

ST JOE CO  
Form 10-Q  
October 31, 2018  
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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, 2018

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 10466

The St. Joe Company

(Exact name of registrant as specified in its charter)

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Florida (State or other jurisdiction of incorporation or organization)	59 0432511 (I.R.S. Employer Identification No.)
133 South Watersound Parkway Watersound, Florida (Address of principal executive offices)	32461 (Zip Code)

(850) 231 6400

(Registrant's telephone number, including area code)

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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 every Interactive Data File required to be submitted 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 such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

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Accelerated filer

Non-accelerated filer      Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 29, 2018, there were 60,672,034 shares of common stock, no par value, outstanding.

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THE ST. JOE COMPANY

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE ST. JOE COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Investment in real estate, net	\$ 348,896	\$ 332,624
Cash and cash equivalents	200,884	192,083
Investments - debt securities	13,177	76,245
Investments - equity securities	35,144	35,023
Restricted investments	3,429	4,469
Income tax receivable	3,395	8,371
Claim settlement receivable	5,400	5,280
Other assets	40,602	47,133
Property and equipment, net of accumulated depreciation of \$60,397 and \$60,697 at September 30, 2018 and December 31, 2017, respectively	12,335	11,776
Investments held by special purpose entities	207,338	207,989
Total assets	\$ 870,600	\$ 920,993
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Debt, net	\$ 62,326	\$ 55,630
Other liabilities	50,006	47,259
Deferred tax liabilities, net	47,451	48,983
Senior Notes held by special purpose entity	176,715	176,537
Total liabilities	336,498	328,409
Equity:		
Common stock, no par value; 180,000,000 shares authorized; 60,672,034 and 65,897,866 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	331,381	424,694
Retained earnings	187,516	154,324
Accumulated other comprehensive loss	(302)	(1,461)
Total stockholders' equity	518,595	577,557
Non-controlling interest	15,507	15,027
Total equity	534,102	592,584
Total liabilities and equity	\$ 870,600	\$ 920,993

See accompanying notes to the condensed consolidated financial statements.



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## THE ST. JOE COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

The following presents the portion of the consolidated balances attributable to the Company's consolidated variable interest entities, which, as of September 30, 2018 and December 31, 2017, include the Pier Park North joint venture ("Pier Park North JV"), Pier Park Crossings LLC ("Pier Park Crossings JV"), Windmark JV, LLC ("Windmark JV"), Panama City Timber Finance Company, LLC and Northwest Florida Timber Finance, LLC as discussed in Note 2. Summary of Significant Accounting Policies. Basis of Presentation and Principles of Consolidation. As of December 31, 2017, consolidated balances attributable to the Company's consolidated variable interest entities also include Artisan Park, L.L.C., see Note 9. Real Estate Joint Ventures for additional information. The following assets may only be used to settle obligations of the consolidated variable interest entities and the following liabilities are only obligations of the variable interest entities and do not have recourse to the general credit of the Company, except for covenants and limited guarantees discussed in Note 10. Debt, Net.

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Investment in real estate	\$ 67,050	\$ 58,441
Cash and cash equivalents	2,984	5,084
Other assets	12,801	11,889
Investments held by special purpose entity	207,338	207,989
Total assets	\$ 290,173	\$ 283,403
<b>LIABILITIES</b>		
Debt, net	\$ 53,371	\$ 46,783
Other liabilities	5,292	4,357
Senior Notes held by special purpose entity	176,715	176,537
Total liabilities	\$ 235,378	\$ 227,677

See accompanying notes to the condensed consolidated financial statements.

