

Edgar Filing: Brixmor Property Group Inc. - Form 10-Q

Brixmor Property Group Inc.  
Form 10-Q  
April 30, 2018

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, 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: 001-36160 (Brixmor Property Group)

Commission File Number: 333-201464-01 (Brixmor Operating Partnership LP)

Brixmor Property Group Inc.  
Brixmor Operating Partnership LP  
(Exact Name of Registrant as Specified in Its Charter)

Maryland (Brixmor Property Group Inc.) 45-2433192  
Delaware (Brixmor Operating Partnership LP) 80-0831163  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

450 Lexington Avenue, New York, New York 10017

(Address of Principal Executive Offices) (Zip Code)

212-869-3000

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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.

Brixmor Property Group Inc. Yes  No  Brixmor Operating Partnership LP 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).

Brixmor Property Group Inc. Yes  No  Brixmor Operating Partnership LP 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.

Brixmor Property Group Inc.

Brixmor Operating Partnership LP

Large accelerated filer  Non-accelerated filer

Large accelerated filer  Non-accelerated filer

Smaller reporting company  Accelerated filer

Smaller reporting company  Accelerated filer

Emerging growth company

Emerging growth company

Edgar Filing: Brixmor Property Group Inc. - Form 10-Q

(Do not check if a smaller reporting 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.

Brixmor Property Group Inc.    Brixmor Operating Partnership LP

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

Brixmor Property Group Inc. Yes    No     Brixmor Operating Partnership LP Yes    No

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

As of April 1, 2018, Brixmor Property Group Inc. had 302,826,470 shares of common stock outstanding.

---

## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2018 of Brixmor Property Group Inc. and Brixmor Operating Partnership LP. Unless stated otherwise or the context otherwise requires, references to the “Parent Company” or “BPG” mean Brixmor Property Group Inc. and its consolidated subsidiaries; and references to the “Operating Partnership” mean Brixmor Operating Partnership LP and its consolidated subsidiaries. Unless the context otherwise requires, the terms the “Company,” “Brixmor,” “we,” “our” and “us” mean the Parent Company and the Operating Partnership, collectively.

The Parent Company is a real estate investment trust (“REIT”) that owns 100% of the common stock of BPG Subsidiary Inc. (“BPG Sub”), which, in turn, is the sole owner of Brixmor OP GP LLC (the “General Partner”), the sole general partner of the Operating Partnership. As of March 31, 2018, the Parent Company beneficially owned, through its direct and indirect interest in BPG Sub and the General Partner, 100% of the outstanding partnership common units of interest (the “OP Units”) in the Operating Partnership.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report:

- Enhances investors’ understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Eliminates duplicative disclosure and provides a more streamlined and readable presentation; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. The management of the Parent Company consists of the same individuals as the management of the Operating Partnership. These individuals are officers of both the Parent Company and the Operating Partnership.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its indirect interest in the Operating Partnership. As a result, the Parent Company does not conduct business itself other than issuing public equity from time to time. The Parent Company does not incur any material indebtedness. The Operating Partnership holds substantially all of our assets. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates all remaining capital required by the Company’s business. Sources of this capital include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of OP Units.

Stockholders’ equity, partners’ capital, and non-controlling interests are the primary areas of difference between the unaudited condensed consolidated financial statements of the Parent Company and those of the Operating Partnership. The Operating Partnership’s capital currently includes OP Units owned by the Parent Company through BPG Sub and the General Partner and has in the past and may in the future include OP Units owned by third parties. OP Units owned by third parties, if any, are accounted for in partners’ capital in the Operating Partnership’s financial statements and outside of stockholders’ equity in non-controlling interests in the Parent Company’s financial statements.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements (but combined footnotes), separate controls and procedures sections, separate certification of periodic report under Section 302 of the Sarbanes-Oxley Act of 2002 and separate certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. In the sections that combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or

holdings of the Company.

The Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have material assets other than its indirect investment in the Operating Partnership. Therefore, while stockholders' equity, partners' capital and non-controlling interests may differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are materially the same on their respective financial statements.

i

---

## TABLE OF CONTENTS

Item No.	Page
<b>Part I - FINANCIAL INFORMATION</b>	
1. Financial Statements	<u>1</u>
Brixmor Property Group Inc. (unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017	<u>1</u>
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2018 and 2017	<u>2</u>
Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2018 and 2017	<u>3</u>
Condensed Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2018 and 2017	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017	<u>5</u>
Brixmor Operating Partnership LP (unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017	<u>6</u>
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2018 and 2017	<u>7</u>
Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2018 and 2017	<u>8</u>
Condensed Consolidated Statements of Changes in Capital for the Three Months Ended March 31, 2018 and 2017	<u>9</u>
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017	<u>10</u>
Brixmor Property Group Inc. and Brixmor Operating Partnership LP (unaudited)	
Notes to Condensed Consolidated Financial Statements	<u>11</u>
2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>26</u>
3. Quantitative and Qualitative Disclosures about Market Risk	<u>37</u>
4. Controls and Procedures	<u>37</u>
<b>Part II - OTHER INFORMATION</b>	
1. Legal Proceedings	<u>38</u>
1A. Risk Factors	<u>38</u>
2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>38</u>
3. Defaults Upon Senior Securities	<u>38</u>
4. Mine Safety Disclosures	<u>38</u>
5. Other Information	<u>38</u>
6. Exhibits	<u>39</u>

## Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “anticipates,” “targets” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in our Form 10-K for the year ended December 31, 2017, as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at <http://www.sec.gov>. These factors include (1) changes in national, regional or local economic climates; (2) local market conditions, including an oversupply of space in, or a reduction in demand for, properties similar to those in our Portfolio; (3) changes in market rental rates; (4) changes in the regional demographics of our properties; (5) competition from other available properties and the attractiveness of properties in our Portfolio to our tenants; (6) the financial stability of tenants, including the ability of tenants to pay rent and expense reimbursements; (7) in the case of percentage rents, the sales volume of our tenants; and (8) litigation and governmental investigations discussed under the heading “Legal Matters” in Note 13 – Commitments and Contingencies to our unaudited Condensed Consolidated Financial Statements in this report. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share information)

	March 31, 2018	December 31, 2017
Assets		
Real estate		
Land	\$ 1,962,364	\$ 1,984,309
Buildings and improvements	8,896,102	8,937,182
	10,858,466	10,921,491
Accumulated depreciation and amortization	(2,405,579 )	(2,361,070 )
Real estate, net	8,452,887	8,560,421
Cash and cash equivalents		
	27,332	56,938
Restricted cash	65,437	53,839
Marketable securities	27,063	28,006
Receivables, net of allowance for doubtful accounts of \$17,498 and \$17,205	219,312	232,111
Deferred charges and prepaid expenses, net	145,421	147,508
Other assets	50,406	75,103
Total assets	\$ 8,987,858	\$ 9,153,926
Liabilities		
Debt obligations, net	\$ 5,622,111	\$ 5,676,238
Accounts payable, accrued expenses and other liabilities	504,171	569,340
Total liabilities	6,126,282	6,245,578
Commitments and contingencies (Note 13)		
Equity		
Common stock, \$0.01 par value; authorized 3,000,000,000 shares; 305,075,180 and	3,028	3,046

Edgar Filing: Brixmor Property Group Inc. - Form 10-Q

304,947,144 shares  
issued and 302,826,470  
and 304,620,186 shares  
outstanding

Additional paid-in capital	3,301,482		3,330,466	
Accumulated other comprehensive income	28,898		24,211	
Distributions in excess of net income	(471,832	)	(449,375	)
Total equity	2,861,576		2,908,348	
Total liabilities and equity	\$	8,987,858	\$	9,153,926

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



**BRIXMOR PROPERTY GROUP INC. AND  
SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF  
OPERATIONS**

(Unaudited, in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2018	2017
Revenues		
Rental income	\$243,345	\$249,621
Expense reimbursements	70,878	73,190
Other revenues	2,952	2,995
Total revenues	317,175	325,806
Operating expenses		
Operating costs	35,490	37,425
Real estate taxes	45,725	46,467
Depreciation and amortization	90,383	93,931
Provision for doubtful accounts	2,415	1,050
Impairment of real estate assets	15,902	5,686
General and administrative	22,426	20,957
Total operating expenses	212,341	205,516
Other income (expense)		
Dividends and interest	96	73
Interest expense	(55,171 )	(55,731 )
Gain on sale of real estate assets	11,448	