

ST JOE CO
Form 10-Q
August 08, 2006

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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, 2006
- 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 1-10466

The St. Joe Company

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

59-0432511

(I.R.S. Employer Identification No.)

**245 Riverside Avenue, Suite 500
Jacksonville, Florida**

(Address of principal executive offices)

32202

(Zip Code)

(904) 301-4200

(Registrant's telephone number, including area code)

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

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As of August 1, 2006, there were 104,098,306 shares of common stock, no par value, issued and 74,190,195 outstanding, with 29,908,111 shares of treasury stock.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****THE ST. JOE COMPANY****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(Dollars in thousands)**

	June 30, 2006	December 31, 2005
ASSETS		
Investment in real estate	\$ 1,192,867	\$ 1,036,174
Cash and cash equivalents	43,492	202,605
Accounts receivable, net	60,205	58,905
Prepaid pension asset	96,972	95,044
Property, plant and equipment, net	37,699	40,176
Goodwill, net	36,733	36,733
Other intangible assets, net	40,739	46,385
Other assets	63,080	75,924
	\$ 1,571,787	\$ 1,591,946
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES:		
Debt	\$ 605,340	\$ 554,446
Accounts payable	76,144	75,309
Accrued liabilities	136,523	135,156
Income tax payable	27,056	3,931
Deferred income taxes	257,890	315,912
Total liabilities	1,102,953	1,084,754
Minority interest in consolidated subsidiaries	17,082	18,194
STOCKHOLDERS EQUITY:		
Common stock, no par value; 180,000,000 shares authorized; 104,000,236 and 103,931,705 issued at June 30, 2006 and December 31, 2005, respectively	292,667	280,970
Retained earnings	1,073,749	1,074,990
Treasury stock at cost, 29,908,111 and 29,003,415 shares held at June 30, 2006 and December 31, 2005, respectively	(914,664)	(866,962)
Total stockholders equity	451,752	488,998

\$ 1,571,787 \$ 1,591,946

See notes to consolidated financial statements.

Table of Contents**THE ST. JOE COMPANY****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(Dollars in thousands except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
Real estate sales	\$ 163,648	\$ 228,349	\$ 302,682	\$ 386,878
Rental revenues	10,677	9,750	22,268	19,164
Timber sales	7,829	7,565	16,317	15,603
Other revenues	12,548	14,055	20,194	22,230
Total revenues	194,702	259,719	361,461	443,875
Expenses:				
Cost of real estate sales	101,207	142,557	194,833	247,534
Cost of rental revenues	4,514	3,945	8,785	7,466
Cost of timber sales	6,357	4,914	12,218	10,121
Cost of other revenues	12,205	11,818	20,239	19,837
Other operating expenses	18,233	17,457	38,399	33,151
Corporate expense, net	13,632	11,990	29,315	23,927
Depreciation and amortization	9,691	9,234	19,916	18,435
Total expenses	165,839	201,915	323,705	360,471
Operating profit	28,863	57,804	37,756	83,404
Other income (expense):				
Investment income, net	1,090	318	2,951	604
Interest expense	(4,964)	(3,401)	(8,698)	(5,731)
Other, net	1,949	936	300	1,918
Total other income (expense)	(1,925)	(2,147)	(5,447)	(3,209)
Income from continuing operations before equity in income of unconsolidated affiliates, income taxes, and minority interest				
	26,938	55,657	32,309	80,195
Equity in income of unconsolidated affiliates	2,739	5,521	5,582	7,425
Income tax expense	10,701	22,289	13,112	32,021
Income from continuing operations before minority interest	18,976	38,889	24,779	55,599
Minority interest	2,733	1,166	4,877	2,034

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Income from continuing operations	16,243	37,723	19,902	53,565
Discontinued operations:				
Income (loss) from discontinued operations (net of income tax expense (benefit) of \$8, \$115, \$36 and \$(144), respectively)	13	191	60	(239)
Gain on sales of discontinued operations (net of income taxes of \$1,637)	2,728		2,728	
Total income (loss) from discontinued operations	2,741	191	2,788	(239)
Net income	18,984	37,914	22,690	53,326
EARNINGS PER SHARE				
Basic				
Income from continuing operations	\$ 0.22	\$ 0.50	\$ 0.27	\$ 0.71
Earnings from discontinued operations				
Gain on sale of discontinued operations	0.03		0.03	
Net income	\$ 0.25	\$ 0.50	\$ 0.30	\$ 0.71
Diluted				
Income from continuing operations	\$ 0.22	\$ 0.50	\$ 0.27	\$ 0.70
Earnings from discontinued operations				
Gain on sale of discontinued operations	0.03		0.03	
Net income	\$ 0.25	\$ 0.50	\$ 0.30	\$ 0.70

See notes to consolidated financial statements.

Table of Contents**THE ST. JOE COMPANY****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

(Dollars in thousands, except per share amounts)

	Common Stock		Retained	Treasury	Total
	Outstanding Shares	Amount	Earnings	Stock	
Balance at December 31, 2005	74,928,290	\$ 280,970	\$ 1,074,990	\$ (866,962)	\$ 488,998
Comprehensive income:					
Net income			22,690		22,690
Total comprehensive income					22,690
Issuances of restricted stock	48,913				
Forfeitures of restricted stock	(39,933)				
Dividends (\$0.32 per share) and other distributions			(23,931)		(23,931)
Issuances of common stock	59,551	1,723			1,723
Tax benefit on options exercised and vested restricted stock		644			644
Amortization of stock-based compensation		9,330			9,330
Purchases of treasury shares	(904,696)			(47,702)	(47,702)
Balance at June 30, 2006	74,092,125	\$ 292,667	\$ 1,073,749	\$ (914,664)	\$ 451,752

See notes to consolidated financial statements.

Table of Contents**THE ST. JOE COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOW**

(Dollars in thousands)

	Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 22,690	\$ 53,326
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	20,276	20,789
Stock-based compensation	9,330	4,953
Excess tax benefits from stock-based compensation		