

HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
October 26, 2016

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
x 1934

For the quarterly period ended September 30, 2016
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: 001-35568 (Healthcare Trust of America, Inc.)
Commission File Number: 333-190916 (Healthcare Trust of America Holdings, LP)

HEALTHCARE TRUST OF AMERICA, INC.
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
(Exact name of registrant as specified in its charter)

Maryland (Healthcare Trust of America, Inc.) 20-4738467
Delaware (Healthcare Trust of America Holdings, LP) 20-4738347
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

16435 N. Scottsdale Road, Suite 320
Scottsdale, Arizona 85254
(Address of principal executive offices)

(480) 998-3478
(Registrant's telephone number, including area code)
N/A

(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 Sections 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.

Healthcare Trust of America, Inc. x Yes " No
Healthcare Trust of America Holdings, LP x 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).

Healthcare Trust of America, Inc. x Yes " No
Healthcare Trust of America Holdings, LP x 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.

Healthcare Trust of Large-accelerated Accelerated Non-accelerated filer " Smaller reporting
America, Inc. filer x filer " company "

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(Do not check if a smaller reporting company)

Healthcare Trust of America Holdings, LP 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).

Healthcare Trust of America, Inc. Yes No

Healthcare Trust of America Holdings, LP Yes No

As of October 24, 2016, there were 141,727,903 shares of Class A common stock of Healthcare Trust of America, Inc. outstanding.

Explanatory Note

This Quarterly Report combines the Quarterly Reports on Form 10-Q (“Quarterly Report”) for the quarter ended September 30, 2016 of Healthcare Trust of America, Inc. (“HTA”), a Maryland corporation, and Healthcare Trust of America Holdings, LP (“HTALP”), a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this Quarterly Report to “we,” “us,” “our,” “the Company” or “our Company” refer to HTA and HTALP, collectively, and all references to “common stock” shall refer to the Class A common stock of HTA. HTA operates as a real estate investment trust (“REIT”) and is the general partner of HTALP. As of September 30, 2016, HTA owned a 97.0% partnership interest in HTALP, and other limited partners, including some of HTA’s directors, executive officers and their affiliates, owned the remaining partnership interest (including the long-term incentive plan (“LTIP”) units) in HTALP. As the sole general partner of HTALP, HTA has the full, exclusive and complete responsibility for HTALP’s day-to-day management and control, including its compliance with the Securities and Exchange Commission (“SEC”) filing requirements.

We believe it is important to understand the few differences between HTA and HTALP in the context of how we operate as an integrated consolidated company. HTA operates in an umbrella partnership REIT structure in which HTALP and its subsidiaries hold substantially all of the assets. HTA’s only material asset is its ownership of partnership interests of HTALP. As a result, HTA does not conduct business itself, other than acting as the sole general partner of HTALP, issuing public equity from time to time and guaranteeing certain debts of HTALP. HTALP conducts the operations of the business and issues publicly-traded debt, but has no publicly-traded equity. Except for net proceeds from public equity issuances by HTA, which are generally contributed to HTALP in exchange for partnership units of HTALP, HTALP generates the capital required for the business through its operations and by direct or indirect incurrence of indebtedness or through the issuance of its partnership units.

Noncontrolling interests, stockholders’ equity and partners’ capital are the primary areas of difference between the condensed consolidated financial statements of HTA and HTALP. Limited partnership units in HTALP are accounted for as partners’ capital in HTALP’s condensed consolidated balance sheets and as noncontrolling interest reflected within equity in HTA’s condensed consolidated balance sheets. The differences between HTA’s stockholders’ equity and HTALP’s partners’ capital are due to the differences in the equity issued by HTA and HTALP, respectively.

The Company believes combining the Quarterly Reports of HTA and HTALP, including the notes to the condensed consolidated financial statements, into this single Quarterly Report results in the following benefits:

- enhances stockholders’ understanding of HTA and HTALP by enabling stockholders to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Quarterly Report applies to both HTA and HTALP; and
- creates time and cost efficiencies through the preparation of a single combined Quarterly Report instead of two separate Quarterly Reports.

