

VENTAS INC
Form 10-Q
August 06, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008
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: 1-10989

Ventas, Inc.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

61-1055020
(I.R.S. Employer
Identification No.)

111 S. Wacker Drive, Suite 4800

Chicago, Illinois

(Address of Principal Executive Offices)

60606

(Zip Code)

(877) 483-6827

(Registrant's Telephone Number, Including Area Code)

10350 Ormsby Park Place, Suite 300, Louisville, Kentucky 40223

(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 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.

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

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

Class of Common Stock:
Common Stock, \$0.25 par value

Outstanding at August 1, 2008:
138,477,589

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****VENTAS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share amounts)**

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Real estate investments:		
Land	\$ 569,711	\$ 572,092
Buildings and improvements	5,700,555	5,718,273
	6,270,266	6,290,365
Accumulated depreciation	(905,608)	(816,352)
Net real estate property	5,364,658	5,474,013
Loans receivable, net	118,565	19,998
Net real estate investments	5,483,223	5,494,011
Cash and cash equivalents	29,268	28,334
Escrow deposits and restricted cash	40,038	54,077
Deferred financing costs, net	20,742	22,836
Notes receivable-related parties	1,752	2,092
Other	142,038	115,278
Total assets	\$ 5,717,061	\$ 5,716,628
Liabilities and stockholders equity		
Liabilities:		
Senior notes payable and other debt	\$ 3,251,418	\$ 3,360,499
Deferred revenue	8,050	9,065
Accrued interest	20,261	20,790
Accounts payable and other accrued liabilities	142,399	173,576
Deferred income taxes	282,080	297,590
Total liabilities	3,704,208	3,861,520
Minority interest	30,957	31,454
Commitments and contingencies		
Stockholders equity:		
Preferred stock, 10,000 shares authorized, unissued		
Common stock, \$0.25 par value; authorized 300,000 shares; 138,477 and 133,665 shares issued at June 30, 2008 and December 31, 2007, respectively	34,619	33,416
Capital in excess of par value	2,021,074	1,821,294
Accumulated other comprehensive income	12,831	17,416
Retained earnings (deficit)	(86,610)	(47,846)

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Treasury stock, 0 and 14 shares at June 30, 2008 and December 31, 2007, respectively	(18)	(626)
Total stockholders' equity	1,981,896	1,823,654
Total liabilities and stockholders' equity	\$ 5,717,061	\$ 5,716,628

See notes to consolidated financial statements.

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VENTAS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Rental income	\$ 123,889	\$ 118,252	\$ 246,596	\$ 234,597
Resident fees and services	107,312	71,400	215,038	71,400
Income from loans and investments	1,480	1,679	1,947	2,502
Interest and other income	832	586	1,696	835
Total revenues	233,513	191,917	465,277	309,334
Expenses:				
Interest	52,444	54,414	105,308	93,223
Depreciation and amortization	57,975	57,467	129,635	89,746
Property-level operating expenses	71,842	50,407	148,799	51,348
General, administrative and professional fees (including non-cash stock-based compensation expense of \$2,541 and \$1,820 for the three months ended 2008 and 2007, respectively, and \$4,490 and \$ 3,834 for the six months ended 2008 and 2007, respectively)	9,610	8,023	17,867	15,604
Foreign currency gain	(27)	(18,575)	(106)	(24,361)
Loss on extinguishment of debt	195		116	
Merger-related expenses	1,234	792	1,880	792
Total expenses	193,273	152,528	403,499	226,352
Income before income taxes, minority interest and discontinued operations	40,240	39,389	61,778	82,982
Income tax benefit	3,712	5,611	13,750	5,611
Income before minority interest and discontinued operations	43,952	45,000	75,528	88,593
Minority interest, net of tax	545	408	1,023	413
Income from continuing operations	43,407	44,592	74,505	88,180
Discontinued operations	27,659	135,205	28,613	136,723
Net income	71,066	179,797	103,118	224,903
Preferred stock dividends and issuance costs		5,199		5,199
Net income applicable to common shares	\$ 71,066	\$ 174,598	\$ 103,118	\$ 219,704
Earnings per common share:				
Basic:				
Income from continuing operations applicable to common shares	\$ 0.31	\$ 0.34	\$ 0.54	\$ 0.75
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	\$ 0.51	\$ 1.49	\$ 0.75	\$ 1.97

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Diluted:

Income from continuing operations applicable to common shares	\$ 0.31	\$ 0.33	\$ 0.54	\$ 0.74
Discontinued operations	0.20	1.15	0.21	1.22
Net income applicable to common shares	\$ 0.51	\$ 1.48	\$ 0.75	\$ 1.96

Weighted average shares used in computing earnings per common share:

Basic	138,133	117,419	137,257	111,763
Diluted	138,737	117,825	137,705	112,264
Dividends declared per common share	\$ 0.5125	\$ 0.475	\$ 1.0250	\$ 0.950

See notes to consolidated financial statements.

Table of Contents**VENTAS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

	For the Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 103,118	\$ 224,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	129,811	91,785
Amortization of deferred revenue and lease intangibles, net	(5,383)	(3,602)
Other amortization expenses	1,129	1,659
Stock-based compensation	4,490	3,834
Straight-lining of rental income	(7,429)	(8,606)
Gain on extinguishment of debt	(91)	
Gain on sale of real estate assets (including amounts in discontinued operations)	(25,869)	(129,478)
Loss on bridge financing		2,550
Income tax benefit	(13,750)	(5,611)
Net gain on sale of marketable equity securities		(864)
Other	1,737	23
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	5,450	(9,646)
Decrease in accrued interest	(570)	(2,497)
(Decrease) increase in accounts payable and other liabilities	(21,461)	1,389
Net cash provided by operating activities	171,182	165,839
Cash flows from investing activities:		
Net investment in real estate property	(6,360)	(1,220,915)
Investment in loans receivable	(98,826)	