

NATIONAL RETAIL PROPERTIES, INC.  
Form 10-Q  
August 05, 2008

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 June 30, 2008**

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

56-1431377

*(State or other jurisdiction of  
incorporation or organization)*

*(I.R.S. Employer Identification No.)*

450 South Orange Avenue, Suite 900,

Orlando, Florida 32801

*(Address of principal executive offices, including zip code)*

(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 Section 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 or smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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.

73,975,742 shares of Common Stock, \$0.01 par value, outstanding as July 30, 2008.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

<u>ASSETS</u>	June 30, 2008 (unaudited)	December 31, 2007
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 2,270,493	\$ 2,055,846
Accounted for using the direct financing method	32,141	37,497
Real estate, Inventory Portfolio, held for sale	176,070	248,611
Investment in unconsolidated affiliate	4,916	4,139
Mortgages, notes and accrued interest receivable, net of allowance	90,114	73,162
Commercial mortgage residual interests	22,314	24,340
Cash and cash equivalents	4,873	27,499
Receivables, net of allowance of \$2,328 and \$1,582, respectively	4,198	3,818
Accrued rental income, net of allowance of \$3,136 and \$3,077, respectively	24,499	24,652
Debt costs, net of accumulated amortization of \$14,815 and \$13,424, respectively	12,616	8,548
Income tax asset	943	-
Other assets	29,254	31,493
Total assets	\$ 2,672,431	\$ 2,539,605
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Line of credit payable	\$ 127,200	\$ 129,800
Mortgages payable	26,896	27,480
Note payable secured	-	12,000
Notes payable convertible	406,535	172,500
Notes payable, net of unamortized discount of \$1,615 and \$1,710, respectively	618,385	718,290
Accrued interest payable	8,035	11,243
Other liabilities	39,659	57,002
Income tax liability	-	1,671
Total liabilities	1,226,710	1,129,986
Minority interest	1,280	2,334
Stockholders equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares Series C, 3,680,000 depositary shares issued and outstanding, at stated		
liquidation value of \$25 per share	92,000	92,000
Common stock, \$0.01 par value. Authorized 190,000,000 shares; 73,974,958 and 72,527,729 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	740	725

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Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding	-	-
Capital in excess of par value	1,203,491	1,175,364
Retained earnings	144,995	137,599
Accumulated other comprehensive income	3,215	1,597
Total stockholders' equity	1,444,441	1,407,285
	\$ 2,672,431	\$ 2,539,605

See accompanying notes to condensed consolidated financial statements.

## 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,	
	2008	2007	2008	2007
<b>Revenues:</b>				
Rental income from operating leases	\$ 52,042	\$ 40,494	\$ 101,793	\$ 75,220
Earned income from direct financing leases	780	809	1,569	1,624
Percentage rent	170	141	217	597
Real estate expense reimbursement from tenants	1,456	1,453	3,035	2,706
Interest and other income from real estate transactions	1,407	957	2,642	2,157
Interest income on commercial mortgage residual interests	1,171	1,144	2,527	2,388
	57,026	44,998	111,783	84,692
<b>Disposition of real estate, Inventory Portfolio:</b>				
Gross proceeds	-	-	4,900	825
Costs	-	-	(4,879)	(493)
Gain	-	-	21	332
<b>Operating expenses:</b>				
General and administrative	6,040	5,946	13,600	12,267
Real estate	2,254	1,935	4,677	3,774
Depreciation and amortization	10,894	7,575	20,998	14,314
Impairment commercial mortgage residual interests valuation	-	-	758	-
	19,188	15,456	40,033	30,355
<b>Earnings from operations</b>	<b>37,838</b>	<b>29,542</b>	<b>71,771</b>	<b>54,669</b>
<b>Other expenses (revenues):</b>				
Interest and other income	(1,008)	(1,024)	(2,229)	(2,327)
Interest expense	14,665	12,442	30,032	23,544
Loss on interest rate hedge	-	-	804	-
	13,657	11,418	28,607	21,217
<b>Earnings from continuing operations before income tax</b>				
<b>benefit, minority interest and equity in earnings of</b>				
unconsolidated affiliate	24,181	18,124	43,164	33,452
Income tax benefit	1,769	2,421	4,421	5,215
Minority interest	(246)	148	768	337
Equity in earnings of unconsolidated affiliate	101	-	180	-

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Earnings from continuing operations	25,805	20,693	48,533	39,004
Earnings from discontinued operations:				
Real estate, Investment Portfolio	3,629	26,169	9,006	30,804
Real estate, Inventory Portfolio, net of income tax expense and minority interest (Note 14)	1,454	1,793	6,402	5,551
	5,083	27,962	15,408	36,355
Net earnings	\$ 30,888	\$ 48,655	\$ 63,941	\$ 75,359

See accompanying notes to condensed consolidated financial statements.

## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net earnings	\$ 30,888	\$ 48,655	\$ 63,941	\$ 75,359
Series C preferred stock dividends	(1,696)	(1,696)	(3,392)	(3,392)
Net earnings available to common stockholders basic and diluted	\$ 29,192	\$ 46,959	\$ 60,549	\$ 71,967
Net earnings per share of common stock:				
Basic:				
Continuing operations	\$ 0.33	\$ 0.29	\$ 0.62	\$ 0.57
Discontinued operations	0.07	0.42	0.21	0.57
Net earnings	\$ 0.40	\$ 0.71	\$ 0.83	\$ 1.14
Diluted:				
Continuing operations	\$ 0.33	\$ 0.28	\$ 0.62	\$ 0.56
Discontinued operations	0.07	0.42	0.21	0.57
Net earnings	\$ 0.40	\$ 0.70	\$ 0.83	\$ 1.13
Weighted average number of common shares outstanding:				
Basic	73,070,034	66,431,725	72,692,410	63,399,409
Diluted	73,348,473	66,663,765	72,914,613	63,596,038

See accompanying notes to condensed consolidated financial statements.



NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS