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Paramount Group, Inc.
Form 10-Q
November 12, 2015

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: September 30, 2015

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: 001-36746

PARAMOUNT GROUP, INC.

(Exact name of registrant as specified in its charter)

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Maryland 32-0439307
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1633 Broadway, Suite 1801, New York, NY 10019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 237-3100

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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, 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 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

As of November 2, 2015, there were 212,111,937 shares of the registrant's common stock outstanding.



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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PARAMOUNT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

ASSETS	The Company	
	September 30, 2015	December 31, 2014
Rental property, at cost		
Land	\$2,042,071	\$ 2,042,071
Buildings and improvements	5,567,789	5,488,168
	7,609,860	7,530,239
Accumulated depreciation and amortization	(202,105)	(81,050)
Rental property, net	7,407,755	7,449,189
Real estate fund investments	336,393	323,387
Investments in unconsolidated joint ventures	6,537	5,749
Cash and cash equivalents	418,095	438,599
Restricted cash	92,696	55,728
Marketable securities	20,365	20,159
Deferred rent receivable	58,117	8,267
Accounts and other receivables, net of allowance of \$365 and \$333 in 2015		
and 2014, respectively	12,313	7,692
Deferred charges, net of accumulated amortization of \$14,311 and \$10,859 in 2015		
and 2014, respectively	54,467	39,165
Intangible assets, net of accumulated amortization of \$116,935 and \$20,509 in 2015		
and 2014, respectively	546,432	669,385
Other assets	33,636	13,121
Total assets	\$8,986,806	\$ 9,030,441
LIABILITIES AND EQUITY		
Mortgages and notes payable	\$2,853,735	\$ 2,852,287
Credit facility	-	-
Due to affiliates	27,299	27,299
Loans payable to noncontrolling interests	44,822	42,195
Accounts payable and accrued expenses	97,157	93,472
Dividends and distributions payable	25,066	-
Deferred income taxes	2,560	2,861

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Interest rate swap liabilities	163,301	194,196
Intangible liabilities, net of accumulated amortization of \$29,730 and \$3,757 in 2015		
and 2014, respectively	193,042	219,228
Other liabilities	44,958	43,950
Total liabilities	3,451,940	3,475,488
Commitments and contingencies		
Paramount Group, Inc. equity:		
Common stock \$0.01 par value per share; authorized 900,000,000 shares; issued		
and outstanding 212,111,937 and 212,106,718 shares in 2015 and 2014, respectively	2,122	2,122
Additional paid-in-capital	3,893,984	3,851,432
Earnings (less than) in excess of distributions	(24,874)	57,308
Accumulated other comprehensive loss	(15,389)	-
Paramount Group, Inc. equity	3,855,843	3,910,862
Noncontrolling interests in:		
Consolidated joint ventures and funds	781,343	685,888
Operating Partnership (51,660,088 and 51,543,993 units outstanding in 2015		
and 2014, respectively)	897,680	958,203
Total equity	5,534,866	5,554,953
Total liabilities and equity	\$8,986,806	\$ 9,030,441

