

OMEGA HEALTHCARE INVESTORS INC

Form 10-Q

May 08, 2015

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 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 1-11316

OMEGA HEALTHCARE INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

Maryland

(State of incorporation)

38-3041398

(IRS Employer
Identification No.)

200 International Circle, Suite 3500, Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 427-1700

(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer	Accelerated filer	Non-accelerated filer	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
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Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of May 1, 2015.

Common Stock, \$.10 par value	182,683,520
(Class)	(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
March 31, 2015

TABLE OF CONTENTS

	Page No.
<u>PART I</u> <u>Financial Information</u>	
<u>Item 1.</u> <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets</u>	
<u>March 31, 2015 (unaudited) and December 31, 2014</u>	2
<u>Consolidated Statements of Operations (unaudited)</u>	
<u>Three months ended March 31, 2015 and 2014</u>	3
<u>Consolidated Statement of Stockholders' Equity</u>	
<u>Three months ended March 31, 2015 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows (unaudited)</u>	
<u>Three months ended March 31, 2015 and 2014</u>	5
<u>Notes to Consolidated Financial Statements</u>	
<u>March 31, 2015 (unaudited)</u>	6
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition</u>	
<u>and Results of Operations</u>	29
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
<u>Item 4.</u> <u>Controls and Procedures</u>	41
<u>PART II</u> <u>Other Information</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	43
<u>Item 1A.</u> <u>Risk Factors</u>	43
<u>Item 5</u> <u>Other Information</u>	44
<u>Item 6.</u> <u>Exhibits</u>	45

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Real estate properties		
Land and buildings	\$3,227,983	\$3,223,785
Less accumulated depreciation	(847,240)	(821,712)
Real estate properties – net	2,380,743	2,402,073
Investment in direct financing leases	541,846	539,232
Mortgage notes receivable	649,793	648,079
	3,572,382	3,589,384
Other investments	48,268	48,952
	3,620,650	3,638,336
Assets held for sale – net	16,877	12,792
Total investments	3,637,527	3,651,128
Cash and cash equivalents	700,143	4,489
Restricted cash	27,880	29,076
Accounts receivable – net	176,877	168,176
Other assets	55,593	68,776
Total assets	\$4,598,020	\$3,921,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	\$—	\$85,000
Term loan	200,000	200,000
Secured borrowings	93,719	251,454
Unsecured borrowings – net	2,333,657	1,842,049
Accrued expenses and other liabilities	199,691	141,815
Total liabilities	2,827,067	2,520,318
Stockholders' equity:		
Common stock \$.10 par value authorized – 350,000 shares, issued and outstanding – 138,752 shares as of March 31, 2015 and 127,606 as of December 31, 2014	13,875	12,761
Common stock – additional paid-in capital	2,580,248	2,136,234
Cumulative net earnings	1,191,050	1,147,998
Cumulative dividends paid	(2,014,220)	(1,895,666)
Total stockholders' equity	1,770,953	1,401,327
Total liabilities and stockholders' equity	\$4,598,020	\$3,921,645

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Revenue		
Rental income	\$100,964	\$95,918
Income from direct financing leases	14,346	14,084
Mortgage interest income	16,579	9,326
Other investment income – net	1,531	1,673
Total operating revenues	133,420	121,001
Expenses		
Depreciation and amortization	30,610	31,444
General and administrative	6,014	6,497
Acquisition costs	4,868	95
Impairment loss on real estate properties	5,982	-
Provisions for uncollectible mortgages, notes and accounts receivable	(2)	(16)
Total operating expenses	47,472	38,020
Income before other income and expense	85,948	82,981
Other income (expense)		
Interest income	193	8
Interest expense	(32,359)	(27,081)
Interest – amortization of deferred financing costs	(1,353)	(922)
Interest – refinancing costs	(9,377)	(2,040)
Total other expense	(42,896)	(30,035)
Income before gain on assets sold	43,052	52,946
Gain on assets sold – net	-	2,883
Net income available to common stockholders	\$43,052	\$55,829
Income per common share available to common shareholders:		
Basic:		
Net income	\$0.32	\$0.45
Diluted:		
Net income	\$0.32	\$0.45
Dividends declared per common share	\$0.89	\$0.49
Weighted-average shares outstanding, basic	134,346	124,459
Weighted-average shares outstanding, diluted	134,806	124,822

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Unaudited
(in thousands, except per share amounts)

	Common Stock Par Value	Additional Paid-in Capital	Cumulative Net Earnings	Cumulative Dividends	Total
Balance at December 31, 2014 (127,606 common shares)	\$ 12,761	\$2,136,234	\$ 1,147,998	\$(1,895,666)	\$ 1,401,327
Amortization of restricted stock	—	1,551	—	—	1,551
Vesting of restricted stock to company executives, net of tax withholdings (85 shares)	8	(1,914)	—	—	(1,906)
Dividend reinvestment plan (135 shares at \$40.13 per share)	13	5,401	—	—	5,414
Grant of stock as payment of directors fees (1 share at an average of \$40.61 per share)	—	50	—	—	50
Issuance of common stock (10,925 shares at an average of \$40.32 per share)	1,093	438,926	—	—	440,019
Net income	—	—	43,052	—	43,052
Common dividends declared (\$0.89 per share)	—	—	—	(118,554)	(118,554)
Balance at March 31, 2015 (138,752 common shares)	\$ 13,875	\$2,580,248	\$ 1,191,050	\$(2,014,220)	\$ 1,770,953

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (in thousands)

	Three months Ended March 31,	
	2015	2014
Cash flows from operating activities		
Net income	\$43,052	\$55,829
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	30,610	31,444
Provision for impairment on real estate properties	5,982	—
Provision for uncollectible mortgages, notes and accounts receivable	(2)	—
Amortization of deferred financing and debt extinguishment costs	10,730	2,962
Accretion of direct financing leases	(2,614)	(2,350)
Stock-based compensation	1,610	2,263
Gain on assets sold – net	—	(2,883)
Amortization of acquired in-place leases - net	(1,192)	(1,287)
Change in operating assets and liabilities – net of amounts assumed/acquired:		
Accounts receivable, net	(196)	(431)
Straight-line rent receivables	(5,275)	(5,324)
Lease inducements	(2,110)	715
Effective yield receivable on mortgage notes	(1,120)	(319)
Other operating assets and liabilities	23,819	(2,563)
Net cash provided by operating activities	103,294	78,056
Cash flows from investing activities		
Acquisition of real estate – net of liabilities assumed and escrows acquired	(6,300)	(4,700)
Investment in construction in progress	(5,851)	—
Placement of mortgage loans	(2,002)	(113,114)
Proceeds from sale of real estate investments	255	3,631
Capital improvements to real estate investments	(5,604)	(3,334)
Proceeds from other investments	2,155	1,067
Investments in other investments	(1,468)	(4,065)
Collection of mortgage principal		