

SAUL CENTERS INC  
Form 10-Q  
May 07, 2015  
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 March 31, 2015  
Commission File Number 1-12254

SAUL CENTERS, INC.  
(Exact name of registrant as specified in its charter)

Maryland 52-1833074  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
7501 Wisconsin Avenue, Bethesda, Maryland 20814  
(Address of principal executive office) (Zip Code)  
Registrant's telephone number, including area code (301) 986-6200

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 requirement for the past 90 days. YES

x NO o

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 x NO o

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO x

Number of shares of common stock, par value \$0.01 per share outstanding as of April 30, 2015: 21.1 million.

Table of Contents

SAUL CENTERS, INC.

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>(a) Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>	<u>4</u>
<u>(b) Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014</u>	<u>5</u>
<u>(c) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014</u>	<u>6</u>
<u>(d) Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2015</u>	<u>7</u>
<u>(e) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>	<u>8</u>
<u>(f) Notes to Consolidated Financial Statements</u>	<u>9</u>
 <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>(a) Critical Accounting Policies</u>	<u>27</u>
<u>(b) Results of Operations:</u>	
<u>Same Property Revenue</u>	<u>29</u>
<u>Same Property Operating Income</u>	<u>30</u>
<u>Three months ended March 31, 2015 compared to three months ended March 31, 2014</u>	<u>30</u>
 <u>(c) Liquidity and Capital Resources</u>	 <u>31</u>
 <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	 <u>38</u>
 <u>Item 4. Controls and Procedures</u>	 <u>38</u>
 <u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>39</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>39</u>
<u>Item 5. Other Information</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>40</u>
<u>Signatures</u>	<u>43</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2014, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

Table of Contents

Saul Centers, Inc.

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Real estate investments		
Land	\$421,516	\$420,622
Buildings and equipment	1,111,035	1,109,276
Construction in progress	39,301	30,261
	1,571,852	1,560,159
Accumulated depreciation	(405,349)	(396,617)
	1,166,503	1,163,542
Cash and cash equivalents		
Accounts receivable and accrued income, net	12,120	12,128
Deferred leasing costs, net	47,682	46,784
Prepaid expenses, net	26,737	26,928
Deferred debt costs, net	3,506	4,093
Other assets	9,695	9,874
Total assets	4,368	3,638
	\$1,270,611	\$1,266,987
Liabilities		
Notes payable	\$818,083	\$808,997
Revolving credit facility payable	26,000	43,000
Construction loan payable	8,768	5,391
Dividends and distributions payable	15,253	14,352
Accounts payable, accrued expenses and other liabilities	27,473	23,537
Deferred income	32,047	32,453
Total liabilities	927,624	927,730
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
Series C Cumulative Redeemable, 72,000 shares issued and outstanding	180,000	180,000
Common stock, \$0.01 par value, 40,000,000 shares authorized, 21,057,308 and 20,947,141 shares issued and outstanding, respectively	211	209
Additional paid-in capital	293,564	287,995
Accumulated deficit	(175,738)	(173,774)
Accumulated other comprehensive loss	(2,211)	(1,894)
Total Saul Centers, Inc. stockholders' equity	295,826	292,536
Noncontrolling interest	47,161	46,721
Total stockholders' equity	342,987	339,257
Total liabilities and stockholders' equity	\$1,270,611	\$1,266,987

The Notes to Financial Statements are an integral part of these statements.

Table of Contents

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended		
	March 31,		
	2015	2014	
Revenue			
Base rent	\$41,479	\$40,563	
Expense recoveries	8,732	8,789	
Percentage rent	438	452	
Other	1,439	3,143	
Total revenue	52,088	52,947	
Operating expenses			
Property operating expenses	7,616	7,585	
Provision for credit losses	246	203	
Real estate taxes	5,901	5,453	
Interest expense and amortization of deferred debt costs	11,406	11,467	
Depreciation and amortization of deferred leasing costs	10,440	10,180	
General and administrative	3,771	4,680	
Acquisition related costs	21	163	
Predevelopment expenses	—	503	
Total operating expenses	39,401	40,234	
Operating income	12,687	12,713	
Change in fair value of derivatives	(6	) (2	)
Net Income	12,681	12,711	
Noncontrolling interests			
Income attributable to noncontrolling interests	(2,474	)	