

EASTGROUP PROPERTIES INC
Form 10-Q
April 22, 2013

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 QUARTER ENDED MARCH 31, 2013

COMMISSION FILE NUMBER 1-07094

EASTGROUP PROPERTIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND (State or other jurisdiction of incorporation or organization)	13-2711135 (I.R.S. Employer Identification No.)
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190 EAST CAPITOL STREET SUITE 400 JACKSON, MISSISSIPPI (Address of principal executive offices)	39201 (Zip code)
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Registrant's telephone number: (601) 354-3555

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 (x) 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES (x) 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. (Check one):

Large Accelerated Filer (x) 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 (x)

The number of shares of common stock, \$.0001 par value, outstanding as of April 19, 2013 was 30,256,170.

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EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES

FORM 10-Q

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EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Real estate properties	\$1,646,259	1,619,777
Development	143,985	148,255
	1,790,244	1,768,032
Less accumulated depreciation	(509,302)	(496,247)
	1,280,942	1,271,785
Unconsolidated investment	2,834	2,743
Cash	24	1,258
Other assets	79,855	78,316
TOTAL ASSETS	\$1,363,655	1,354,102
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes payable	\$601,655	607,766
Unsecured term loans payable	130,000	130,000
Notes payable to banks	91,595	76,160
Accounts payable and accrued expenses	23,939	28,914
Other liabilities	19,027	20,086
Total Liabilities	866,216	862,926
EQUITY		
Stockholders' Equity:		
Common shares; \$.0001 par value; 70,000,000 shares authorized; 30,256,170 shares issued and outstanding at March 31, 2013 and 29,928,490 at December 31, 2012	3	3
Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued	—	—
Additional paid-in capital on common shares	747,105	731,950
Distributions in excess of earnings	(254,322)	(245,249)
Accumulated other comprehensive loss	(170)	(392)
Total Stockholders' Equity	492,616	486,312
Noncontrolling interest in joint ventures	4,823	4,864
Total Equity	497,439	491,176
TOTAL LIABILITIES AND EQUITY	\$1,363,655	1,354,102

See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
REVENUES		
Income from real estate operations	\$48,228	46,383
Other income	47	14
	48,275	46,397
EXPENSES		
Expenses from real estate operations	13,562	12,997
Depreciation and amortization	15,615	15,734
General and administrative	3,364	3,116
Acquisition costs	29	19
	32,570	31,866
OPERATING INCOME	15,705	14,531
OTHER INCOME (EXPENSE)		
Interest expense	(8,621)	(9,441)
Other	224	171
INCOME FROM CONTINUING OPERATIONS	7,308	5,261
DISCONTINUED OPERATIONS		
Income from real estate operations	—	94
Gain on sales of nondepreciable real estate investments, net of tax	—	167
INCOME FROM DISCONTINUED OPERATIONS	—	261
NET INCOME	7,308	5,522
Net income attributable to noncontrolling interest in joint ventures	(154)	(119)
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	7,154	5,403
Other comprehensive income - cash flow hedge	222	—
TOTAL COMPREHENSIVE INCOME	\$7,376	5,403
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS		
Income from continuing operations	\$0.24	0.19
Income from discontinued operations	—	0.01
Net income attributable to common stockholders	\$0.24	0.20
Weighted average shares outstanding	29,809	27,647
DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS		
Income from continuing operations	\$0.24	0.18
Income from discontinued operations	—	0.01
Net income attributable to common stockholders	\$0.24	0.19
Weighted average shares outstanding	29,890	27,718
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS		
Income from continuing operations	\$7,154	5,142
Income from discontinued operations	—	261

Net income attributable to common stockholders	\$7,154	5,403
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See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)
(UNAUDITED)

	Common Stock	Additional Paid-In Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Joint Ventures	Total
BALANCE, DECEMBER 31, 2012	\$3	731,950	(245,249)	(392)	4,864	491,176
Net income	—	—	7,154	—	154	7,308
Net unrealized change in fair value of interest rate swap	—	—	—	222	—	222
Common dividends declared – \$.53 per share	—	—	(16,227)	—	—	(16,227)
Stock-based compensation, net of forfeitures	—	1,831	—	—	—	1,831
Issuance of 245,010 shares of common stock, common stock offering, net of expenses	—	13,798	—	—	—	13,798
Issuance of 933 shares of common stock, dividend reinvestment plan	—	54	—	—	—	54
Withheld 9,412 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(528)	—	—	—	(528)
Distributions to noncontrolling interest	—	—	—	—	(195)	(195)
BALANCE, MARCH 31, 2013	\$3	747,105	(254,322)	(170)	4,823	497,439

See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$7,308	5,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	15,615	15,734
Depreciation and amortization from discontinued operations	—	212
Stock-based compensation expense	1,370	1,334
Gain on sales of land and real estate investments	—	(167)
Changes in operating assets and liabilities:		
Accrued income and other assets	(44)	991
Accounts payable, accrued expenses and prepaid rent	(6,910)	(11,073)
Other	(98)	(133)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,241	12,420
INVESTING ACTIVITIES		
Real estate development	(17,254)	(12,584)
Purchases of real estate	—	(3,475)
Real estate improvements	(4,577)	(3,902)
Proceeds from sales of real estate investments	—	539
Repayments on mortgage loans receivable	26	3
Changes in accrued development costs	473	158
Changes in other assets and other liabilities	(2,194)	(2,478)
NET CASH USED IN INVESTING ACTIVITIES	(23,526)	(21,739)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	66,325	63,895
Repayments on bank borrowings	(50,890)	(99,494)
Proceeds from mortgage notes payable	—	54,000
	(6,106)	(9,736)

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Principal payments on mortgage notes payable			
Debt issuance costs	(1,441) (793)
Distributions paid to stockholders (not including dividends accrued on unvested restricted stock)	(15,975		