

CBRE GROUP, INC.
Form 10-Q
November 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

.. **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 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

11150 Santa Monica Boulevard, Suite 1600

Los Angeles, California
(Address of principal executive offices)

94-3391143
(I.R.S. Employer Identification Number)

90025
(Zip Code)

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(310) 405-8900

(Registrant's telephone number, including area code)

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

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 .

The number of shares of Class A common stock outstanding at October 31, 2012 was 329,232,692.

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September 30, 2012

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Table of Contents**CBRE GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except share data)**

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 776,260	\$ 1,093,182
Restricted cash	64,600	67,138
Receivables, less allowance for doubtful accounts of \$37,421 and \$33,915 at September 30, 2012 and December 31, 2011, respectively	1,127,992	1,135,371
Warehouse receivables	465,794	720,061
Trading securities	97,059	151,484
Income taxes receivable	85,935	
Prepaid expenses	103,794	111,879
Deferred tax assets, net	172,287	168,939
Real estate under development	41,833	30,617
Real estate and other assets held for sale	52,504	26,201
Available for sale securities	1,083	2,790
Other current assets	48,134	42,385
Total Current Assets	3,037,275	3,550,047
Property and equipment, net	334,860	295,488
Goodwill	1,845,387	1,828,407
Other intangible assets, net of accumulated amortization of \$255,929 and \$194,982 at September 30, 2012 and December 31, 2011, respectively	769,640	794,325
Investments in unconsolidated subsidiaries	214,231	166,832
Real estate under development	10,992	3,952
Real estate held for investment	360,040	403,698
Available for sale securities	54,769	34,605
Other assets, net	141,583	141,789
Total Assets	\$ 6,768,777	\$ 7,219,143
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 515,369	\$ 574,136
Compensation and employee benefits payable	387,416	398,688
Accrued bonus and profit sharing	353,048	544,628
Securities sold, not yet purchased	44,829	98,810
Income taxes payable		28,368
Short-term borrowings:		
Warehouse lines of credit	458,306	713,362
Revolving credit facility	72,658	44,825
Other	16	16
Total short-term borrowings	530,980	758,203
Current maturities of long-term debt	71,060	67,838
Notes payable on real estate	154,676	146,120
Liabilities related to real estate and other assets held for sale	43,902	21,482
Other current liabilities	42,976	42,375
Total Current Liabilities	2,144,256	2,680,648
Long-Term Debt:		
Senior secured term loans	1,574,661	1,615,773

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11.625% senior subordinated notes, net of unamortized discount of \$9,871 and \$10,984 at September 30, 2012 and December 31, 2011, respectively	440,129	439,016
6.625% senior notes	350,000	350,000
Other long-term debt	6,710	59
Total Long-Term Debt	2,371,500	2,404,848
Notes payable on real estate	168,010	206,339
Deferred tax liabilities, net	163,341	148,969
Non-current tax liabilities	85,084	79,927
Pension liability	61,823	60,860
Other liabilities	255,657	220,389
Total Liabilities	5,249,671	5,801,980
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 329,161,194 and 327,972,156 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	3,292	3,280
Additional paid-in capital	940,940	882,141
Accumulated earnings	567,056	424,499
Accumulated other comprehensive loss	(170,856)	(158,439)
Total CBRE Group, Inc. Stockholders' Equity	1,340,432	1,151,481
Non-controlling interests	178,674	265,682
Total Equity	1,519,106	1,417,163
Total Liabilities and Equity	\$ 6,768,777	\$ 7,219,143

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 1,557,147	\$ 1,534,463	\$ 4,508,253	\$ 4,141,786
Costs and expenses:				
Cost of services	915,245	894,607	2,610,944	2,448,184
Operating, administrative and other	482,362	469,138	1,405,461	1,279,019
Depreciation and amortization	40,102	31,308	124,895	79,871
Non-amortizable intangible asset impairment	19,826		19,826	
Total costs and expenses	1,457,535	1,395,053	4,161,126	3,807,074
Gain on disposition of real estate	3,983	3,595	5,231	11,594
Operating income	103,595	143,005	352,358	346,306
Equity income from unconsolidated subsidiaries	2,875	6,714	19,870	38,961
Other income (loss)	151	(5,809)	4,635	(5,809)
Interest income	1,895	2,493	5,783	7,063
Interest expense	43,651	39,080	132,043	107,014
Income from continuing operations before provision for income taxes	64,865	107,323	250,603	279,507
Provision for income taxes	22,160	47,290	102,353	117,032
Income from continuing operations	42,705	60,033	148,250	162,475
Income from discontinued operations, net of income taxes				16,911
Net income	42,705	60,033	148,250	179,386
Less: Net income (loss) attributable to non-controlling interests	2,996	(3,774)	5,693	19,987
Net income attributable to CBRE Group, Inc.	\$ 39,709	\$ 63,807	\$ 142,557	\$ 159,399
<i>Basic income per share attributable to CBRE Group, Inc. shareholders</i>				
Income from continuing operations attributable to CBRE Group, Inc.	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.50
Income from discontinued operations attributable to CBRE Group, Inc.				
Net income attributable to CBRE Group, Inc.	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.50
Weighted average shares outstanding for basic income per share	322,331,850	318,867,447	321,289,017	317,718,150