In order to highlight the material differences between HTA and HTALP, this Quarterly Report includes sections that separately present and discuss areas that are materially different between HTA and HTALP, including:

- the condensed consolidated financial statements;
- certain accompanying notes to the condensed consolidated financial statements, including Note 7 - Debt, Note 10 - Stockholders’ Equity and Partners’ Capital, Note 12 - Per Share Data of HTA and Note 13 - Per Unit Data of HTALP;
- the Funds From Operations (“FFO”) and Normalized FFO in Part 1, Item 2 of this Quarterly Report;
- the controls and procedures in Part 1, Item 4 of this Quarterly Report; and
- the certifications of the Chief Executive Officer and the Chief Financial Officer included as Exhibits 31 and 32 to this Quarterly Report.

In the sections of this Quarterly Report that combine disclosure for HTA and HTALP, this Quarterly Report refers to actions or holdings as being actions or holdings of the Company. Although HTALP (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues or incurs debt, management believes this presentation is appropriate for the reasons set forth above and because the business of the Company is a single integrated enterprise operated through HTALP.

HEALTHCARE TRUST OF AMERICA, INC. AND
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Real estate investments:		
Land	\$ 381,745	\$ 303,706
Building and improvements	3,406,897	2,901,157
Lease intangibles	466,434	430,749
	4,255,076	3,635,612
Accumulated depreciation and amortization	(779,378)	(676,144)
Real estate investments, net	3,475,698	2,959,468
Cash and cash equivalents	17,938	13,070
Restricted cash and escrow deposits	13,689	15,892
Receivables and other assets, net	160,837	141,703
Other intangibles, net	47,728	42,167
Total assets	\$ 3,715,890	\$ 3,172,300
LIABILITIES AND EQUITY		
Liabilities:		
Debt	\$ 1,712,598	\$ 1,590,696
Accounts payable and accrued liabilities	104,202	94,933
Derivative financial instruments - interest rate swaps	4,866	2,370
Security deposits, prepaid rent and other liabilities	44,828	46,295
Intangible liabilities, net	36,928	26,611
Total liabilities	1,903,422	1,760,905
Commitments and contingencies		
Redeemable noncontrolling interests	9,215	4,437
Equity:		
Preferred stock, \$0.01 par value; 200,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.01 par value; 1,000,000,000 shares authorized; 141,728,448 and 127,026,839 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	1,417	1,270
Additional paid-in capital	2,753,566	2,328,806
Cumulative dividends in excess of earnings	(1,042,977)	(950,652)
Total stockholders' equity	1,712,006	1,379,424
Noncontrolling interests	91,247	27,534
Total equity	1,803,253	1,406,958
Total liabilities and equity	\$ 3,715,890	\$ 3,172,300

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

Table of ContentsHEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues:				
Rental income	\$ 118,252	\$ 103,875	\$ 338,646	\$ 301,570
Interest and other operating income	88	67	243	203
Total revenues	118,340	103,942	338,889	301,773
Expenses:				
Rental	36,885	32,921	105,299	92,855
General and administrative	7,293	6,430	20,879	19,229
Acquisition-related	1,122	907	4,997	3,365
Depreciation and amortization	47,864	40,518	130,430	115,179
Impairment	—	—	—	1,655
Total expenses	93,164	80,776	261,605	232,283
Income before other income (expense)	25,176	23,166	77,284	69,490
Interest expense:				
Interest related to derivative financial instruments	(552)	(903)	(1,856)	(2,278)
Gain (loss) on change in fair value of derivative financial instruments, net	1,306	(2,383)	(2,144)	(3,079)
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	754	(3,286)	(4,000)	(5,357)
Interest related to debt	(16,386)	(13,536)	(44,503)	(41,499)
Gain on sale of real estate, net	—	152	4,212	152
(Loss) gain on extinguishment of debt, net	(3,000)	(14)	(3,022)	107
Other income	95	72	220	91
Net income	\$ 6,639	\$ 6,554	\$ 30,191	\$ 22,984
Net income attributable to noncontrolling interests ⁽¹⁾	(212)	(91)	(830)	(425)
Net income attributable to common stockholders	\$ 6,427	\$ 6,463	\$ 29,361	\$ 22,559
Earnings per common share - basic:				
Net income attributable to common stockholders	\$ 0.05	\$ 0.05	\$ 0.22	\$ 0.18
Earnings per common share - diluted:				
Net income attributable to common stockholders	\$ 0.04	\$ 0.05	\$ 0.21	\$ 0.18
Weighted average common shares outstanding:				
Basic	138,807	126,863	134,905	125,750
Diluted	143,138	128,793	138,314	127,680
Dividends declared per common share	\$ 0.300	\$ 0.295	\$ 0.890	\$ 0.875

(1) Includes amounts attributable to redeemable noncontrolling interests.

