

Terreno Realty Corp
Form 10-Q
August 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2015

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 001-34603

Terreno Realty Corporation
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of

27-1262675
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

101 Montgomery Street, Suite 200

San Francisco, CA
(Address of Principal Executive Offices)

94104
(Zip Code)

Registrant's telephone number, including area code: (415) 655-4580

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.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 registrant had 43,028,129 shares of its common stock, \$0.01 par value per share, outstanding as of August 3, 2015.

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Terreno Realty Corporation

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Table of Contents**Terreno Realty Corporation****Consolidated Balance Sheets****(in thousands except share and per share data)**

	<i>June 30, 2015</i> <i>(Unaudited)</i>	<i>December 31, 2014</i>
ASSETS		
Investments in real estate		
Land	\$ 470,931	\$ 388,007
Buildings and improvements	544,177	470,348
Intangible assets	54,324	42,918
Total investments in properties	1,069,432	901,273
Accumulated depreciation and amortization	(59,507)	(45,446)
Net investments in properties	1,009,925	855,827
Properties held for sale, net	6,315	6,315
Net investments in real estate	1,016,240	862,142
Cash and cash equivalents	26,690	190,601
Restricted cash	5,357	6,963
Deferred financing costs, net	2,657	2,986
Other assets, net	17,463	14,074
Total assets	\$ 1,068,407	\$ 1,076,766
LIABILITIES AND EQUITY		
Liabilities		
Credit facility	\$	\$
Term loans payable	200,000	200,000
Mortgage loans payable	93,740	104,501
Security deposits	6,857	5,315
Intangible liabilities, net	4,520	3,556
Dividends payable	6,885	6,859
Accounts payable and other liabilities	11,957	9,499
Total liabilities	323,959	329,730
Commitments and contingencies (Note 9)		
Equity		
Stockholders' equity		
Preferred stock: \$0.01 par value, 100,000,000 shares authorized, and 1,840,000 and 1,840,000 shares (liquidation preference of \$25.00 per share) issued and outstanding, respectively	46,000	46,000
	430	428

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Common stock: \$0.01 par value, 400,000,000 shares authorized, and 43,028,129 and 42,869,463 shares issued and outstanding, respectively

Additional paid-in capital	698,331	700,755
Retained earnings		
Accumulated other comprehensive loss	(313)	(147)
Total stockholders' equity	744,448	747,036
Total liabilities and equity	\$ 1,068,407	\$ 1,076,766

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

Table of Contents**Terreno Realty Corporation****Consolidated Statements of Operations**

(in thousands except share and per share data)

(Unaudited)

	<i>For the Three Months Ended June 30,</i>		<i>For the Six Months Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
REVENUES				
Rental revenues	\$ 19,444	\$ 13,184	\$ 37,251	\$ 25,255
Tenant expense reimbursements	4,793	3,426	10,117	7,159
Total revenues	24,237	16,610	47,368	32,414
COSTS AND EXPENSES				
Property operating expenses	6,197	4,394	13,327	9,216
Depreciation and amortization	8,229	4,763	15,855	9,129
General and administrative	3,089	2,462	6,924	4,818
Acquisition costs	214	611	3,432	1,493
Total costs and expenses	17,729	12,230	39,538	24,656
OTHER INCOME (EXPENSE)				
Interest and other income (expense)	4	2	11	(3)
Interest expense, including amortization	(2,159)	(1,661)	(4,333)	(3,249)
Gain on sales of real estate investments	6,319		6,319	
Total other income and expenses	4,164	(1,659)	1,997	(3,252)
Net income	10,672	2,721	9,827	4,506
Preferred stock dividends	(891)	(891)	(1,783)	(1,783)
Net income, net of preferred stock dividends	9,781	1,830	8,044	2,723
Allocation to participating securities	(28)	(7)	(22)	(12)
Net income available to common stockholders, net of preferred stock dividends	\$ 9,753	\$ 1,823	\$ 8,022	\$ 2,711
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:				
Net income available to common stockholders, net of preferred stock dividends	\$ 0.23	\$ 0.06	\$ 0.19	\$ 0.10

BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	42,898,126	28,419,154	42,815,423	26,644,814
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The accompanying condensed notes are an integral part of these consolidated financial statements.

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Terreno Realty Corporation
Consolidated Statements of Comprehensive Income

(in thousands)

(Unaudited)

	<i>For the Three Months Ended</i>		<i>For the Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Net income	\$ 10,672	\$ 2,721	\$ 9,827	\$ 4,506
Other comprehensive loss: cash flow hedge adjustment	(19)		(166)	
Comprehensive income	\$ 10,653	\$ 2,721	\$ 9,661	\$ 4,506

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

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Terreno Realty Corporation
Consolidated Statement of Equity
(in thousands except share data)
(Unaudited)

	Preferred Stock	Common Stock Number of Shares	Common Stock Amount	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2014	\$ 46,000	42,869,463	\$ 428	\$ 700,755	\$	\$ (147)	\$ 747,036
Net income					9,827		9,827
Issuance of common stock, net of issuance costs of \$69		153,044	2	3,051			3,053
Repurchase of common stock		(20,035)		(505)			(505)
Issuance of restricted stock		25,657					
Stock-based compensation				743			743
Common stock dividends				(5,713)	(8,044)		(13,757)
Preferred stock dividends					(1,783)		(1,783)
Other comprehensive loss						(166)	(166)
Balance as of June 30, 2015	\$ 46,000	43,028,129	\$ 430	\$ 698,331	\$	\$ (313)	\$ 744,448

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

Table of Contents**Terreno Realty Corporation****Consolidated Statements of Cash Flows****(in thousands)****(Unaudited)**

	<i>For the Six Months Ended June 30,</i>	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,827	\$ 4,506
Adjustments to reconcile net income to net cash provided by operating activities		
Straight-line rents	(2,184)	(1,168)
Amortization of lease intangibles	(1,217)	(489)
Depreciation and amortization	15,855	9,129
Gain on sales of real estate investments	(6,319)	
Deferred financing cost and mortgage premium amortization	157	132
Stock-based compensation	2,682	1,352
Changes in assets and liabilities		
Other assets	(1,387)	(2,062)
Accounts payable and other liabilities	1,026	993
Net cash provided by operating activities	18,440	12,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	2,806	148
Cash paid for property acquisitions	(165,375)	(77,099)
Cash paid for deposits on property acquisitions	(1,200)	(600)
Proceeds from sales of real estate investments	13,008	
Additions to buildings, improvements and leasing costs	(7,910)	(5,470)
Net cash used in investing activities	(158,671)	(83,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	3,122	136,815
Issuance costs on issuance of common stock	(46)	(163)
Repurchase of common stock	(505)	(284)
Borrowings on credit facility		69,000
Payments on credit facility		(100,000)
Borrowings on term loans payable		8,000
Payments on mortgage loans payable	(10,526)	(10,813)
Payment of deferred financing costs	(211)	(1,004)
Dividends paid to common stockholders	(13,731)	(6,503)
Dividends paid to preferred stockholders	(1,783)	(1,783)

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Net cash (used in) provided by financing activities	(23,680)	93,265
Net (decrease) increase in cash and cash equivalents	(163,911)	22,637
Cash and cash equivalents at beginning of period	190,601	6,989