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## THE ST. JOE COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Real estate revenue	\$ 6,200	\$ 10,707	\$ 46,061	\$ 19,383
Resorts and leisure revenue	12,565	18,198	33,284	45,633
Leasing revenue	3,138	3,033	9,279	8,431
Timber revenue	1,773	2,050	5,350	4,702
Total revenue	23,676	33,988	93,974	78,149
Expenses:				
Cost of real estate revenue	3,709	6,405	10,831	10,350
Cost of resorts and leisure revenue	9,669	14,513	26,488	38,200
Cost of leasing revenue	784	842	2,450	2,308
Cost of timber revenue	148	167	554	562
Other operating and corporate expenses	5,113	4,968	16,068	15,303
Depreciation, depletion and amortization	2,309	2,306	6,836	6,291
Total expenses	21,732	29,201	63,227	73,014
Operating income	1,944	4,787	30,747	5,135
Other income (expense):				
Investment income, net	2,575	6,452	12,221	31,110
Interest expense	(2,926)	(3,038)	(8,905)	(9,117)
Other income, net	268	583	787	4,646
Total other (expense) income, net	(83)	3,997	4,103	26,639
Income before income taxes	1,861	8,784	34,850	31,774
Income tax benefit (expense)	3,483	(2,643)	(2,815)	(10,831)
Net income	5,344	6,141	32,035	20,943
Net loss (income) attributable to non-controlling interest	139	(198)	400	132
Net income attributable to the Company	\$ 5,483	\$ 5,943	\$ 32,435	\$ 21,075
NET INCOME PER SHARE				
Basic and Diluted				
Weighted average shares outstanding	61,066,731	70,202,807	63,418,118	72,037,772
Net income per share attributable to the Company	\$ 0.09	\$ 0.08	\$ 0.51	\$ 0.29

See accompanying notes to the condensed consolidated financial statements.





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## THE ST. JOE COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income:	\$ 5,344	\$ 6,141	\$ 32,035	\$ 20,943
Other comprehensive income (loss):				
Available-for-sale investment items:				
Net unrealized (loss) gain on available-for-sale investments	(1,244)	(683)	(1,726)	3,967
Net unrealized gain (loss) on restricted investments	—	4	(9)	4
Reclassification of net realized loss (gain) included in earnings	—	104	1,050	(10,757)
Reclassification into retained earnings (1)	—	—	932	—
Reclassification of other-than-temporary impairment loss included in earnings	1,660	403	1,723	769
Total before income taxes	416	(172)	1,970	(6,017)
Income tax (expense) benefit (2)	(105)	(75)	(811)	2,319
Total other comprehensive income (loss), net of tax	311	(247)	1,159	(3,698)
Total comprehensive income, net of tax	\$ 5,655	\$ 5,894	\$ 33,194	\$ 17,245

- (1) The reclassification into retained earnings relates to the adoption of Accounting Standards Update (“ASU”) 2016-01 Financial Instruments - Overall, as amended (“ASU 2016-01”). The new guidance was effective January 1, 2018, and required equity investments to be measured at fair value with changes in fair value recognized in results of operations rather than the condensed consolidated statements of comprehensive income. See Note 2. Summary of Significant Accounting Policies.
- (2) Income tax expense for the nine months ended September 30, 2018 includes \$0.3 million of income tax expense related to the adoption of ASU 2018-02 Income Statement - Reporting Comprehensive Income (“ASU 2018-02”). The new guidance was effective January 1, 2018, and allowed a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”). See Note 2. Summary of Significant Accounting Policies.

See accompanying notes to the condensed consolidated financial statements.



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## THE ST. JOE COMPANY

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common Stock Outstanding Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interest
, 2017	65,897,866	\$ 424,694	\$ 154,324	\$ (1,461)	\$ —	\$ 15,027
Interest	—	(490)	—	—	—	490
Interest Artisan	—	297	—	—	—	(297)
Contribution	—	—	—	—	—	887
Issuance	—	—	—	—	—	(200)
Common Director's	2,778	57	—	—	—	—
Common Director	9,956	192	—	—	—	—
Retirement of Shares	(5,238,566)	—	—	—	(93,369)	—
Repurchase of Common ASU	—	(93,369)	—	—	93,369	—
Revenue Effects with ASU	—	—	1,140	—	—	—
Financial	—	—	(696)	696	—	—

Proposed  
ASU  
Income

Positive

	—	—	313	(313)	—	—
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Negative

	—	—	—	776	—	—
	—	—	32,435	—	—	(400)

Q3 2018	60,672,034	\$ 331,381	\$ 187,516	\$ (302)	\$ —	\$ 15,507
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See accompanying notes to the condensed consolidated financial statements.

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THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

Nine Months  
Ended  
September 30,