Diluted income per share attributable to CBRE Group, Inc. shareholders

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Income from continuing operations attributable to CBRE Group, Inc.	\$	0.12	\$	0.20	\$	0.44	\$	0.49
Income from discontinued operations attributable to CBRE Group, Inc.								
Net income attributable to CBRE Group, Inc.	\$	0.12	\$	0.20	\$	0.44	\$	0.49
Weighted average shares outstanding for diluted income per share		327,309,341		323,714,703		326,380,448		323,584,637
<i>Amounts attributable to CBRE Group, Inc. shareholders</i>								
Income from continuing operations, net of tax	\$	39,709	\$	63,807	\$	142,557	\$	159,399
Income from discontinued operations, net of tax								
Net income	\$	39,709	\$	63,807	\$	142,557	\$	159,399

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(Dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 42,705	\$ 60,033	\$ 148,250	\$ 179,386
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	15,422	(67,922)	(6,237)	(22,377)
Unrealized losses on interest rate swaps and interest rate caps, net	(1,938)	(16,285)	(6,298)	(23,062)
Unrealized gains (losses) on available for sale securities, net	323	(49)	137	134
Other, net	(164)	1,508	(331)	1,831
Total other comprehensive income (loss)	13,643	(82,748)	(12,729)	(43,474)
Comprehensive income (loss)	56,348	(22,715)	135,521	135,912
Less: Comprehensive income (loss) attributable to non-controlling interests	3,071	(5,785)	5,381	18,806
Comprehensive income (loss) attributable to CBRE Group, Inc.	\$ 53,277	\$ (16,930)	\$ 130,140	\$ 117,106

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollars in thousands)**

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 148,250	\$ 179,386
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	124,895	80,396
Amortization of financing costs	7,135	5,141
Non-amortizable intangible asset impairment	19,826	
Write-down of impaired real estate		1,625
Gain on sale of loans, servicing rights and other assets	(71,969)	(50,913)
Net realized and unrealized (gains) losses from investments	(4,635)	5,809
Gain on disposition of real estate held for investment	(1,539)	(20,383)
Equity income from unconsolidated subsidiaries	(19,870)	(38,961)
Provision for doubtful accounts	5,305	6,996
Compensation expense related to stock options and non-vested stock awards	37,867	32,866
Incremental tax benefit from stock options exercised	(167)	(15,266)
Distribution of earnings from unconsolidated subsidiaries	11,124	15,441
Tenant concessions received	16,140	38,669
Purchase of trading securities	(172,200)	(63,449)
Proceeds from sale of trading securities	160,029	156,876
Proceeds from securities sold, not yet purchased	126,675	108,206
Securities purchased to cover short sales	(134,696)	(90,364)
Increase in receivables	(2,345)	(35,810)
Increase in prepaid expenses and other assets	(8,840)	(15,561)
(Increase) decrease in real estate held for sale and under development	(8,637)	25,502
Decrease in accounts payable and accrued expenses	(47,990)	(32,471)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(231,961)	(160,634)
Increase in income taxes receivable/payable	(81,526)	(30,449)
Increase in other liabilities	8,549	5,856
Other operating activities, net	644	(4,384)
Net cash (used in) provided by operating activities	(119,936)	104,124
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(80,587)	(95,398)
Acquisition of Clarion Real Estate Securities, including net assets acquired, intangibles and goodwill, net of cash acquired		(215,865)
Acquisition of businesses (other than Clarion Real Estate Securities), including net assets acquired, intangibles and goodwill, net of cash acquired	(17,595)	(49,790)
Contributions to unconsolidated subsidiaries	(55,000)	(22,245)
Distributions from unconsolidated subsidiaries	14,655	42,048
Net proceeds from disposition of real estate held for investment	32,200	115,514
Additions to real estate held for investment	(5,783)	(7,454)
Proceeds from the sale of servicing rights and other assets	23,930	16,958
Decrease (increase) in restricted cash	3,698	(328,344)
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)	(73,187)	
Other investing activities, net	4,157	(1,965)
Net cash used in investing activities	(153,512)	(546,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans		800,000
Repayment of senior secured term loans	(51,032)	(30,500)
Proceeds from revolving credit facility	41,270	993,733

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Repayment of revolving credit facility	(15,230)	(967,414)
Proceeds from notes payable on real estate held for investment	4,652	5,697
Repayment of notes payable on real estate held for investment	(36,613)	(98,964)
Proceeds from notes payable on real estate held for sale and under development	14,711	4,684
Repayment of notes payable on real estate held for sale and under development	(7,625)	(26,594)
Proceeds from exercise of stock options	16,401	7,059
Incremental tax benefit from stock options exercised	167	15,266
Non-controlling interests contributions	15,956	9,400
Non-controlling interests distributions	(29,211)	(90,584)
Payment of financing costs	(199)	(22,150)
Other financing activities, net	(1,022)	(112)
Net cash (used in) provided by financing activities	(47,775)	599,521
Effect of currency exchange rate changes on cash and cash equivalents	4,301	(1,084)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(316,922)	156,020
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,093,182	506,574
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 776,260	\$ 662,594
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 102,973	\$ 79,077
Income tax payments, net	\$ 180,911	\$ 144,877

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENT OF EQUITY****(Unaudited)****(Dollars in thousands)**

	CBRE Group, Inc. Shareholders				Non-controlling interests	Total
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss		
Balance at December 31, 2011	\$ 3,280	\$ 882,141	\$ 424,499	\$ (158,439)	\$ 265,682	\$ 1,417,163
Net income			142,557		5,693	148,250
Stock options exercised (including tax benefit)	13	16,555				16,568
Compensation expense for stock options and non-vested stock awards		37,867				37,867
Foreign currency translation loss				(5,925)	(312)	(6,237)
Unrealized losses on interest rate swaps and interest rate caps, net				(6,298)		(6,298)
Unrealized gains on available for sale securities, net				137		137
Contributions from non-controlling interests					15,956	15,956
Distributions to non-controlling interests					(29,211)	(29,211)
Deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)						