

NATIONAL HEALTH INVESTORS INC
Form 8-K
October 21, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 21, 2003 (October 21, 2003)

National Health Investors, Inc.

(Exact name of Registrant as specified in its charter)

Maryland

(State or Other Jurisdiction of Incorporation)

333-41863
(Commission File No.)

62-1470956
(IRS Employer
Identification Number)

100 Vine Street, Suite 1202
Murfreesboro, TN 37130
(Address of principal executive offices, including zip code)

(615) 890-9100
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition

On October 21, 2003, National Health Investors, Inc. made its third quarter earnings announcement. A copy of the press release is furnished as an exhibit to this Form 8-K and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

National Health Investors, Inc.

By: /s/ W. Andrew Adams

Name: W. Andrew Adams

Title: Chief Executive Officer

By: /s/ Donald K. Daniel

Name: Donald K. Daniel

Title: Principal Accounting Officer

Date: October 21, 2003

Exhibit Index

| Number | Exhibit |
|---------------|----------------|
|---------------|----------------|

99

Press release, dated October 21, 2003.

EXHIBIT 99

For Release: October 21, 2003

Contact: Gerald Coggin, VP of Investor Relations

Phone: (615) 890-9100

NHI reports third quarter income

MURFREESBORO, Tenn. -- National Health Investors, Inc., (NYSE: NHI and NHIPr) announced funds from operations ("FFO") from continuing operations for the third quarter ended Sept. 30, of \$15,287,000 or 57 cents per diluted share of common stock compared to \$15,942,000 or 58 cents per share in 2002.

For the nine months ended Sept. 30, FFO from continuing operations was \$43,884,000 or \$1.63 per diluted share of common stock compared to \$40,908,000 or \$1.52 per share in 2002.

Income from continuing operations for the third quarter ended Sept. 30 was \$11,904,000 or 43 cents per diluted share of common stock compared to \$12,022,000 or 43 cents per diluted share of common stock for the same period in 2002.

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Income from continuing operations for the nine months ended Sept. 30 was \$33,697,000 or \$1.21 per diluted share of common stock compared to \$30,302,000 or \$1.09 per diluted share of common stock for the same period in 2002.

Net income for the three months and nine months ended Sept. 30, were \$11,055,000 and \$33,991,000, respectively, versus \$13,270,000 and \$35,679,000, respectively, for 2002.

Income during the quarter ended Sept. 30, 2003 included additional rental income of \$4,076,000 and additional investment income of \$176,000 from a settlement with Marriott International on four Brighton Gardens assisted living facilities and a realty loss of \$5,400,000 to reflect the lower rent expected on one of these facilities. Additionally, NHI recorded a \$397,000 loss on the sale of two skilled nursing facilities in Washington state. Finally, additional rental income of \$1,545,000 and additional investment income of \$268,000 were recorded from leases of certain assisted living facilities to Alterra and other previous owners and operators. The effect of these items was income in the net amount of \$266,000 or one cent per basic share. For the third quarter of the prior year 2002, similar income was reported in the net amount of \$1,444,000 or 5 cents per basic share.

National Health Investors, Inc. is a long-term health care real estate investment trust that specializes in the financing of health care real estate by first mortgage and by purchase and leaseback transactions. The common and preferred stocks of the company trade on the New York Stock Exchange with the symbols NHI and NHIPr, respectively. Additional information including NHI's most recent press releases may be obtained on NHI's web site at www.nhinvestors.com.

Statements in this press release that are not historical facts are forward-looking statements. NHI cautions investors that any forward-looking statements made involve risks and uncertainties and are not guarantees of future performance. All forward-looking statements represent NHI's judgment as of the date of this release.

