	(3,813)	(192)	(4,005)
	2,712	—	—	—	(3,941)	—	(1,229)	(198)	(1,428)

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Income									
Income, net of tax									
For the three months ended									
March 31, 2015	\$ 139,000	64,947,384	\$ 649	\$ 949,467	\$ (229,006)	\$ (4,302)	\$ 855,808	\$ 38,244	\$ 894,746
March 31, 2014	\$ 139,000	44,764,377	\$ 447	\$ 577,039	\$ (116,877)	\$ 3,440	\$ 603,049	\$ 71,515	\$ 674,236
Changes from prior period									
Change in stock-based compensation	—	3,431,459	34	77,534	—	—	77,568	—	77,534
Change in stock-based compensation costs	—	—	—	(1,270)	—	—	(1,270)	—	(1,270)
Change in fair value of restricted stock	—	101,934	1	(1)	—	—	—	—	—
Change in fair value of stock options and restricted stock awards	—	2,544	—	—	—	—	—	—	—
Change in cash	(2,712)	—	—	—	(14,540)	—	(17,252)	(2,238)	(19,404)
Change in cash compensation	—	—	—	441	—	—	441	618	1,059
Change in cash compensation on units	—	—	—	—	—	—	—	(342)	(342)
Change in cash compensation of controlling interest	—	—	—	(6,899)	—	—	(6,899)	6,899	—
Change in comprehensive income	—	—	—	—	—	(936)	(936)	(146)	(1,084)
Change in income	2,712	—	—	—	(2,327)	—	385	(364)	21
For the three months ended									
March 31, 2014	\$ 139,000	48,300,314	\$ 482	\$ 646,844	\$ (133,744)	\$ 2,504	\$ 655,086	\$ 75,942	\$ 731,586

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

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STAG Industrial, Inc.

Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$ (1,427)	\$ 21
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	26,129	19,854
Non-cash portion of interest expense	299	315
Intangible amortization in rental income, net	2,065	1,510
Straight-line rent adjustments, net	(1,293)	(1,024)
Gain on sale of rental property	—	(50)
Non-cash compensation expense	1,847	1,090
Change in assets and liabilities:		