

VENTAS INC
Form 10-Q
July 30, 2010

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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, 2010
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)

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)
Not Applicable

(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 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

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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:	Outstanding at July 26, 2010:
Common Stock, \$0.25 par value	157,080,577

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VENTAS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Real estate investments:		
Land	\$ 556,469	\$ 557,276
Buildings and improvements	5,732,421	5,722,837
Construction in progress	3,788	12,508
	6,292,678	6,292,621
Accumulated depreciation	(1,274,088)	(1,177,911)
Net real estate property	5,018,590	5,114,710
Loans receivable, net	140,870	131,887
Net real estate investments	5,159,460	5,246,597
Cash and cash equivalents	27,794	107,397
Escrow deposits and restricted cash	43,484	39,832
Deferred financing costs, net	24,891	29,252
Other	206,488	193,167
Total assets	\$ 5,462,117	\$ 5,616,245
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	\$ 2,580,849	\$ 2,670,101
Accrued interest	16,682	17,974
Accounts payable and other liabilities	181,343	190,445
Deferred income taxes	251,829	253,665
Total liabilities	3,030,703	3,132,185
Commitments and contingencies		
Equity:		
Ventas stockholders' equity:		
Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued		
Common stock, \$0.25 par value; 300,000 shares authorized; 156,872 and 156,627 shares issued at June 30, 2010 and December 31, 2009, respectively	39,343	39,160
Capital in excess of par value	2,583,412	2,573,039
Accumulated other comprehensive income	16,506	19,669

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Retained earnings (deficit)	(222,853)	(165,710)
Treasury stock, 0 and 15 shares at June 30, 2010 and December 31, 2009, respectively		(647)
Total Ventas stockholders' equity	2,416,408	2,465,511
Noncontrolling interest	15,006	18,549
Total equity	2,431,414	2,484,060
Total liabilities and equity	\$ 5,462,117	\$ 5,616,245

See accompanying notes.

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VENTAS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Rental income	\$ 130,284	\$ 124,612	\$ 259,463	\$ 247,010
Resident fees and services	109,867	103,399	218,353	206,338
Income from loans and investments	3,705	3,333	7,322	6,614
Interest and other income	122	108	385	394
Total revenues	243,978	231,452	485,523	460,356
Expenses:				
Interest	44,045	43,994	88,345	89,924
Depreciation and amortization	50,185	48,643	102,661	98,141
Property-level operating expenses	75,183	72,564	154,062	148,032
General, administrative and professional fees (including non-cash stock-based compensation expense of \$3,057 and \$3,078 for the three months ended 2010 and 2009, respectively, and \$6,089 and \$6,137 for the six months ended 2010 and 2009, respectively)	9,858	10,355	20,541	20,953
Foreign currency loss (gain)	121	5	15	(1)
Loss on extinguishment of debt	6,549	5,975	6,549	6,080
Merger-related expenses and deal costs	4,207	3,502	6,526	5,556
Total expenses	190,148	185,038	378,699	368,685
Income before income taxes, discontinued operations and noncontrolling interest	53,830	46,414	106,824	91,671
Income tax (expense) benefit	(409)	395	(695)	942
Income from continuing operations	53,421	46,809	106,129	92,613
Discontinued operations	5,544	42,374	6,004	71,539
Net income	58,965	89,183	112,133	164,152
Net income attributable to noncontrolling interest (net of tax of \$559 and \$541 for the three months ended 2010 and 2009, respectively, and \$978 and \$931 for the six months ended 2010 and 2009, respectively)	898	802	1,447	1,543
Net income attributable to common stockholders	\$ 58,067	\$ 88,381	\$ 110,686	\$ 162,609

Earnings per common share:

Basic:

Income from continuing operations attributable to common stockholders	\$ 0.33	\$ 0.30	\$ 0.67	\$ 0.61
Discontinued operations	0.04	0.27	0.04	0.48

Net income attributable to common stockholders	\$ 0.37	\$ 0.57	\$ 0.71	\$ 1.09
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Diluted:

Income from continuing operations attributable to common stockholders	\$ 0.33	\$ 0.30	\$ 0.66	\$ 0.61
Discontinued operations	0.04	0.27	0.04	0.48

Net income attributable to common stockholders	\$ 0.37	\$ 0.57	\$ 0.70	\$ 1.09
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Weighted average shares used in computing earnings per common share:

Basic	156,611	154,441	156,533	148,798
Diluted	157,441	154,510	157,206	148,859

Dividends declared per common share	\$ 0.535	\$ 0.5125	\$ 1.07	\$ 1.025
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See accompanying notes.

