

Edgar Filing: Education Realty Trust, Inc. - Form 10-Q

Education Realty Trust, Inc.  
Form 10-Q  
May 07, 2014  
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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 March 31, 2014

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 001-32417

Education Realty Trust, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

20-1352180

(State or Other Jurisdiction of

(IRS Employer

Incorporation or Organization)

Identification No.)

999 South Shady Grove Road, Suite 600

38120

Memphis, Tennessee

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (901) 259-2500

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 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. (Check one):

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 Act). Yes  No

As of May 5, 2014 the Registrant had 115,020,694 shares of common stock outstanding, \$0.01 par value per share.



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## Part I - Financial Information

## Item 1. Financial Statements.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

(Unaudited)

|   | March 31, 2014 | December 31, 2013 |
|---|----------------|-------------------|
| Assets:   |                |                   |
| Collegiate housing properties, net  | \$1,345,860    | \$1,388,885       |
| Assets under development  | 168,182        | 116,787           |
| Corporate office furniture, net   | 3,308          | 3,249             |
| Cash and cash equivalents   | 8,969          | 22,073            |
| Restricted cash   | 29,161         | 12,253            |
| Student contracts receivable, net   | 561            | 807               |
| Receivable from managed third parties   | 394            | 361               |
| Notes receivable  | 18,250         | 18,125            |
| Goodwill and other intangibles, net   | 3,639          | 3,822             |
| Other assets  | 51,638         | 44,203            |
| Total assets  | \$1,629,962    | \$1,610,565       |
| Liabilities:  |                |                   |
| Mortgage and construction loans, net of unamortized premium   | \$389,735      | \$422,681         |
| Unsecured revolving credit facility   | 219,900        | 356,900           |
| Unsecured term loan   | 187,500        | —                 |
| Accounts payable  | 6,754          | 2,289             |
| Accrued expenses  | 66,446         | 65,357            |
| Deferred revenue  | 22,249         | 23,498            |
| Total liabilities   | 892,584        | 870,725           |
| Commitments and contingencies (see Note 6)  | —              | —                 |
| Redeemable noncontrolling interests   | 10,035         | 9,871             |
| Equity:   |                |                   |
| Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 114,877,873 and 114,740,155 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively | 1,149          | 1,148             |
| Preferred shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding  | —              | —                 |
| Additional paid-in capital  | 800,633        | 813,540           |
| Accumulated deficit   | (76,898)       | (88,964)          |
| Accumulated other comprehensive loss  | (1,363)        | —                 |
| Total Education Realty Trust, Inc. stockholders' equity   | 723,521        | 725,724           |
| Noncontrolling interests  | 3,822          | 4,245             |
| Total equity  | 727,343        | 729,969           |
| Total liabilities and equity  | \$1,629,962    | \$1,610,565       |

See accompanying notes to the condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands, except per share data)

(Unaudited)

|  | Three months<br>ended March 31,<br>2014 | Three months<br>ended March 31,<br>2013 |
|--|---|---|
| Revenues:  |   |   |
| Collegiate housing leasing revenue   | \$50,711                                | \$39,453                                |
| Third-party development consulting services  | 802                                     | 391                                     |
| Third-party management services  | 1,018                                   | 969                                     |
| Operating expense reimbursements   | 2,014                                   | 3,858                                   |
| Total revenues   | 54,545                                  | 44,671                                  |
| Operating expenses:  |   |   |
| Collegiate housing leasing operations  | 22,168                                  | 17,719                                  |
| Development and management services  | 2,341                                   | 1,771                                   |
| General and administrative   | 2,118                                   | 2,023                                   |
| Depreciation and amortization  | 13,783                                  | 10,599                                  |
| Ground lease expense   | 1,899                                   | 1,588                                   |
| Impairment loss on collegiate housing property   | 1,910                                   | —                                       |
| Reimbursable operating expenses  | 2,014                                   | 3,858                                   |
| Total operating expenses   | 46,233                                  | 37,558                                  |
| Operating income   | 8,312                                   | 7,113                                   |
| Nonoperating expenses:   |   |   |
| Interest expense   | 5,601                                   | 4,054                                   |
| Amortization of deferred financing costs   | 503                                     | 420                                     |
| Loss on extinguishment of debt   | 649                                     | —                                       |
| Interest income  | (70)                                    | (119)                                   |
| Total nonoperating expenses  | 6,683                                   | 4,355                                   |
| Income before equity in losses of unconsolidated entities, income taxes,<br>discontinued operations and gain on sale of collegiate housing communities | 1,629                                   | 2,758                                   |
| Equity in losses of unconsolidated entities  | (22)                                    | (20)                                    |
| Income before income taxes, discontinued operations and gain on sale of<br>collegiate housing communities  | 1,607                                   | 2,738                                   |
| Income tax expense (benefit)   | 45                                      | (237)                                   |
| Income from continuing operations  | 1,562                                   | 2,975                                   |
| Income from operations of discontinued operations  | —                                       | 503                                     |
| Income before gain on sale of collegiate housing communities   | 1,562                                   | 3,478                                   |
| Gain on sale of collegiate housing communities   | 10,902                                  | —                                       |
| Net income   | 12,464                                  | 3,478                                   |
| Less: Net income attributable to the noncontrolling interests  | 398                                     | 169                                     |
| Net income attributable to Education Realty Trust, Inc.  | \$12,066                                | \$3,309                                 |
| Income attributable to Education Realty Trust, Inc. common stockholders per<br>share – basic and diluted:  |   |   |
|  | \$0.10                                  | \$0.03                                  |
| Discontinued operations  | —                                       | —                                       |
|  | \$0.10                                  | \$0.03                                  |

