

NATIONAL RETAIL PROPERTIES, INC.
Form 10-Q
August 03, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006.

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 001-11290

NATIONAL RETAIL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of other jurisdiction or

incorporation organization)

450 South Orange Avenue, Suite 900, Orlando, Florida 32801

(Address of principal executive offices, including zip code)

56-1431377
(I.R.S. Employment

Identification No.)

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(407) 265-7348

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) for 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 .

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

58,130,296 shares of Common Stock, \$0.01 par value, outstanding as of July 31, 2006.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	June 30, 2006 (unaudited)	December 31, 2005
<u>ASSETS</u>		
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization and impairment	\$ 1,254,077	\$ 1,296,793
Accounted for using the direct financing method	89,061	95,704
Held for sale, net of impairment	1,180	1,600
Real estate, Inventory Portfolio, held for sale	193,471	131,074
Mortgages, notes and accrued interest receivable, net of allowance of \$634 and \$676, respectively	24,328	51,086
Mortgage residual interests, net of impairment of \$3,669 and \$2,382, respectively	41,925	55,184
Cash and cash equivalents	4,682	8,234
Restricted cash	33,959	30,191
Receivables, net of allowance of \$772 and \$847, respectively	7,797	8,547
Accrued rental income, net of allowance of \$2,146 and \$2,057, respectively	27,215	27,999
Debt costs, net of accumulated amortization of \$10,531 and \$9,567, respectively	5,138	6,096
Other assets	17,689	20,908
Total assets	\$ 1,700,522	\$ 1,733,416
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Line of credit payable	\$ 149,700	\$ 162,300
Mortgages payable	36,758	151,133
Notes payable - secured	26,250	28,250
Notes payable, net of unamortized discount of \$1,067 and \$1,133, respectively, and an unamortized interest rate hedge gain of \$3,653 at December 31, 2005	489,733	493,321
Financing lease obligation	26,041	26,041
Accrued interest payable	4,178	5,539
Other liabilities	20,904	20,058
Income tax liability	11,517	13,748
Total liabilities	765,081	900,390
Minority interest	4,979	4,939
Shareholders' equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
Series A, 1,781,589 shares issued and outstanding, stated liquidation value of \$25 per share	44,540	44,540
Series B Convertible, 10,000 shares issued and outstanding at December 31, stated liquidation value of \$2,500 per share		25,000
Common stock, \$0.01 par value. Authorized 190,000,000 shares; 57,997,666 and 55,130,876 shares issued and outstanding June 30 and December 31, respectively	580	551
Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding		
Capital in excess of par value	837,630	778,485

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Retained earnings (deficit)	43,929	(20,489)
Accumulated other comprehensive income	3,783	
Total shareholders' equity	930,462	828,087
	\$ 1,700,522	\$ 1,733,416

See accompanying notes to condensed consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
Rental income from operating leases	\$ 30,630	\$ 23,064	\$ 60,112	\$ 44,840
Earned income from direct financing leases	2,356	2,518	4,692	5,055
Contingent rental income	55	57	511	450
Real estate expense reimbursement from tenants	914	794	1,910	1,807
Gain on disposition of real estate, Inventory Portfolio	563	378	7,007	846
Interest and other income from real estate transactions	1,668	2,124	3,127	3,432
Interest income on mortgage residual interests	1,947	1,922	4,244	1,922
	38,133	30,857	81,603	58,352
Operating expenses:				
General and administrative	7,088	5,739	14,258	10,518
Real estate	1,359	996	2,697	2,272
Depreciation and amortization	5,358	3,872	10,709	7,497
Impairment real estate		741		1,328
Impairment mortgage residual interests	842		2,662	
Restructuring costs	1,580		1,580	
	16,227	11,348	31,906	21,615
Earnings from operations	21,906	19,509	49,697	36,737
Other expenses (revenues):				
Interest and other income	(1,015)	(308)	(1,831)	(764)
Interest expense	11,217	7,566	23,152	14,261
	10,202	7,258	21,321	13,497
Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliates	11,704	12,251	28,376	23,240
Income tax benefit	3,535	343	5,428	946
Minority interest	(255)	2	(3,452)	16
Equity in earnings of unconsolidated affiliates	228	100	195	1,180
Earnings from continuing operations	15,212	12,696	30,547	25,382
Earnings from discontinued operations:				
Real estate, Investment Portfolio	62,510	2,301	68,831	14,225
Real estate, Inventory Portfolio, net of income tax expense and minority interest	2,479	1,891	4,271	3,285

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	64,989	4,192	73,102	17,510
Earnings before extraordinary gain	80,201	16,888	103,649	42,892
Extraordinary gain, net of income tax expense		11,805		11,805
Net earnings	80,201	28,693	103,649	54,697
Series A preferred stock dividends	(1,002)	(1,002)	(2,004)	(2,004)
Series B convertible preferred stock dividends		(419)	(419)	(838)
Net earnings available to common shareholders basic	79,199	27,272	101,226	51,855
Series B convertible preferred stock dividends, if dilutive		419	419	838
Net earnings available to common shareholders diluted	\$ 79,199	\$ 27,691	\$ 101,645	\$ 52,693

See accompanying notes to condensed consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended		Six Months Ended	
	2006	June 30, 2005	2006	June 30, 2005
Net earnings per share of common stock:				
Basic:				
Continuing operations	\$ 0.25	\$ 0.22	\$ 0.50	\$ 0.43
Discontinued operations	1.13	0.08	1.30	0.34
Extraordinary gain		0.22		0.23
Net earnings	\$ 1.38	\$ 0.52	\$ 1.80	\$ 1.00
Diluted:				
Continuing operations	\$ 0.25	\$ 0.21	\$ 0.50	\$ 0.43
Discontinued operations	1.12	0.08		