

REALTY INCOME CORP
Form 10-Q
October 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2010, or

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-13374

REALTY INCOME CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	33-0580106
(State or Other	(IRS Employer
Jurisdiction of	Identification
Incorporation	Number)
or	
Organization)	

600 La Terraza Boulevard, Escondido, California 92025-3873
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (760) 741-2111

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.

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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

There were 110,696,548 shares of common stock outstanding as of October 20, 2010.

REALTY INCOME CORPORATION

Form 10-Q
September 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REALTY INCOME CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE
 SHEETS

September 30, 2010 and December 31, 2009
 (dollars in thousands, except per share data)

	2010	2009
ASSETS	(unaudited)	
Real estate, at cost:		
Land	\$ 1,353,973	\$ 1,169,295
Buildings and improvements	2,366,621	2,270,161
Total real estate, at cost	3,720,594	3,439,456
Less accumulated depreciation and amortization	(690,511)	(630,840)
Net real estate held for investment	3,030,083	2,808,616
Real estate held for sale, net	9,639	8,266
Net real estate	3,039,722	2,816,882
Cash and cash equivalents	155,582	10,026
Accounts receivable, net	10,398	10,396
Goodwill	17,206	17,206
Other assets, net	62,626	60,277
Total assets	\$ 3,285,534	\$ 2,914,787
LIABILITIES AND STOCKHOLDERS' EQUITY		
Distributions payable	\$ 17,954	\$ 16,926
Accounts payable and accrued expenses	26,846	38,445
Other liabilities	13,750	16,807
Line of credit payable	--	4,600
Notes payable	1,600,000	1,350,000
Total liabilities	1,658,550	1,426,778
Commitments and contingencies		
Stockholders' equity:		
Preferred stock and paid in capital, par value \$1.00 per share, 20,000,000 shares authorized, 13,900,000 shares issued and outstanding	337,790	337,790
Common stock and paid in capital, par value \$1.00 per share, 200,000,000 shares authorized, 110,696,348 and 104,286,705 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively	1,829,223	1,629,237
Distributions in excess of net income	(540,029)	(479,018)
Total stockholders' equity	1,626,984	1,488,009
Total liabilities and stockholders' equity	\$ 3,285,534	\$ 2,914,787

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
INCOME

For the three and nine months ended September 30, 2010 and 2009
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
REVENUE				
Rental	\$87,089	\$81,036	\$252,369	\$243,292
Other	84	427	854	1,255
Total revenue	87,173	81,463	253,223	244,547
EXPENSES				
Depreciation and amortization	24,100	22,680	70,621	67,976
Interest	25,135	21,374	68,106	64,151
General and administrative	6,165	4,906	19,526	15,862
Property	1,763	1,472	5,355	5,290
Income taxes	335	74	890	684
Total expenses	57,498	50,506	164,498	153,963
Income from continuing operations	29,675	30,957	88,725	90,584
Income from discontinued operations:				
Real estate acquired for resale by Crest	221	207	585	308
Real estate held for investment	1,758	1,988	3,597	4,904
Total income from discontinued operations	1,979	2,195	4,182	5,212
Net income	31,654	33,152	92,907	95,796
Preferred stock cash dividends	(6,063)	(6,063)	(18,190)	(18,190)
Net income available to common stockholders	\$25,591	\$27,089	\$74,717	\$77,606
Amounts available to common stockholders per common share:				
Income from continuing operations:				
Basic	\$0.23	\$0.24	\$0.68	\$0.70
Diluted	\$0.23	\$0.24	\$0.68	\$0.70
Net income:				
Basic	\$0.25	\$0.26	\$0.72	\$0.75
Diluted	\$0.25	\$0.26	\$0.72	\$0.75
Weighted average common shares outstanding:				
Basic	103,830,029	103,470,512	103,781,108	103,528,952
Diluted	103,977,023	103,481,892	103,887,679	103,532,894

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH
 FLOWS

For the nine months ended September 30, 2010 and 2009
 (dollars in thousands)(unaudited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$92,907	\$95,796
Adjustments to net income:		
Depreciation and amortization	70,621	67,976
Income from discontinued operations:		
Real estate acquired for resale	(585)	(308)
Real estate held for investment	(3,597)	(4,904)
Gain on sales of land	(468)	(15)
Amortization of share-based compensation	4,824	3,733
Cash provided by discontinued operations:		
Real estate acquired for resale	585	648
Real estate held for investment	368	1,645
Collection of notes receivable by Crest	103	96
Change in assets and liabilities:		
Accounts receivable and other assets	7,023	5,006
Accounts payable, accrued expenses and other liabilities	(15,020)	(20,849)
Net cash provided by operating activities	156,761	148,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sales of investment properties:		
Continuing operations	--	170
Discontinued operations	15,294	10,409
Funds held in escrow pending property acquisitions	(5,000)	--
Restricted escrow deposit for Section 1031 tax-deferred exchange	(687)	--
Acquisition of and improvements to investment properties	(304,615)	(13,644)
Intangibles acquired in connection with acquisitions of investment properties	--	(860)
Net cash used in investing activities	(295,008)	(3,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash distributions to common stockholders	(134,700)	(133,367)
Cash dividends to preferred stockholders	(18,190)	(18,190)
Borrowings from line of credit	408,700	--
Payments under line of credit	(413,300)	--
Proceeds from notes issued, net of financing costs of \$3,869	246,131	--
Proceeds from common stock offering, net of costs of \$10,131	196,899	--
Principal payment on notes payable	--	(20,000)
Other items	(1,737)	