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Net income attributable to Education Realty Trust, Inc. common stockholders  
per share

|  |         |         |
|--|---------|---------|
| Distributions per share of common stock              | \$0.11  | \$0.10  |
| Weighted average common shares outstanding – basic   | 115,014 | 113,635 |
| Weighted average common shares outstanding – diluted | 116,052 | 114,673 |

See accompanying notes to the condensed consolidated financial statements.

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|   | Three months<br>ended March 31,<br>2014 | Three months<br>ended March 31,<br>2013 |
|---|---|---|
| Amounts attributable to Education Realty Trust, Inc. – common stockholders: |   |   |
| Income from continuing operations, net of noncontrolling interests          | \$ 12,066                               | \$ 2,810                                |
| Income from discontinued operations, net of noncontrolling interests        | —                                       | 499                                     |
| Net income attributable to Education Realty Trust, Inc.                     | \$ 12,066                               | \$ 3,309                                |
| Comprehensive income:   |   |   |
| Net income  | \$ 12,464                               | \$ 3,478                                |
| Other comprehensive loss:   |   |   |
| Loss on cash flow hedging derivatives                                       | (1,363                                  | ) —                                     |
| Comprehensive income  | 11,101                                  | 3,478                                   |
| Less: comprehensive income attributable to the noncontrolling interests     | 398                                     | 169                                     |
| Comprehensive income attributable to Education Realty Trust, Inc.           | \$ 10,703                               | \$ 3,309                                |

See accompanying notes to the condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands, except shares)

(Unaudited)

|  | Common Stock |         | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Noncontrolling<br>Interests | Total     |
|--|--------------|---------|----------------------------------|------------------------|---|-----------------------------|-----------|
|  | Shares       | Amount  |                                  |                        |   |                             |           |
| Balance, December 31, 2012                                     | 113,062,452  | \$1,131 | \$849,878                        | \$ (93,287 )           | \$ —  | \$ 5,088                    | \$762,810 |
| Proceeds from issuances of common stock, net of offering costs | 710,000      | 8       | 7,478                            | —                      | —   | —                           | 7,486     |
| Amortization of restricted stock                               | (9,538 )     | —       | 80                               | —                      | —   | —                           | 80        |
| Cash dividends   | —            | —       | (11,348 )                        | —                      | —   | —                           | (11,348 ) |
| Contributions from noncontrolling interests                    | —            | —       | —                                | —                      | —   | 65                          | 65        |
| Comprehensive income (loss)                                    | —            | —       | —                                | 3,309                  | —   | (1 )                        | 3,308     |
| Balance, March 31, 2013  | 113,762,914  | \$1,139 | \$846,088                        | \$ (89,978 )           | \$ —  | \$ 5,152                    | \$762,401 |
| Balance, December 31, 2013                                     | 114,740,155  | \$1,148 | \$813,540                        | \$ (88,964 )           | \$ —  | \$ 4,245                    | \$729,969 |
| Common stock offering costs                                    | —            | —       | (14 )                            | —                      | —   | —                           | (14 )     |
| Amortization of restricted stock                               | 137,718      | 1       | (241 )                           | —                      | —   | —                           | (240 )    |
| Cash dividends   | —            | —       | (12,652 )                        | —                      | —   | (525 )                      | (13,177 ) |
| Comprehensive income (loss)                                    | —            | —       | —                                | 12,066                 | (1,363 )                                      | 102                         | 10,805    |
| Balance, March 31, 2014  | 114,877,873  | \$1,149 | \$800,633                        | \$ (76,898 )           | \$ (1,363 )                                   | \$ 3,822                    | \$727,343 |

See accompanying notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

|                       | Three months<br>ended March 31,<br>2014 | Three months<br>ended March<br>31, 2013 |
|-----------------------|---|---|
| Operating activities: |   |   |
| Net income            | \$12,464                                |   |