-more-

Page 2 NHI's Third Quarter Results

Condensed Statements of Income

(in thousands, except share and per

| | Three Months Ended | | Nine Months Ended Sept. | |
|------------------------------------|--------------------|---------------|-------------------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues: | | | | |
| Mortgage interest income | \$ 4,647 | \$ 11,078 | \$ 14,895 | \$ 24,966 |
| Rental income | 17,872 | 12,187 | 44,309 | 36,047 |
| Investment income | 1,786 | 2,311 | 4,587 | 5,015 |
| Facility operating revenues | 19,982 | 18,673 | 58,937 | 55,047 |
| | <u>44,287</u> | <u>44,249</u> | <u>122,728</u> | <u>121,075</u> |
| Expenses: | | | | |
| Interest | 3,437 | 4,152 | 10,601 | 12,980 |
| Depreciation of real estate | 3,743 | 3,869 | 11,264 | 11,543 |
| Amortization of loan cost | 37 | 44 | 260 | 610 |
| Legal expense | 258 | 198 | 443 | 500 |
| Franchise and excise tax | 65 | 128 | 528 | 363 |
| General and administrative | 681 | 735 | 2,113 | 1,526 |
| Loan and realty losses | 5,400 | 5,000 | 6,900 | 9,500 |
| Facility operating expenses | 18,762 | 18,101 | 56,922 | 53,751 |
| | <u>32,383</u> | <u>32,227</u> | <u>89,031</u> | <u>90,773</u> |
| Income from continuing operations | 11,904 | 12,022 | 33,697 | 30,302 |
| Discontinued operations | | | | |
| Operating income (loss)- | (452) | (48) | (1,241) | 294 |
| Gain (loss) on sale of real estate | (397) | 1,296 | 1,535 | 5,083 |
| | <u>(849)</u> | <u>1,248</u> | <u>294</u> | <u>5,377</u> |
| Net Income | 11,055 | 13,270 | 33,991 | 35,679 |

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| | | | | | | | | |
|---|----|-------------------|----|---------------|----|------------------|----|---------------|
| Dividends to preferred stockholders | | <u>397</u> | | <u>397</u> | | <u>1,192</u> | | <u>1,192</u> |
| Net income applicable to common | \$ | <u>10,658</u> | \$ | <u>12,873</u> | \$ | <u>32,799</u> | \$ | <u>34,487</u> |
| Income from continuing operations per common share: | | | | | | | | |
| Basic | \$ | .43 | \$ | .44 | \$ | 1.22 | \$ | 1.10 |
| Diluted | \$ | .43 | \$ | .43 | \$ | 1.21 | \$ | 1.09 |
| Discontinued operations per common | | | | | | | | |
| Basic | \$ | (.03) | \$ | .04 | \$ | .01 | \$ | .21 |
| Diluted | \$ | (.03) | \$ | .05 | \$ | .01 | \$ | .20 |
| Net income per common share: | | | | | | | | |
| Basic | \$ | .40 | \$ | .48 | \$ | 1.23 | \$ | 1.31 |
| Diluted | \$ | .40 | \$ | .48 | \$ | 1.22 | \$ | 1.29 |
| Funds from operations | | | | | | | | |
| Basic | \$ | 15,250 | \$ | 15,494 | \$ | 43,769 | \$ | 40,653 |
| Diluted | \$ | 15,287 | \$ | 15,942 | \$ | 43,884 | \$ | 40,908 |
| Funds from operations per common | | | | | | | | |
| Basic | \$ | .57 | \$ | .58 | \$ | 1.64 | \$ | 1.54 |
| Diluted | \$ | .57 | \$ | .58 | \$ | 1.63 | \$ | 1.52 |
| Weighted average common shares | | | | | | | | |
| Basic | | 26,739,985 | | 26,609,104 | | 26,716,41 | | 26,387,251 |
| Diluted shares for net income | | 26,999,079 | | 26,924,608 | | 26,973,34 | | 26,921,074 |
| Diluted shares for FFO purposes | | 26,999,079 | | 27,601,526 | | 26,973,34 | | 26,921,074 |
| Dividends per common share | \$ | .40 | \$ | .35 | \$ | 1.20 | \$ | 1.05 |

Balance Sheet Data

| | | | | |
|--------------------------------|----|-----------------|----|-----------------|
| (in thousands) | | Sept. 30 | | December |
| | | 2003 | | 2002 |
| Real estate properties, net | \$ | 293,817 | \$ | 304,394 |
| Mortgages receivable, net | | 169,294 | | 201,236 |
| Preferred stock investments | | 38,132 | | 38,132 |
| REMIC investments | | 36,366 | | 36,366 |
| Cash and marketable securities | | 71,463 | | 58,825 |
| Debt | | 168,202 | | 161,763 |
| Convertible debt | | 1,414 | | 41,633 |
| Stockholders' equity | | 408,517 | | 400,429 |

-more-

Page 3 NHI's third quarter results

Reconciliation of Funds From Operations ⁽¹⁾

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The following table reconciles net income applicable to common stockholders to funds from operations applicable to common stockholders:

(in thousands, except share and per share amounts)

| | Three Months Ended | | Nine Months Ended Sept. | |
|---|--------------------|-----------|-------------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| Net income applicable to common | \$ 10,658 | \$ 12,873 | \$ 32,799 | \$ 34,487 |
| Adjustments: | | | | |
| Real estate depreciation | 3,743 | 3,869 | 11,264 | 11,543 |
| Other Items: | | | | |
| Discontinued operations: | | | | |
| Operating (Income) loss - | 452 | 48 | 1,241 | (294) |
| (Gain) loss on sale of real | 397 | (1,296) | (1,535) | (5,083) |
| Basic funds from operations applicable to common stockholders | 15,250 | 15,494 | 43,769 | 40,653 |
| Dividends to preferred stockholders | --- | 397 | --- | --- |
| Interest on convertible subordinated | 37 | 51 | 115 | 255 |
| Diluted funds from operations applicable common stockholders | \$ 15,287 | \$ 15,942 | \$ 43,884 | \$ 40,908 |
| Basic funds from operations per share | \$.57 | \$.58 | \$ 1.64 | \$ 1.54 |
| Diluted funds from operations per share | \$.57 | \$.58 | \$ 1.63 | \$ 1.52 |
| Shares for basic funds from operations | 26,739,98 | 26,609,10 | 26,716,41 | 26,387,25 |
| Shares for diluted funds from operations per | 26,999,07 | 27,601,52 | 26,973,34 | 26,921,07 |

(1) We believe that funds from operations is an important supplemental measure of operating performance. We, therefore, disclose funds from operations, although it is a measurement that is not defined by accounting principles generally accepted in the United States. We generally use the National Association of Real Estate Investment Trusts (NAREIT) measure of funds from operations. We define funds from operations as income before extraordinary items adjusted for certain non-cash items, primarily real estate depreciation, less gains/losses on sales of facilities. Our measure may not be comparable to similarly titled measures used by other REITs. Consequently, our funds from operations may not provide a meaningful measure of our performance as compared to that of other REITs. Funds from operations does not represent cash generated from operating activities as defined by accounting principles generally accepted in the United States (funds from operations does not include changes in operating assets and liabilities) and, therefore, should not be considered as an alternative to net income as the primary indicator of operating performance or to cash flow as a measure of liquidity.

-more-

Page 4 NHI's third quarter results

National Health Investors, Inc. Portfolio Summary September 30, 2003

| Portfolio Statistics | Properties | Investment | Investment Percentage |
|-----------------------------|------------|----------------|-----------------------|
| Equity Ownership | 94 | \$ 293,217,000 | 59% |
| Mortgage Loan Receivables | 87 | 201,067,000 | 41% |
| Total Real Estate Portfolio | 181 | \$ 494,284,000 | 100% |

| Equity Ownership | Properties | Beds | Investments |
|--------------------------|------------|---------------|----------------|
| Nursing Homes | 68 | 9,142 | \$ 188,895,000 |
| Assisted Living | 16 | 1,350 | 73,270,000 |
| Medical Office Buildings | 4 | 124,427 sq.ft | 11,463,000 |
| Retirement Homes | 5 | 471 | 11,512,000 |
| Hospitals | 1 | 55 | 8,077,000 |
| | 94 | | \$ 293,217,000 |

| Mortgage Loan Receivables | Properties | Beds | Investments |
|---------------------------|------------|-------|----------------|
| Nursing Homes | 53 | 5,872 | \$ 151,644,000 |
| Assisted Living | 2 | 156 | 6,204,000 |
| Retirement Homes | 1 | 60 | 2,298,000 |
| Developmentally Disabled | 17 | 108 | 4,555,000 |
| | 73 | | \$ 164,701,000 |
| Remic | 14 | 1,971 | 30,020,000 |
| Remic II Investment | | 2,313 | 6,346,000 |
| Total Mortgage Portfolio | 87 | | \$ 201,067,000 |

| Summary of Facilities by Type: | Properties | Percentage of Total Dollars | Total Dollars |
|--------------------------------|------------|-----------------------------|----------------|
| Nursing Homes | 135 | 76.25% | \$ 376,905,000 |
| Assisted Living | 18 | 16.08% | 79,474,000 |
| Medical Office Buildings | 4 | 2.32% | 11,463,000 |
| Retirement Homes | 6 | 2.79% | 13,810,000 |
| Hospitals | 1 | 1.63% | 8,077,000 |
| Developmentally Disabled | 17 | 0.92% | 4,555,000 |

