

HCP, INC.  
Form 10-Q  
November 01, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2016.

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 001-08895

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HCP, INC.

(Exact name of registrant as specified in its charter)

Maryland	33-0091377
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1920 Main Street, Suite 1200

Irvine, CA 92614

(Address of principal executive offices)

(949) 407-0700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-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

As of October 28, 2016, there were 467,971,166 shares of the registrant's \$1.00 par value common stock outstanding.

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## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Real estate:		
Buildings and improvements	\$ 12,534,471	\$ 12,198,704
Development costs and construction in progress	395,349	388,576
Land	1,971,601	1,948,757
Accumulated depreciation and amortization	(2,799,969)	(2,541,334)
Net real estate	12,101,452	11,994,703
Net investment in direct financing leases	5,860,401	5,905,009
Loans receivable, net	682,994	768,743
Investments in and advances to unconsolidated joint ventures	592,097	605,244
Accounts receivable, net of allowance of \$4,704 and \$3,261, respectively	41,371	48,929
Cash and cash equivalents	132,891	346,500
Restricted cash	71,727	60,616
Intangible assets, net	538,631	603,706
Real estate and related assets held for sale, net	372,968	314,126
Other assets, net	794,013	802,273
Total assets(1)	\$ 21,188,545	\$ 21,449,849
<b>LIABILITIES AND EQUITY</b>		
Bank line of credit	\$ 1,372,032	\$ 397,432
Term loans	462,181	524,807
Senior unsecured notes	8,229,731	9,120,107
Mortgage debt	762,715	932,212
Other debt	93,876	94,445
Intangible liabilities, net	46,135	56,147
Intangible and other liabilities related to assets held for sale, net	23,002	19,126
Accounts payable and accrued liabilities	487,033	436,239
Deferred revenue	136,406	123,017
Total liabilities(1)	11,613,111	11,703,532
Commitments and contingencies		
Common stock, \$1.00 par value: 750,000,000 shares authorized; 467,820,181 and 465,488,492 shares issued and outstanding, respectively	467,820	465,488
Additional paid-in capital	11,720,552	11,647,039
Cumulative dividends in excess of earnings	(2,975,096)	(2,738,414)
Accumulated other comprehensive loss	(30,164)	(30,470)
Total stockholders' equity	9,183,112	9,343,643
Joint venture partners	212,807	217,066

Non-managing member unitholders	179,515	185,608
Total noncontrolling interests	392,322	402,674
Total equity	9,575,434	9,746,317
Total liabilities and equity	\$ 21,188,545	\$ 21,449,849

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(1) HCP, Inc.'s consolidated total assets and total liabilities at September 30, 2016 and December 31, 2015 include certain assets of variable interest entities ("VIEs") that can only be used to settle the liabilities of the related VIE. The VIE creditors do not have recourse to HCP, Inc. Total assets at September 30, 2016 include VIE assets as follows: buildings and improvements \$3.4 billion; development costs \$23 million; land \$324 million; accumulated depreciation and amortization \$629 million; investments in unconsolidated joint ventures \$14 million; accounts receivable \$19 million; cash \$59 million; restricted cash \$27 million; intangible assets, net \$177 million; and other assets, net \$68 million. Total assets at December 31, 2015 include VIE assets as follows: buildings and improvements \$3.4 billion; development costs \$54 million; land \$327 million; accumulated depreciation and amortization \$537 million; investments in unconsolidated joint ventures \$14 million; accounts receivable \$19 million; cash \$61 million; restricted cash \$21 million; intangible assets, net \$204 million; and other assets, net \$63 million. Total liabilities at September 30, 2016 include VIE liabilities as follows: mortgage debt \$568 million; intangible liabilities, net \$9 million; accounts payable and accrued liabilities \$127 million and deferred revenue \$26 million. Total liabilities at December 31, 2015 include VIE liabilities as follows: mortgage debt \$589 million; intangible liabilities, net \$10 million; accounts payable and accrued liabilities \$107 million and deferred revenue \$19 million. See Note 16 to the Consolidated Financial Statements for additional information.

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues:				
Rental and related revenues	\$ 297,178	\$ 293,566	\$ 893,448	\$ 845,382
Tenant recoveries	35,195	33,084	100,862	94,356
Resident fees and services	170,752	155,290	500,717	367,141
Income from direct financing leases	130,663	155,717	390,731	478,976
Interest income	20,482	19,842	71,298	89,049
Total revenues	654,270	657,499	1,957,056	1,874,904
Costs and expenses:				
Interest expense	117,860	122,157	361,255	357,569
Depreciation and amortization	142,874	134,704	425,582	369,629
Operating	188,747	173,515	545,827	441,888
General and administrative	34,787	20,534	83,079	74,152
Acquisition and pursuit costs	17,568	1,553	34,570	23,350
Impairments	—	69,622	—	592,921
Total costs and expenses	501,836	522,085	1,450,313	1,859,509
Other income (expense):				
(Loss) gain on sales of real estate	(9)	52	119,605	6,377
Other income (expense), net	1,454	(572)	5,128	13,125
Total other income (expense), net	1,445	(520)	124,733	19,502
Income before income taxes and equity (loss)				
income from and impairment of unconsolidated				
joint ventures	153,879	134,894	631,476	34,897
Income tax benefit (expense)	2,213	1,980	(48,822)	6,620
Equity (loss) income from unconsolidated joint				
ventures	(2,053)	8,314	(4,028)	33,916
Impairment of investments in unconsolidated				
joint ventures	—	(27,234)	—	(27,234)
Net income	154,039	117,954	578,626	48,199
Noncontrolling interests' share in earnings	(2,789)	(2,592)	(9,540)	(8,566)
Net income attributable to HCP, Inc.	151,250	115,362	569,086	39,633
Participating securities' share in earnings	(326)	(316)	(977)	(1,020)
Net income applicable to common shares	\$ 150,924	\$ 115,046	\$ 568,109	\$ 38,613
Earnings per common share:				
Basic	\$ 0.32	\$ 0.25	\$ 1.22	\$ 0.08

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Diluted	\$ 0.32	\$ 0.25	\$ 1.22	\$ 0.08
Weighted average shares used to calculate earnings per common share:				
Basic	467,628	463,337	466,931	462,039
Diluted	467,835	463,586	467,132	462,302
Dividends declared per common share	\$ 0.575	\$ 0.565	\$ 1.725	\$ 1.695

See accompanying Notes to the Consolidated Financial Statements.

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HCP, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

Three Months Ended September 30,    Nine Months Ended September 30,