

Edgar Filing: Four Corners Property Trust, Inc. - Form 10-Q

Four Corners Property Trust, Inc.

Form 10-Q

April 25, 2019

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 March 31, 2019

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 1-37538

Four Corners Property Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland 47-4456296
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

591 Redwood Highway, Suite 1150 94941
Mill Valley, California
(Address of principal executive offices) (Zip Code)
(415) 965-8030

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, 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 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 Non-accelerated filer (do not check if a smaller reporting
Smaller reporting company Emerging growth company 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

Number of shares of common stock outstanding as of April 24, 2019: 68,402,447

FOUR CORNERS PROPERTY TRUST, INC.
 FORM 10 - Q
 THREE MONTHS ENDED MARCH 31, 2019
 TABLE OF CONTENTS

	Page
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements:	
<u>Consolidated Balance Sheets at March 31, 2019 (unaudited) and December 31, 2018</u>	<u>1</u>
<u>Consolidated Statements of Income for the Three Months Ended March 31, 2019 and 2018 (unaudited)</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2019 and 2018 (unaudited)</u>	<u>3</u>
<u>Consolidated Statement of Changes in Equity for the Three Months Ended March 31, 2019 and 2018 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018 (unaudited)</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>6</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
Item 4. <u>Controls and Procedures</u>	<u>33</u>
Part II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>34</u>
Item 1A. <u>Risk Factors</u>	<u>34</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>34</u>
Item 4. <u>Mine Safety Disclosure</u>	<u>34</u>
Item 5. <u>Other Information</u>	<u>34</u>
Item 6. <u>Exhibits</u>	<u>34</u>
<u>Index to Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Real estate investments:		
Land	\$580,580	\$569,057
Buildings, equipment and improvements	1,239,033	1,236,224
Total real estate investments	1,819,613	1,805,281
Less: Accumulated depreciation	(618,258)	(614,584)
Total real estate investments, net	1,201,355	1,190,697
Intangible lease assets, net	22,464	18,998
Total real estate investments and intangible lease assets, net	1,223,819	1,209,695
Cash and cash equivalents	81,013	92,041
Straight-line rent adjustment	32,501	30,141
Derivative assets	2,999	5,982
Other assets	9,225	5,239
Total Assets	\$1,349,557	\$1,343,098
LIABILITIES AND EQUITY		
Liabilities:		
Long-term debt, net of deferred financing costs	\$616,404	\$615,892
Dividends payable	19,626	19,580
Rent received in advance	8,658	1,609
Other liabilities	15,651	7,053
Total liabilities	660,339	644,134
Equity:		
Preferred stock, par value \$0.0001 per share; 25,000,000 authorized, zero shares issued and outstanding	—	—
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized, 68,368,264 and 68,204,045 shares issued and outstanding, respectively	7	7
Additional paid-in capital	637,117	639,116
Retained earnings	43,895	46,018
Accumulated other comprehensive income	2,341	5,956
Noncontrolling interest	5,858	7,867
Total equity	689,218	698,964
Total Liabilities and Equity	\$1,349,557	\$1,343,098

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Rental revenue	\$34,208	\$ 29,589
Restaurant revenue	5,393	5,214
Total revenues	39,601	34,803
Operating expenses:		
General and administrative	3,946	3,583
Depreciation and amortization	6,361	5,345
Property expenses	308	86
Restaurant expenses	4,983	4,870
Total operating expenses	15,598	13,884
Net operating income	24,003	20,919
Interest expense	(6,747)	(4,855)
Other income	413	358
Income tax expense	(68)	(58)
Net income	17,601	16,364
Net income attributable to noncontrolling interest	(98)	(109)
Net Income Available to Common Shareholders	\$17,503	\$ 16,255
Basic net income per share:	\$0.26	\$ 0.27
Diluted net income per share:	\$0.26	\$ 0.26
Weighted average number of common shares outstanding:		
Basic	68,202,956	61,291,642
Diluted	68,453,726	61,413,978
Dividends declared per common share	\$0.2875	\$ 0.2750

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands, except for share and per share data)
 (Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	\$17,601	\$16,364
Other comprehensive (loss) income:		
Effective portion of change in fair value of derivative instruments	(3,027)	5,384
Reclassification adjustment of derivative instruments included in net income	(609)	(240)
Other comprehensive (loss) income	(3,636)	5,144
Comprehensive income	13,965	21,508
Less: comprehensive income attributable to noncontrolling interest		
Net income attributable to noncontrolling interest	98	109
Other comprehensive income attributable to noncontrolling interest	(21)	34
Comprehensive income attributable to noncontrolling interest	77	143
Comprehensive Income Attributable to Common Shareholders	\$13,888	\$21,365

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional	Retained	Accumulated	Noncontrolling	Total
	Shares	Par Value	Paid-in Capital	Earnings	Other Comprehensive Income	Interest	
Balance at December 31, 2018	68,204,045	\$ 7	\$ 639,116	\$ 46,018	\$ 5,956	\$ 7,867	\$ 698,964
Net income	—	—	—	17,503	—	98	17,601
Other comprehensive income	—	—	—	—	(3,615)	(21)	(3,636)
Redemption of OP units	—	—	(1,180)	—	—	(1,985)	(3,165)
ATM proceeds, net of issuance costs	25,455	—	660	—	—	—	660
Dividends and distributions to equity holders	—	—	—	(19,626)	—	(101)	(19,727)
Stock-based compensation, net	138,764	—	(1,479)	—	—	—	(1,479)
Balance at March 31, 2019	68,368,264	\$ 7	\$ 637,117	\$ 43,895	\$ 2,341	\$ 5,858	\$ 689,218
	Common Stock		Additional	Retained	Accumulated	Noncontrolling	Total
	Shares	Par Value	Paid-in Capital	Earnings	Other Comprehensive Income	Interest	
Balance at December 31, 2017	61,329,489	\$ 6	\$ 473,685	\$ 36,318	\$ 4,478	\$ 7,781	\$ 522,268
ASU 2017-12 cumulative effect adjustment	—	—	—	(467)	467	—	—
Net income	—	—	—	16,255	—	109	16,364
Other comprehensive income	—	—	—	—	5,110	34	5,144
Dividends and distributions to equity holders	—	—	—	(16,855)	—	(112)	(16,967)
Stock-based compensation, net	61,698	—	1,184	—	—	—	1,184
Balance at March 31, 2018	61,391,187	\$ 6	\$ 474,869	\$ 35,251	\$ 10,055	\$ 7,812	\$ 527,993

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2019	2018
Cash flows - operating activities		
Net income	\$	