

VENTAS INC  
Form 10-Q  
October 25, 2013

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 SEPTEMBER 30, 2013

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.)  
353 N. Clark Street, Suite 3300  
Chicago, Illinois  
(Address of Principal Executive Offices)  
60654  
(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  (Do not check if a smaller reporting company) Smaller reporting company

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 October 23, 2013: \_\_\_\_\_

Common Stock, \$0.25 par value

294,080,886

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## VENTAS, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

|  | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
| Assets   |                                      |                                   |
| Real estate investments:   |                                      |                                   |
| Land and improvements  | \$1,856,739                          | \$1,772,417                       |
| Buildings and improvements   | 18,383,075                           | 16,920,821                        |
| Construction in progress   | 79,172                               | 70,665                            |
| Acquired lease intangibles   | 1,012,163                            | 981,704                           |
|  | 21,331,149                           | 19,745,607                        |
| Accumulated depreciation and amortization  | (3,156,206)                          | (2,634,075)                       |
| Net real estate property   | 18,174,943                           | 17,111,532                        |
| Secured loans receivable and investments, net  | 400,889                              | 635,002                           |
| Investments in unconsolidated entities   | 91,531                               | 95,409                            |
| Net real estate investments  | 18,667,363                           | 17,841,943                        |
| Cash and cash equivalents  | 54,672                               | 67,908                            |
| Escrow deposits and restricted cash  | 98,200                               | 105,913                           |
| Deferred financing costs, net  | 55,242                               | 42,551                            |
| Other assets   | 1,003,881                            | 921,685                           |
| Total assets   | \$19,879,358                         | \$18,980,000                      |
| Liabilities and equity   |                                      |                                   |
| Liabilities:   |                                      |                                   |
| Senior notes payable and other debt  | \$9,413,318                          | \$8,413,646                       |
| Accrued interest   | 62,176                               | 47,565                            |
| Accounts payable and other liabilities   | 1,019,166                            | 995,156                           |
| Deferred income taxes  | 248,369                              | 259,715                           |
| Total liabilities  | 10,743,029                           | 9,716,082                         |
| Redeemable OP unitholder and noncontrolling interests  | 171,921                              | 174,555                           |
| Commitments and contingencies  |                                      |                                   |
| Equity:  |                                      |                                   |
| Ventas stockholders' equity:   |                                      |                                   |
| Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued  | —                                    | —                                 |
| Common stock, \$0.25 par value; 600,000 shares authorized, 297,328 and 295,565 shares issued at September 30, 2013 and December 31, 2012, respectively | 74,345                               | 73,904                            |
| Capital in excess of par value   | 10,032,285                           | 9,920,962                         |
| Accumulated other comprehensive income   | 21,293                               | 23,354                            |
| Retained earnings (deficit)  | (1,021,628)                          | (777,927)                         |
| Treasury stock, 3,699 shares at September 30, 2013 and December 31, 2012   | (221,203)                            | (221,165)                         |
| Total Ventas stockholders' equity  | 8,885,092                            | 9,019,128                         |
| Noncontrolling interest  | 79,316                               | 70,235                            |
| Total equity   | 8,964,408                            | 9,089,363                         |
| Total liabilities and equity   | \$19,879,358                         | \$18,980,000                      |

See accompanying notes.

