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Chesapeake Lodging Trust
Form 10-Q
May 01, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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 001-34572

CHESAPEAKE LODGING TRUST
(Exact name of registrant as specified in its charter)

MARYLAND 27-0372343
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
4300 Wilson Boulevard, Suite 625 22203
Arlington, Virginia
(Address of principal executive offices) (Zip Code)
(571) 349-9450
(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 27, 2018, there were 60,381,164 shares of the registrant's common shares issued and outstanding.

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PART I

Item 1. Financial Statements

CHESAPEAKE LODGING TRUST
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Property and equipment, net	\$1,813,771	\$1,823,217
Intangible assets, net	35,112	35,256
Cash and cash equivalents	31,903	44,314
Restricted cash	30,067	30,602
Accounts receivable, net of allowance for doubtful accounts of \$180 and \$116, respectively	25,365	20,769
Prepaid expenses and other assets	27,981	21,202
Total assets	\$1,964,199	\$1,975,360
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-term debt	\$831,684	\$829,552
Accounts payable and accrued expenses	65,968	65,783
Other liabilities	31,438	31,597
Total liabilities	929,090	926,932
Commitments and contingencies (Note 11)		
Preferred shares, \$.01 par value; 100,000,000 shares authorized; no shares issued and outstanding, respectively	—	—
Common shares, \$.01 par value; 400,000,000 shares authorized; 60,381,164 and 59,941,088 shares issued and outstanding, respectively	604	599
Additional paid-in capital	1,191,047	1,190,250
Cumulative dividends in excess of net income	(162,337)	(144,734)
Accumulated other comprehensive income	5,795	2,313
Total shareholders' equity	1,035,109	1,048,428
Total liabilities and shareholders' equity	\$1,964,199	\$1,975,360
The accompanying notes are an integral part of these consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
REVENUE		
Rooms	\$100,613	\$98,901
Food and beverage	27,633	29,312
Other	6,779	6,661
Total revenue	135,025	134,874
EXPENSES		
Hotel operating expenses:		
Rooms	25,286	25,322
Food and beverage	21,059	22,239
Other direct	1,148	1,356
Indirect	49,793	49,815
Total hotel operating expenses	97,286	98,732
Depreciation and amortization	19,208	18,787
Air rights contract amortization	130	130
Corporate general and administrative	5,378	4,935
Total operating expenses	122,002	122,584
Operating income	13,023	12,290
Interest expense	(8,844)	(7,798)
Income before income taxes	4,179	4,492
Income tax benefit	2,370	3,527
Net income	6,549	8,019
Preferred share dividends	—	(2,422)
Net income available to common shareholders	\$6,549	\$5,597

Net income available per common share—basic and diluted \$0.11 \$0.09

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

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CHESAPEAKE LODGING TRUST
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)
 (unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	\$6,549	\$8,019
Other comprehensive income:		
Unrealized gains on cash flow hedge instruments	3,334	—
Reclassification of unrealized losses on cash flow hedge instruments to interest expense	148	39
Comprehensive income	\$10,031	\$8,058

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

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CHESAPEAKE LODGING TRUST
 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
 (in thousands, except share data)
 (unaudited)

	Common Shares		Additional	Cumulative	Accumulated	
	Shares	Amount	Paid-In Capital	Dividends in Excess of Net Income	Other Comprehensive Income	Total
Balances at December 31, 2017	59,941,088	\$ 599	\$ 1,190,250			