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VENTAS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the Six Months Ended June 30, 2010 and the Year Ended December 31, 2009
(In thousands, except per share amounts)

	Accumulated				Total			Total
	Common Stock Par Value	Capital in Excess of Par Value	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock	Stockholders' Equity	Noncontrolling Interest	
Balance at January 1, 2009	\$ 35,825	\$ 2,264,125	\$ (21,089)	\$ (117,806)	\$ (457)	\$ 2,160,598	\$ 19,137	\$ 2,179,735
Comprehensive Income:								
Net income				266,495		266,495	2,865	269,360
Foreign currency translation			23,552			23,552		23,552
Unrealized gain on marketable debt securities			17,327			17,327		17,327
Other			(121)			(121)		(121)
Comprehensive income						307,253	2,865	310,118
Net change in noncontrolling interest		334				334	(3,453)	(3,119)
Dividends to common stockholders \$2.05 per share				(314,399)		(314,399)		(314,399)
Issuance of common stock	3,266	295,935				299,201		299,201
Issuance of common stock for stock plans	30	12,819			175	13,024		13,024
Grant of restricted stock, net of forfeitures	39	(174)			(365)	(500)		(500)
Balance at December 31, 2009	39,160	2,573,039	19,669	(165,710)	(647)	2,465,511	18,549	2,484,060

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Comprehensive Income:							
Net income			110,686		110,686	1,447	112,133
Foreign currency translation		(2,150)			(2,150)		(2,150)
Unrealized loss on marketable debt securities		(869)			(869)		(869)
Other		(144)			(144)		(144)
Comprehensive income							
					107,523	1,447	108,970
Net change in noncontrolling interest							
	2,246				2,246	(4,990)	(2,744)
Dividends to common stockholders \$1.07 per share							
			(167,829)		(167,829)		(167,829)
Issuance of common stock for stock plans							
	149	7,155		2,455	9,759		9,759
Grant of restricted stock, net of forfeitures							
	34	972		(1,808)	(802)		(802)
Balance at June 30, 2010							
	\$ 39,343	\$ 2,583,412	\$ 16,506	\$ (222,853)	\$ 2,416,408	\$ 15,006	\$ 2,431,414

See accompanying notes.

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VENTAS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Six Months Ended June	
	30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 112,133	\$ 164,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	102,722	98,815
Amortization of deferred revenue and lease intangibles, net	(2,943)	(3,587)
Other amortization expenses	4,367	2,374
Stock-based compensation	6,089	6,137
Straight-lining of rental income	(4,975)	(5,990)
Loss on extinguishment of debt	6,549	6,080
Net gain on sale of real estate assets	(5,225)	(66,891)
Income tax expense (benefit)	695	(942)
Other	(238)	(12)
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(5,174)	1,426
Decrease in accrued interest	(1,292)	(4,979)
Decrease in accounts payable and other liabilities	(4,991)	(1,441)
Net cash provided by operating activities	207,717	195,142
Cash flows from investing activities:		
Net investment in real estate property	(22,915)	(19,358)
Investment in loans receivable	(15,796)	(7,373)
Proceeds from real estate disposals	23,029	56,614
Proceeds from loans receivable	1,323	7,701
Capital expenditures	(7,078)	(4,028)
Net cash (used in) provided by investing activities	(21,437)	33,556
Cash flows from financing activities:		
Net change in borrowings under revolving credit facilities	117,280	(289,928)
Proceeds from debt	696	301,115
Repayment of debt	(215,171)	(503,016)
Payment of deferred financing costs	(1,840)	(13,422)
Issuance of common stock, net		299,201
Cash distribution to common stockholders	(167,829)	(153,815)
Contributions from noncontrolling interest	633	306
Distributions to noncontrolling interest	(4,277)	(5,024)
Other	4,673	5,457
Net cash used in financing activities	(265,835)	(359,126)

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Net decrease in cash and cash equivalents	(79,555)	(130,428)
Effect of foreign currency translation on cash and cash equivalents	(48)	139
Cash and cash equivalents at beginning of period	107,397	176,812
Cash and cash equivalents at end of period	\$ 27,794	\$ 46,523
Supplemental schedule of non-cash activities:		
Assets and liabilities assumed from acquisitions:		
Real estate investments	\$ 496	\$ 8,307
Utilization of escrow funds held for an Internal Revenue Code Section 1031 exchange		(9,295)
Other assets acquired	(355)	82
Other liabilities	141	(1,886)
Noncontrolling interest		980
Debt transferred on the sale of assets		38,759

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, we, us or our) is a real estate investment trust (REIT) with a geographically diverse portfolio of seniors housing and healthcare properties in the United States and Canada. As of June 30, 2010, this portfolio consisted of 503 assets: 242 seniors housing communities, 187 skilled nursing facilities, 40 hospitals and 34 medical office buildings (MOBs) and other properties in 43 states and two Canadian provinces. With the exception of our seniors housing communities that are managed by independent third parties, such as Sunrise Senior Living, Inc. (together with its subsidiaries, Sunrise), pursuant to long-term management agreements and the majority of our MOBs, we lease our properties to healthcare operating companies under triple-net or absolute-net leases, which require the tenants to pay all property-related expenses. We also had real estate loan investments relating to seniors housing and healthcare companies or properties as of June 30, 2010.