

GETTY REALTY CORP /MD/
Form 10-Q
May 09, 2018

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 March 31, 2018

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: 001-13777

GETTY REALTY CORP.

(Exact Name of Registrant as Specified in Its Charter)

Maryland 11-3412575
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

Two Jericho Plaza, Suite 110

Jericho, New York 11753-1681

(Address of Principal Executive Offices) (Zip Code)

(516) 478-5400

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Smaller reporting company

(Do not check if
a smaller
reporting

Non-accelerated filer company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had outstanding 39,791,358 shares of common stock as of May 9, 2018.

GETTY REALTY CORP.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GETTY REALTY CORP.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)

	March 31, 2018	December 31, 2017
ASSETS:		
Real estate:		
Land	\$587,511	\$589,497
Buildings and improvements	377,875	379,785
Construction in progress	1,948	1,682
	967,334	970,964
Less accumulated depreciation and amortization	(136,723)	(133,353)
Real estate, net	830,611	837,611
Investment in direct financing leases, net	88,881	89,587
Notes and mortgages receivable	32,502	32,366
Cash and cash equivalents	18,013	19,992
Restricted cash	1,114	821
Deferred rent receivable	34,833	33,610
Accounts receivable, net of allowance of \$1,962 and \$1,840, respectively	1,110	3,712
Prepaid expenses and other assets	54,329	55,055
Total assets	\$1,061,393	\$1,072,754
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Borrowings under credit agreement, net	\$146,969	\$154,502
Senior unsecured notes, net	224,624	224,656
Environmental remediation obligations	63,364	63,565
Dividends payable	12,890	12,846
Accounts payable and accrued liabilities	62,028	63,490
Total liabilities	509,875	519,059
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; unissued	—	—
Common stock, \$0.01 par value; 60,000,000 shares authorized; 39,710,297 and 39,696,110 shares issued and outstanding, respectively	397	397
Additional paid-in capital	605,553	604,872
Dividends paid in excess of earnings	(54,432)	(51,574)

Total shareholders' equity	551,518	553,695
Total liabilities and shareholders' equity	\$1,061,393	\$1,072,754

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

GETTY REALTY CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended March	
	31,	
	2018	2017
Revenues:		
Revenues from rental properties	\$ 28,284	\$ 23,897
Tenant reimbursements	3,068	2,993
Interest on notes and mortgages receivable	764	758
Total revenues	32,116	27,648
Operating expenses:		
Property costs	4,935	4,810
Impairments	2,427	3,468
Environmental	1,247	(541)
General and administrative	3,587	3,493
Allowance for uncollectible accounts	126	132
Depreciation and amortization	5,594	4,392
Total operating expenses	17,916	15,754
Operating income	14,200	11,894
Gain (loss) on dispositions of real estate	649	(331)
Other income, net	363	234
Interest expense	(5,050)	(4,080)
Earnings from continuing operations	10,162	7,717
Discontinued operations:		
(Loss) earnings from discontinued operations	(130)	1,987
Net earnings	\$ 10,032	\$ 9,704
Basic earnings per common share:		
Earnings from continuing operations	\$ 0.25	\$ 0.22
Earnings from discontinued operations	—	0.06
Net earnings	\$ 0.25	\$ 0.28
Diluted earnings per common share:		
Earnings from continuing operations	\$ 0.25	\$ 0.22
Earnings from discontinued operations	—	0.06
Net earnings	\$ 0.25	\$ 0.28
Weighted average common shares outstanding:		
Basic	39,710	34,555
Diluted	39,712	34,555
Dividends declared per common share		
	\$ 0.32	\$ 0.28

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

GETTY REALTY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$10,032	\$9,704
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization expense	5,594	4,392
Impairment charges	2,817	3,737
(Gain) loss on dispositions of real estate	(649)	331
Deferred rent receivable	(1,223)	(812)
Allowance for uncollectible accounts	126	132
Accretion expense	691	1,033
Stock-based compensation	385	302
Other	9	85
Changes in assets and liabilities:		
Accounts receivable	2,190	1,685
Prepaid expenses and other assets	(235)	257
Environmental remediation obligations	(2,012)	(8,273)
Accounts payable and accrued liabilities	(426)	375
Net cash flow provided by operating activities	17,299	12,948
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	—	(6,154)
Capital expenditures	(66)	—
Addition to construction in progress	(266)	(196)
Proceeds from dispositions of real estate	605	1,305
Deposits for property acquisitions	(150)	2,187
Amortization of investment in direct financing leases	705	579
Collection of notes and mortgages receivable	651	278
Net cash flow provided by (used in) investing activities	1,479	(2,001)
CASH FLOWS FROM FINANCING ACTIVITIES:		