

NATIONAL RETAIL PROPERTIES, INC.
Form 10-Q
August 04, 2009
Table of Contents

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, 2009

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

56-1431377

(State or other jurisdiction of

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

incorporation or organization)

450 South Orange Avenue, Suite 900,

Orlando, Florida 32801

(Address of principal executive offices, including zip code)

(407) 265-7348

(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) for 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

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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, or a non-accelerated filer or 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 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.

80,715,076 shares of Common Stock, \$0.01 par value, outstanding as July 30, 2009.

Table of Contents**TABLE OF CONTENTS**

	PAGE
	<u>REFERENCE</u>
Part I Financial Information	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Earnings</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4. <u>Controls and Procedures</u>	39
Part II Other Information	
Item 1. <u>Legal Proceedings</u>	40
Item 1A. <u>Risk Factors</u>	40
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3. <u>Defaults Upon Senior Securities</u>	40
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	40
Item 5. <u>Other Information</u>	40
Item 6. <u>Exhibits</u>	40
<u>Signatures</u>	45
<u>Exhibit Index</u>	46

Table of Contents

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)

<u>ASSETS</u>	June 30, 2009 (unaudited)	December 31, 2008
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 2,348,773	\$ 2,357,894
Accounted for using the direct financing method	30,572	31,240
Real estate, Inventory Portfolio, held for sale	98,364	101,106
Investment in unconsolidated affiliate	4,792	4,927
Mortgages, notes and accrued interest receivable, net of allowance	49,774	60,472
Commercial mortgage residual interests	25,525	22,000
Cash and cash equivalents	1,573	2,626
Receivables, net of allowance of \$1,165 and \$4,003, respectively	2,812	3,612
Accrued rental income, net of allowance of \$3,261 and \$4,144, respectively	24,487	23,972
Debt costs, net of accumulated amortization of \$14,436 and \$12,852, respectively	9,427	11,342
Other assets	42,060	30,280
Total assets	\$ 2,638,159	\$ 2,649,471

LIABILITIES AND EQUITY

Liabilities:		
Line of credit payable	\$ 22,000	\$ 26,500
Mortgages payable	25,798	26,290
Notes payable convertible, net of unamortized discount of \$21,282 and \$25,413, respectively	340,452	356,122
Notes payable, net of unamortized discount of \$1,424 and \$1,521, respectively	618,576	618,479
Accrued interest payable	7,475	7,608
Other liabilities	37,440	45,526
Total liabilities	1,051,741	1,080,525

Equity:

Stockholders equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
Series C, 3,680,000 depositary shares issued and outstanding, at stated liquidation value of \$25 per share	92,000	92,000
Common stock, \$0.01 par value. Authorized 190,000,000 shares; 80,074,853 and 78,415,051 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	801	784
Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding	-	-
Capital in excess of par value	1,360,133	1,337,018
Retained earnings	125,789	134,644
Accumulated other comprehensive income	4,866	2,414

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Total stockholders' equity of National Retail Properties, Inc.	1,583,589	1,566,860
Noncontrolling interests	2,829	2,086
Total equity	1,586,418	1,568,946
Total liabilities and equity	\$ 2,638,159	2,649,471

See accompanying notes to condensed consolidated financial statements.

Table of Contents

NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Rental income from operating leases	\$ 53,727	\$ 51,418	\$ 106,555	\$ 100,482
Earned income from direct financing leases	746	780	1,500	1,569
Percentage rent	119	170	266	211
Real estate expense reimbursement from tenants	2,109	1,423	4,456	2,977
Interest and other income from real estate transactions	980	1,407	1,814	2,642
Interest income on commercial mortgage residual interests	1,000	1,171	2,054	2,527
	58,681	56,369	116,645	110,408
Disposition of real estate, Inventory Portfolio:				
Gross proceeds	-	-	-	4,900
Costs	-	-	-	(4,879)
Gain	-	-	-	21
Operating expenses:				
General and administrative	5,784	6,041	11,090	13,601
Real estate	3,241	2,247	6,828	4,627
Depreciation and amortization	12,146	10,787	23,965	20,770
Impairment real estate	1,064	-	1,064	-
Impairment commercial mortgage residual interests valuation	-	-	-	758
Restructuring costs	-	-	731	-
	22,235	19,075	43,678	39,756
Earnings from operations	36,446	37,294	72,967	70,673
Other expenses (revenues):				
Interest and other income	(416)	(1,008)	(763)	(2,229)
Interest expense	15,436	16,281	30,866	32,467
Loss on interest rate hedge	-	-	-	804
	15,020	15,273	30,103	31,042
Earnings from continuing operations before income tax benefit, equity in earnings of unconsolidated affiliate, gain on note receivable foreclosure and gain on extinguishment of debt	21,426	22,021	42,864	39,631
Income tax benefit	546	1,767	1,082	4,418
Equity in earnings of unconsolidated affiliate	107	101	210	180

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Gain on note receivable foreclosure	1,048	-	1,048	-
Gain on extinguishment of debt	1,014	-	3,432	-
Earnings from continuing operations	24,141	23,889	48,636	44,229
Earnings from discontinued operations (Note 14):				
Real estate, Investment Portfolio	2,762	4,178	4,809	10,120
Real estate, Inventory Portfolio, net of income tax expense	226	1,044	458	9,666
	2,988	5,222	5,267	19,786
Earnings including noncontrolling interests	27,129	29,111	53,903	64,015
Loss (earnings) attributable to noncontrolling interests:				
Continuing operations	(171)	(252)	(351)	759
Discontinued operations	(4)	407	205	(3,269)
	(175)	155	(146)	(2,510)
Net earnings attributable to National Retail Properties, Inc.	\$ 26,954	\$ 29,266	\$ 53,757	\$ 61,505

See accompanying notes to condensed consolidated financial statements.

Table of Contents

NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Net earnings attributable to National Retail Properties, Inc.	\$ 26,954	\$ 29,266	\$ 53,757	\$ 61,505
Series C preferred stock dividends	(1,696)	(1,696)	(3,392)	(3,392)
Net earnings available to common stockholders basic and diluted	\$ 25,258	\$ 27,570	\$ 50,365	\$ 58,113
Net earnings per share of common stock:				
Basic:				
Continuing operations	\$ 0.28	\$ 0.30	\$ 0.57	\$ 0.57
Discontinued operations	0.04	0.08	0.07	0.23