

W. P. Carey Inc.
Form 10-Q
November 06, 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: 001-13779

W. P. CAREY INC.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

45-4549771

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

50 Rockefeller Plaza

New York, New York

(Address of principal executive offices)

10020

(Zip Code)

Investor Relations (212) 492-8920

(212) 492-1100

(Registrant's telephone numbers, 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.

Accelerated filer Non-accelerated filer

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Large accelerated filer

Smaller reporting company

(Do not check if a 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

Registrant has 104,015,348 shares of common stock, \$0.001 par value, outstanding at October 31, 2014.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, or the Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, in Item 2 of Part I of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “plan,” “may,” “should,” “will be,” “will continue,” “will likely result,” and similar expressions. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties and other factors that may materially affect our future results, performance, achievements or transactions. Information on factors which could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the SEC on March 4, 2014, or the 2013 Annual Report. Except as required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to “Notes” throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part I, Item 1. Financial Statements (Unaudited).

PART I

Item 1. Financial Statements.

W. P. CAREY INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	September 30, 2014	December 31, 2013
Assets		
Investments in real estate:		
Real estate, at cost (inclusive of \$203,173 and \$78,782, respectively, attributable to variable interest entities, or VIEs)	\$4,572,313	\$2,516,325
Operating real estate, at cost (inclusive of \$38,714 and \$0, respectively, attributable to VIEs)	84,594	6,024
Accumulated depreciation (inclusive of \$23,272 and \$18,238, respectively, attributable to VIEs)	(243,639) (168,958
Net investments in properties	4,413,268	2,353,391
Net investments in direct financing leases (inclusive of \$62,975 and \$18,089, respectively, attributable to VIEs)	838,475	363,420
Assets held for sale	—	86,823
Equity investments in real estate and the Managed REITs	218,103	530,020
Net investments in real estate	5,469,846	3,333,654
Cash and cash equivalents (inclusive of \$2,130 and \$37, respectively, attributable to VIEs)	530,276	117,519
Due from affiliates	26,075	32,034
Goodwill	702,791	350,208
In-place lease intangible assets, net (inclusive of \$21,915 and \$3,385, respectively, attributable to VIEs)	935,008	467,127
Above-market rent intangible assets, net (inclusive of \$14,252 and \$2,544, respectively, attributable to VIEs)	545,462	241,975
Other assets, net (inclusive of \$20,945 and \$4,246, respectively, attributable to VIEs)	291,991	136,433
Total assets	\$8,501,449	\$4,678,950
Liabilities and Equity		
Liabilities:		
Non-recourse debt (inclusive of \$131,215 and \$29,042, respectively, attributable to VIEs)	\$2,702,133	\$1,492,410
Senior unsecured credit facility and unsecured term loan	618,945	575,000
Senior unsecured notes	498,300	—
Below-market rent and other intangible liabilities, net (inclusive of \$9,555 and \$3,481, respectively, attributable to VIEs)	178,070	128,202
Accounts payable, accrued expenses and other liabilities (inclusive of \$6,069 and \$2,988, respectively, attributable to VIEs)	294,364	166,385
Deferred income taxes (inclusive of \$670 and \$0, respectively, attributable to VIEs)	96,372	39,040
Distributions payable	98,996	67,746
Total liabilities	4,487,180	2,468,783
Redeemable noncontrolling interest	6,346	7,436
Commitments and contingencies (Note 12)		

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Equity:

W. P. Carey stockholders' equity:

Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 450,000,000 shares authorized; 105,058,582 and 69,299,949 shares issued, respectively; and 104,014,166 and 68,266,570 shares outstanding, respectively	105	69
Additional paid-in capital	4,313,896	2,256,503
Distributions in excess of accumulated earnings	(399,116) (318,577)
Deferred compensation obligation	30,624	11,354
Accumulated other comprehensive (loss) income	(21,271) 15,336)
Less: treasury stock at cost, 1,044,416 and 1,033,379 shares, respectively	(60,948) (60,270)
Total W. P. Carey stockholders' equity	3,863,290	1,904,415
Noncontrolling interests	144,633	298,316
Total equity	4,007,923	2,202,731
Total liabilities and equity	\$8,501,449	\$4,678,950

See Notes to Consolidated Financial Statements.

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W. P. CAREY INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues				
Real estate revenues:				
Lease revenues	\$149,243	\$75,702	\$420,563	\$222,145
Operating property revenues	8,338	248	21,580	706
Reimbursable tenant costs	6,271	3,624	18,034	9,781
Lease termination income and other	360	236	15,841	1,319
	164,212	79,810	476,018	233,951
Revenues from the Managed REITs:				
Reimbursable costs	14,722	23,259	96,379	50,694
Asset management revenue	9,088	10,961	27,910	31,330
Structuring revenue	5,487	14,775	40,492	27,539
Dealer manager fees	2,436	3,787	17,062	7,329