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	The Company	
	Three Months	Nine Months
	Ended	Ended
	September	September
	30, 2015	30, 2015
(Amounts in thousands, except share and per share amounts)		
REVENUES:		
Rental income	\$ 146,470	\$ 435,630
Tenant reimbursement income	14,405	39,956
Fee and other income	6,851	16,294
Total revenues	167,726	491,880
EXPENSES:		
Operating	63,354	183,019
Depreciation and amortization	70,654	223,658
General and administrative	6,666	28,412
Acquisition and transaction related costs	485	9,832
Total expenses	141,159	444,921
Operating income	26,567	46,959
Income from real estate fund investments	10,933	30,226
Income from unconsolidated joint ventures	1,458	4,444
Unrealized gains on interest rate swaps	15,772	49,497
Interest and other income (loss), net	(1,763)	(397)
Interest and debt expense	(42,821)	(126,945)
Net income before income taxes	10,146	3,784
Income tax expense	(789)	(2,706)
Net income	9,357	1,078
Less net (income) loss attributable to noncontrolling interests in:		
Consolidated joint ventures and funds	(7,969)	(17,641)
Operating Partnership	(272)	3,239
Net income (loss) attributable to common stockholders	\$ 1,116	\$(13,324)
INCOME (LOSS) PER COMMON SHARE - BASIC:		
Income (loss) per common share	\$0.01	\$(0.06)
Weighted average shares outstanding	212,106,718	212,106,718
INCOME (LOSS) PER COMMON SHARE - DILUTED:		
Income (loss) per common share	\$0.01	\$(0.06)
Weighted average shares outstanding	212,108,079	212,106,718
DIVIDENDS PER COMMON SHARE	\$0.095	\$0.324 ⁽¹⁾

⁽¹⁾ Includes the \$0.039 cash dividend for the 38 day period following the completion of our initial public offering and related formation transactions and ending on December 31, 2014

See notes to combined consolidated financial statements (unaudited).

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PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in thousands)	The Predecessor	
	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
REVENUES:		
Rental income	\$8,775	\$25,087
Tenant reimbursement income	370	1,266
Distributions from real estate fund investments	5,086	16,333
Realized and unrealized gains, net	43,233	123,150
Fee and other income	13,928	25,510
Total revenues	71,392	191,346
EXPENSES:		
Operating	4,431	12,184
Depreciation and amortization	2,982	8,548
General and administrative	5,630	18,078
Profit sharing compensation	3,392	11,624
Other	1,271	5,172
Total expenses	17,706	55,606
Operating income	53,686	135,740
Income from unconsolidated joint ventures	1,777	3,812
Unrealized loss on interest rate swaps	(477)	(673)
Interest and other income, net	1	1,707
Interest and debt expense	(8,015)	(23,802)
Net income before income taxes	46,972	116,784
Income tax expense	(820)	(7,925)
Net income	46,152	108,859
Net income attributable to noncontrolling interests	(33,248)	(86,381)
Net income attributable to the Predecessor	\$12,904	\$22,478

See notes to combined consolidated financial statements (unaudited).

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PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	The Company	
	Three Months Ended	Nine Months Ended
(Amounts in thousands)	September 30, 2015	September 30, 2015
Net income	\$9,357	\$ 1,078
Other comprehensive (loss) income:		
Change in value of interest rate swaps	(18,602)	(18,602)
Pro rata share of other comprehensive income (loss) of unconsolidated		
joint ventures	78	(535)
Comprehensive loss	(9,167)	(18,059)
Less comprehensive (income) loss attributable to noncontrolling interests in:		
Consolidated joint ventures and funds	(7,969)	(17,641)
Operating Partnership	3,356	6,987
Comprehensive loss attributable to common stockholders	\$(13,780)	\$(28,713)

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC. AND PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(Amounts in thousands)	Common Shares		Earnings (Less than) In			Accumulated Other Comprehensive Income	Predecessor Shareholders' Equity	Noncontrolling Interests in Consolidated Joint Ventures and Funds		Operating Partnerships	Total Equity
	Shares	Amount	Additional Paid in Capital	Excess of Distributions							
Balance as of December 31, 2013	-	\$ -	\$ -	\$ -	\$ -	\$ 321,769	\$ 1,703,675	\$ -	\$ 2,025,444		
Net income	-	-	-	-	-	22,478	86,381	-	108,859		
Contributions	-	-	-	-	-	9,188	213,812	-	223,000		
Distributions	-	-	-	-	-	(53,206)	(139,282)	-	(192,488)		
Balance as of September 30, 2014	-	\$ -	\$ -	\$ -	\$ -	\$ 300,229	\$ 1,864,586	\$ -	\$ 2,164,815		