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181 100.00% \$ 494,284,000

-more-

Page 5 NHI's third quarter results

Portfolio by Operator Type

| | # of Properties | Percentage of Total Dollars | | Total Dollars |
|----------------|--------------------|--------------------------------|----|------------------|
| Public | 101 | 45.70% | \$ | 225,906,000 |
| Regional | 66 | 45.24% | | 223,638,000 |
| Small Operator | 14 | 9.05% | | 44,740,000 |
| | 181 | 100.00% | \$ | 494,284,000 |

Public Operators:

| | Percentage Of Total Portfolio | | Dollar Amount |
|--|-------------------------------------|----|------------------|
| National HealthCare Corp. | 12.47% | \$ | 61,617,000 |
| Integrated Health Services | 8.31% | | 41,083,000 |
| ElderTrust of Florida | 5.62% | | 27,758,000 |
| National Health Investors, Inc. | 4.64% | | 22,931,000 |
| Mariner Post Acute Network | 3.41% | | 16,860,000 |
| Community Health Systems, Inc. | 3.00% | | 14,833,000 |
| Sunrise Senior Living Services | 2.88% | | 14,237,000 |
| Sun Healthcare | 1.93% | | 9,531,000 |
| Midwest Nursing Home Investors, L.L.C. | 1.28% | | 6,324,000 |
| HCA - The Healthcare Company | 0.95% | | 4,707,000 |
| Res-Care, Inc. | 0.92% | | 4,555,000 |

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| | | | |
|-----------------------------|--------|----|-------------|
| Centennial HealthCare Corp. | 0.08% | | 382,000 |
| | 45.48% | \$ | 224,818,000 |

-More-

Page 6 NHI's third quarter results

| | LTC | Acute | MOB | Dev | Asst. | Retire- | Total | Current | Percent of | |
|-----|----------------|-------|-----|-----|-------|---------|-------|----------------|----------------|---------|
| 1. | Florida | 25 | | 1 | 14 | 7 | 47 | \$ 138,661,000 | 28.05% | |
| 2. | Texas | 28 | | 2 | | 1 | 32 | 100,297,000 | 20.29% | |
| 3. | Tennessee | 21 | | | 3 | 3 | 29 | 40,414,000 | 8.18% | |
| 4. | Missouri | 9 | | | | 1 | 10 | 27,562,000 | 5.58% | |
| 5. | New Jersey | 2 | | | | 1 | 3 | 27,038,000 | 5.47% | |
| 6. | Arizona | 1 | | | | 4 | 5 | 19,690,000 | 3.98% | |
| 7. | Virginia | 7 | | | | | 7 | 19,596,000 | 3.96% | |
| 8. | New Hampshire | 3 | | | | 1 | 4 | 17,734,000 | 3.59% | |
| 9. | Georgia | 7 | | | | | 7 | 17,104,000 | 3.46% | |
| 10. | Kansas | 7 | | | | | 7 | 13,036,000 | 2.64% | |
| 11. | Massachusetts | 4 | | | | | 4 | 12,701,000 | 2.57% | |
| 12. | Washington | 3 | | | | | 3 | 4,582,000 | 0.93% | |
| 13. | Kentucky | 4 | 1 | | | | 5 | 10,110,000 | 2.05% | |
| 14. | South Carolina | 3 | | | | 1 | 4 | 8,779,000 | 1.78% | |
| 15. | Colorado | 3 | | | | | 3 | 8,125,000 | 1.64% | |
| 16. | Idaho | 1 | | | | 1 | 2 | 5,758,000 | 1.16% | |
| 17. | Illinois | 1 | | 1 | | | 2 | 4,495,000 | 0.91% | |
| 18. | Michigan | 2 | | | | | 2 | 3,307,000 | 0.67% | |
| 19. | Alabama | 2 | | | | | 2 | 2,564,000 | 0.52% | |
| 20. | Pennsylvania | 1 | | | | | 1 | 2,249,000 | 0.46% | |
| 21. | Wisconsin | 1 | | | | | 1 | 2,108,000 | 0.43% | |
| 22. | North Carolina | 0 | | | | 1 | 1 | 2,028,000 | 0.41% | |
| | | 135 | 1 | 4 | 17 | 18 | 6 | 181 | \$ 487,938,000 | 98.72% |
| | | | | | | | | Remic II | 6,346,000 | 1.28% |
| | | | | | | | | | \$ 494,284,000 | 100.00% |