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

|  | For the Three Months<br>Ended September 30, |           | For the Nine Months<br>Ended September 30, |           |
|--|---|-----------|--|-----------|
|  | 2013  | 2012      | 2013                                       | 2012      |
| Revenues:  |   |           |  |           |
| Rental income:   |   |           |  |           |
| Triple-net leased  | \$219,170                                   | \$207,372 | \$645,719                                  | \$613,939 |
| Medical office buildings   | 115,444                                     | 100,814   | 337,536                                    | 253,889   |
|  | 334,614                                     | 308,186   | 983,255                                    | 867,828   |
| Resident fees and services   | 359,112                                     | 316,560   | 1,039,876                                  | 905,190   |
| Medical office building and other services revenue   | 4,146                                       | 4,544     | 11,331                                     | 16,791    |
| Income from loans and investments  | 14,448                                      | 9,035     | 45,284                                     | 25,223    |
| Interest and other income  | 66  | 330       | 1,901                                      | 442       |
| Total revenues   | 712,386                                     | 638,655   | 2,081,647                                  | 1,815,474 |
| Expenses:  |   |           |  |           |
| Interest   | 84,089                                      | 74,037    | 245,622                                    | 214,028   |
| Depreciation and amortization  | 177,710                                     | 188,540   | 528,180                                    | 534,792   |
| Property-level operating expenses:   |   |           |  |           |
| Senior living  | 244,316                                     | 216,306   | 706,561                                    | 618,471   |
| Medical office buildings   | 40,796                                      | 36,144    | 115,738                                    | 86,468    |
|  | 285,112                                     | 252,450   | 822,299                                    | 704,939   |
| Medical office building services costs   | 1,651                                       | 1,487     | 4,957                                      | 8,314     |
| General, administrative and professional fees  | 28,659                                      | 26,867    | 84,760                                     | 75,488    |
| (Gain) loss on extinguishment of debt, net   | (189)                                       | (1,194)   | (909)                                      | 38,339    |
| Merger-related expenses and deal costs   | 6,208                                       | 4,917     | 17,137                                     | 49,566    |
| Other  | 4,353                                       | 1,966     | 13,325                                     | 5,052     |
| Total expenses   | 587,593                                     | 549,070   | 1,715,371                                  | 1,630,518 |
| Income before income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest | 124,793                                     | 89,585    | 366,276                                    | 184,956   |
| Income from unconsolidated entities  | 110   | 17,074    | 533  | 17,905    |
| Income tax benefit   | 2,780                                       | 8,886     | 13,100                                     | 2,727     |
| Income from continuing operations  | 127,683                                     | 115,545   | 379,909                                    | 205,588   |
| Discontinued operations  | (9,084)                                     | (3,724)   | (33,679)                                   | 70,061    |
| Net income   | 118,599                                     | 111,821   | 346,230                                    | 275,649   |
| Net income (loss) attributable to noncontrolling interest  | 303   | (61)      | 1,161                                      | (884)     |
| Net income attributable to common stockholders   | \$118,296                                   | \$111,882 | \$345,069                                  | \$276,533 |
| Earnings per common share:   |   |           |  |           |
| Basic:   |   |           |  |           |
| Income from continuing operations attributable to common stockholders  | \$0.43                                      | \$0.39    | \$1.30                                     | \$0.71    |
| Discontinued operations  | (0.03)                                      | (0.01)    | (0.12)                                     | 0.24      |
| Net income attributable to common stockholders   | \$0.40                                      | \$0.38    | \$1.18                                     | \$0.95    |
| Diluted:   |   |           |  |           |
| Income from continuing operations attributable to common stockholders  | \$0.43                                      | \$0.39    | \$1.28                                     | \$0.70    |
| Discontinued operations  | (0.03)                                      | (0.01)    | (0.11)                                     | 0.24      |
| Net income attributable to common stockholders   | \$0.40                                      | \$0.38    | \$1.17                                     | \$0.94    |

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Weighted average shares used in computing earnings per  
common share:

|                                     |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|
| Basic                               | 292,818 | 294,928 | 292,308 | 291,177 |
| Diluted                             | 295,190 | 297,407 | 294,788 | 293,622 |
| Dividends declared per common share | \$0.67  | \$0.62  | \$2.01  | \$1.86  |

See accompanying notes.

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VENTAS, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

|   | For the Three Months<br>Ended September 30, |           | For the Nine Months<br>Ended September 30, |           |
|---|---|-----------|--|-----------|
|   | 2013  | 2012      | 2013                                       | 2012      |
| Net income  | \$118,599                                   | \$111,821 | \$346,230                                  | \$275,649 |
| Other comprehensive income (loss):                                  |   |           |  |           |
| Foreign currency translation  | 1,665                                       | 2,838     | (3,148)                                    | 3,180     |
| Change in unrealized gain on marketable debt securities             | (208)                                       | (509)     | (1,015)                                    | (1,220)   |
| Other   | 84  | (107)     | 2,102                                      | (396)     |
| Total other comprehensive income (loss)                             | 1,541                                       | 2,222     | (2,061)                                    | 1,564     |
| Comprehensive income  | 120,140                                     | 114,043   | 344,169                                    | 277,213   |
| Comprehensive income (loss) attributable to noncontrolling interest | 303   | (61)      | 1,161                                      | (884)     |
| Comprehensive income attributable to common stockholders            | \$119,837                                   | \$114,104 | \$343,008                                  | \$278,097 |

See accompanying notes.



VENTAS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

For the Nine Months Ended September 30, 2013 and the Year Ended December 31, 2012

(In thousands, except per share amounts)

| Common<br>Stock<br>Par<br>Value | Capital in<br>Excess of<br>Par Value |
|---------------------------------|--------------------------------------|
|---------------------------------|--------------------------------------|