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Class A Common Stock		Additional Paid-In Capital	Cumulative Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of December 31, 2014	125,087	\$ 1,251	\$ 2,281,932	\$(836,044)	\$ 1,447,139	\$ 29,282	\$ 1,476,421
Issuance of common stock	1,800	18	43,631	—	43,649	—	43,649
Share-based award transactions, net	200	2	4,460	—	4,462	—	4,462
Repurchase and cancellation of common stock	(49)	(1)	(1,321)	—	(1,322)	—	(1,322)
Dividends declared	—	—	—	(110,071)	(110,071)	(1,695)	(111,766)
Net income	—	—	—	22,559	22,559	348	22,907
Balance as of September 30, 2015	127,038	\$ 1,270	\$ 2,328,702	\$(923,556)	\$ 1,406,416	\$ 27,935	\$ 1,434,351
Balance as of December 31, 2015	127,027	\$ 1,270	\$ 2,328,806	\$(950,652)	\$ 1,379,424	\$ 27,534	\$ 1,406,958
Issuance of common stock, net	14,138	141	417,022	—	417,163	—	417,163
Issuance of operating partnership units in connection with an acquisition	—	—	—	—	—	71,754	71,754
Share-based award transactions, net	393	4	5,132	—	5,136	—	5,136
Repurchase and cancellation of common stock	(87)	(1)	(2,424)	—	(2,425)	—	(2,425)
Redemption of noncontrolling interest and other	257	3	5,030	—	5,033	(5,709)	(676)
Dividends declared	—	—	—	(121,686)	(121,686)	(3,134)	(124,820)
Net income	—	—	—	29,361	29,361	802	30,163
Balance as of September 30, 2016	141,728	\$ 1,417	\$ 2,753,566	\$(1,042,977)	\$ 1,712,006	\$ 91,247	\$ 1,803,253

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

Table of ContentsHEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$30,191	\$22,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	128,728	112,711
Share-based compensation expense	5,136	4,462
Bad debt expense	508	743
Gain on sale of real estate, net	(4,212)	(152)
Impairment	—	1,655
Loss (gain) on extinguishment of debt, net	3,022	(107)
Change in fair value of derivative financial instruments	2,144	3,079
Changes in operating assets and liabilities:		
Receivables and other assets, net	(14,051)	(6,021)
Accounts payable and accrued liabilities	3,598	(4,124)
Prepaid rent and other liabilities	(6,807)	3,429
Net cash provided by operating activities	148,257	138,659
Cash flows from investing activities:		
Investments in real estate	(532,527)	(253,107)
Proceeds from the sale of real estate	23,368	33,279
Capital expenditures	(34,064)	(17,330)
Restricted cash, escrow deposits and other assets	2,143	2,994
Net cash used in investing activities	(541,080)	(234,164)
Cash flows from financing activities:		
Borrowings on unsecured revolving credit facility	513,000	387,000
Payments on unsecured revolving credit facility	(704,000)	(247,000)
Proceeds from unsecured senior notes	347,725	—
Borrowings on unsecured term loans	200,000	100,000
Payments on unsecured term loans	(155,000)	—
Payments on secured mortgage loans	(98,453)	(76,149)
Deferred financing costs	(3,039)	(289)
Security deposits	862	145
Proceeds from issuance of common stock	418,891	44,324
Repurchase and cancellation of common stock	(2,425)	(1,322)
Dividends paid	(116,655)	(108,891)
Distributions paid to noncontrolling interest of limited partners	(2,724)	(1,580)
Redemption of redeemable noncontrolling interest	(491)	—
Net cash provided by financing activities	397,691	96,238
Net change in cash and cash equivalents	4,868	733
Cash and cash equivalents - beginning of period	13,070	10,413
Cash and cash equivalents - end of period	\$17,938	\$11,146

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

Table of ContentsHEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Real estate investments:		
Land	\$ 381,745	\$ 303,706
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