

NATIONAL HEALTH INVESTORS INC
Form 10-Q
August 05, 2015
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, 2015

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 001-10822

National Health Investors, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or
organization)

62-1470956

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

222 Robert Rose Drive, Murfreesboro, Tennessee

(Address of principal executive offices)

(615) 890-9100

(Registrant's telephone number, including area code)

37129

(Zip 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 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 definition 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

(Do not check if a 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

There were 37,566,221 shares of common stock outstanding of the registrant as of August 4, 2015.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL HEALTH INVESTORS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share amounts)

	June 30, 2015 (unaudited)	December 31, 2014
Assets:		
Real estate properties:		
Land	\$ 130,340	\$ 127,566
Buildings and improvements	1,843,519	1,854,855
Construction in progress	10,219	6,428
	1,984,078	1,988,849
Less accumulated depreciation	(233,202	) (212,300
Real estate properties, net	1,750,876	1,776,549
Mortgage and other notes receivable, net	99,681	63,630
Investment in preferred stock, at cost	38,132	38,132
Cash and cash equivalents	3,293	3,287
Marketable securities	14,664	15,503
Straight-line rent receivable	47,462	35,154
Equity-method investment and other assets	50,245	50,705
Assets held for sale, net of depreciation	8,467	—
Total Assets	\$2,012,820	\$1,982,960
Liabilities and Equity:		
Debt	\$893,032	\$862,726
Accounts payable and accrued expenses	14,432	15,718
Dividends payable	31,931	28,864
Lease deposit liabilities	21,275	21,648
Real estate purchase liabilities	3,000	3,000
Deferred income	2,643	1,071
Total Liabilities	966,313	933,027
Commitments and Contingencies		
National Health Investors Stockholders' Equity:		
Common stock, \$.01 par value; 60,000,000 shares authorized; 37,566,221 and 37,485,902 shares issued and outstanding, respectively	376	375
Capital in excess of par value	1,035,318	1,033,896
Cumulative dividends in excess of net income	(3,566	) (569
Accumulated other comprehensive income	4,555	6,223
Total National Health Investors Stockholders' Equity	1,036,683	1,039,925
Noncontrolling interest	9,824	10,008
Total Equity	1,046,507	1,049,933
Total Liabilities and Equity	\$2,012,820	\$1,982,960

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements. The Condensed Consolidated Balance Sheet at December 31, 2014 was derived from the audited consolidated financial statements at that date.

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NATIONAL HEALTH INVESTORS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Revenues:				
Rental income	\$52,670	\$41,353	\$105,165	\$81,666
Interest income from mortgage and other notes	2,521	1,748	4,642	3,504
Investment income and other	1,122	1,059	2,257	2,126
	56,313	44,160	112,064	87,296
Expenses:				
Depreciation	13,004	9,540	26,017	18,777
Interest, including amortization of debt discount and issuance costs	9,287	6,829	17,699	13,715
Legal	75	10	179	83
Franchise, excise and other taxes	104	406	238	712
General and administrative	2,514	1,850	6,358	4,785
Loan recovery	(491)	—	(491)	—
	24,493	18,635	50,000	38,072
Income before equity-method investee and noncontrolling interest	31,820	25,525	62,064	49,224
Income (loss) income from equity-method investee	(283)	) 52	(513)	) 210
Net income	31,537	25,577	61,551	49,434
Less: net income attributable to noncontrolling interest	(355)	) (283)	) (685)	) (606)
Net income attributable to common stockholders	\$31,182	\$25,294	\$60,866	\$48,828
Weighted average common shares outstanding:				
Basic	37,566,221	33,052,750	37,562,144	33,052,083
Diluted	37,607,117	33,087,283	37,626,192	33,086,258
Earnings per common share:				
Net income attributable to common stockholders - basic	\$.83	\$.77	\$1.62	\$1.48
Net income attributable to common stockholders - diluted	\$.83	\$.76	\$1.62	\$1.48

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

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NATIONAL HEALTH INVESTORS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2015 (unaudited)	2014	June 30, 2015 (unaudited)	2014
Net income	\$31,537	\$25,577	\$61,551	\$49,434
Other comprehensive income:				
Change in unrealized gains (losses) on securities	(1,723	) 553	(839	) 1,341
Increase (decrease) in fair value of cash flow hedge	3,635	(2,079	) 1,305	(3,137
Less: reclassification adjustment for amounts recognized in net income	(1,177	) (1,190	) (2,134	) (1,718
Total other comprehensive income (loss)	735	(2,716	) (1,668	) (3,514
Comprehensive income	32,272	22,861	59,883	45,920
Less: comprehensive income attributable to noncontrolling interest	(355	) (283	) (685	) (606
Comprehensive income attributable to common stockholders	\$31,917	\$22,578	\$59,198	\$45,314

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

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NATIONAL HEALTH INVESTORS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

	Six Months Ended June 30,	
	2015	2014
	(unaudited)	
Cash flows from operating activities:		
Net income	\$61,551	\$49,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,017	18,777
Amortization	1,709	1,081
Straight-line rental income	(12,308)	(8,490)
Write-off of debt issuance costs	—	2,145
Loan recovery	(491)	—
Share-based compensation	1,697	1,573
(Income) loss from equity-method investee	513	(210)
Change in operating assets and liabilities:		
Equity-method investment and other assets	740	(381)
Accounts payable and accrued expenses	(1,004)	177
Deferred income	1,572	(2,486)
Net cash provided by operating activities	79,996	61,620
Cash flows from investing activities:		
Investment in mortgage and other notes receivable	(52,580)	(1,214)
Collection of mortgage and other notes receivable	16,765	999
Investment in real estate	(3,261)	(29,423)
Investment in real estate development	(4,571)	(3,320)
Investment in renovations of existing real estate	(1,816)	(2,076)
Payment of real estate purchase liability	—	(1,600)
Net cash used in investing activities	(45,463)	(36,634)
Cash flows from financing activities:		
Net change in borrowings under revolving credit facilities	(273,000)	(51,000)
Proceeds from convertible senior notes	—	200,000
Proceeds from issuance of secured debt	78,084	130,000
Borrowings on term loans	225,000	—
Payments on term loans	(368)	(250,526)
Debt issuance costs	(2,305)	(7,007)
Equity offering costs	(275)	—
Proceeds from exercise of stock options	1	—
Distributions to noncontrolling interest	(869)	(865)
Dividends paid to stockholders	(60,795)	(49,743)
Net cash used in financing activities	(34,527)	(29,141)
Increase (decrease) in cash and cash equivalents	6	(4,155)
Cash and cash equivalents, beginning of period	3,287	11,312
Cash and cash equivalents, end of period	\$3,293	\$7,157

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

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NATIONAL HEALTH INVESTORS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
 (in thousands)

	Six Months Ended June 30,	
	2015	2014
	(unaudited)	
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 13,723	\$ 8,886
Supplemental disclosure of non-cash investing and financing activities:		
Tax deferred exchange funds applied to investment in real estate	\$ —	\$ 23,813
Conditional consideration in asset acquisition	\$ —	\$ 3,000
Accounts payable related to investments in real estate	\$ 1,112	\$ 2,103
Conversion of note balance into real estate investment	\$ 255	\$ —

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

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited, in thousands except share and per share amounts)