

Brookdale Senior Living Inc.
Form 10-Q
August 09, 2012

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 June 30, 2012

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: 001-32641

BROOKDALE SENIOR LIVING INC.
(Exact name of registrant as specified in its charter)

Delaware 20-3068069
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

111 Westwood Place, Suite 400, Brentwood, Tennessee 37027
(Address of principal executive offices) (Zip Code)

(615) 221-2250
(Registrant's telephone number, including area code)

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

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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.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a 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 August 6, 2012, 122,474,134 shares of the registrant's common stock, \$0.01 par value, were outstanding (excluding unvested restricted shares).

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except stock amounts)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 38,676	\$ 30,836
Cash and escrow deposits - restricted	45,202	45,903
Accounts receivable, net	106,934	98,697
Deferred tax asset	11,776	11,776
Prepaid expenses and other current assets, net	89,994	93,663
Total current assets	292,582	280,875
Property, plant and equipment and leasehold intangibles, net	3,792,169	3,694,064
Cash and escrow deposits - restricted	51,590	52,980
Marketable securities - restricted	33,661	31,721
Investment in unconsolidated ventures	31,461	32,798
Goodwill	109,553	109,553
Other intangible assets, net	158,782	154,136
Other assets, net	108,523	109,934
Total assets	\$ 4,578,321	\$ 4,466,061
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 410,581	\$ 47,654
Trade accounts payable	43,105	54,134
Accrued expenses	188,455	183,634
Refundable entrance fees and deferred revenue	341,364	327,808
Tenant security deposits	6,589	7,720
Total current liabilities	990,094	620,950
Long-term debt, less current portion	2,099,265	2,350,971
Line of credit	75,000	65,000
Deferred entrance fee revenue	75,173	72,485
Deferred liabilities	158,300	161,185
Deferred tax liability	112,259	112,736
Other liabilities	42,267	42,526
Total liabilities	3,552,358	3,425,853
Stockholders' Equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized at June 30, 2012 and December 31, 2011; no shares issued and outstanding		
Common stock, \$0.01 par value, 200,000,000 shares authorized at June 30, 2012 and December 31, 2011; 128,867,519 and 127,782,538 shares issued and 126,439,118 and 125,354,137 shares outstanding (including 3,965,578 and 4,221,598 unvested restricted	1,264	1,254

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shares), respectively

Additional paid-in-capital	1,984,814	1,970,820
Treasury stock, at cost; 2,428,401 shares at June 30, 2012 and December 31, 2011	(46,800)	(46,800)
Accumulated deficit	(913,199)	(884,051)
Accumulated other comprehensive loss	(116)	(1,015)
Total stockholders' equity	1,025,963	1,040,208
Total liabilities and stockholders' equity	\$4,578,321	\$4,466,061

See accompanying notes to condensed consolidated financial statements.

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BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Resident fees	\$ 602,387	\$563,923	\$1,199,273	\$1,131,958
Management fees	7,499	1,505	14,943	2,910
Reimbursed costs incurred on behalf of managed communities	80,924	17,871	159,639	35,351
Total revenue	690,810	583,299	1,373,855	1,170,219
Expense				
Facility operating expense (excluding depreciation and amortization of \$58,090, \$57,808, \$116,026 and \$116,767, respectively)	403,515	366,242	802,284	737,196
General and administrative expense (including non-cash stock-based compensation expense of \$6,729, \$4,555, \$13,164 and \$9,095, respectively)	46,071	33,681	91,044	67,224
Facility lease expense	70,628	66,065	142,073	132,380
Depreciation and amortization	63,561	70,577	126,905	142,359
Asset impairment	7,246		8,329	14,846
Loss on acquisition			636	
Gain on facility lease termination			(2,780)	
Costs incurred on behalf of managed communities	80,924	17,871	159,639	35,351
Total operating expense	671,945	554,436	1,328,130	1,129,356
Income from operations	18,865	28,863	45,725	40,863
Interest income	692	773	1,544	1,398
Interest expense:				
Debt	(32,431)	(30,673)	(64,481)	(62,234)
Amortization of deferred financing costs and debt discount	(4,586)	(2,010)	(9,059)	(4,714)
Change in fair value of derivatives and amortization	(278)	(2,635)	(511)	(2,643)
Loss on extinguishment of debt		(15,254)	(221)	(18,148)
Equity in (loss) earnings of unconsolidated ventures	(61)	146	38	412
Other non-operating income (loss)	3	(441)	(108)	376
Loss before income taxes	(17,796)	(21,231)	(27,073)	(44,690)
Provision for income taxes	(1,014)	(12,728)	(2,075)	(1,574)
Net loss	\$ (18,810)	\$ (33,959)	\$ (29,148)	\$ (46,264)
Basic and diluted net loss per share	\$ (0.15)	\$ (0.28)	\$ (0.24)	\$ (0.38)
Weighted average shares used in computing basic and diluted net loss per share	121,708	121,280	121,426	121,037

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net loss	\$(18,810)	\$(33,959)	\$(29,148)	\$(46,264)
Other comprehensive (loss) income:				
Unrealized (loss) gain on marketable securities - restricted	(200)	(36)	838	221
Reclassification of net gains (loss) on derivatives into earnings		114	(79)	228
Amortization of payments from settlement of forward interest rate swaps	85	94	179	188
Other	(33)	(69)	(39)	(250)
Total other comprehensive (loss) income, net of tax	(148)	103	899	387
Comprehensive loss	\$(18,958)	\$(33,856)	\$(28,249)	\$(45,877)

See accompanying notes to condensed consolidated financial statements.

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BROOKDALE SENIOR LIVING INC.
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (Unaudited, in thousands)

	Common Stock		Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive	
	Shares	Amount				Loss	Total
Balances at January 1, 2012	125,354	\$ 1,254	\$ 1,970,820	\$ (46,800)	\$ (884,051)	\$ (1,015)	\$ 1,040,208
Compensation expense related to restricted stock grants			13,164				13,164
Net loss					(29,148)		(29,148)
Issuance of common stock under Associate Stock Purchase Plan	41		678				678
Restricted stock, net	1,044	10	(100)				(90)
Unrealized gain on marketable securities - restricted						838	838
Reclassification of net gains on derivatives into earnings						(79)	(79)
Amortization of payments from settlement of forward interest rate swaps						179	179
Other			252			(39)	213
Balances at June 30, 2012	126,439	\$ 1,264	\$ 1,984,814	\$ (46,800)	\$ (913,199)	\$ (116)	\$ 1,025,963

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited, in thousands)

	Six Months Ended June 30,	
	2012	2011
Cash Flows from Operating Activities		
Net loss	\$(29,148)	\$(46,264)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on extinguishment of debt	221	18,148
Depreciation and amortization	135,964	147,073
Asset impairment	8,329	14,846
Equity in earnings of unconsolidated ventures	(38)	(412)
Distributions from unconsolidated ventures from cumulative share of net earnings	1,015	
Amortization of deferred gain	(2,186)	(2,186)
Amortization of entrance fees	(13,050)	(12,366)
Proceeds from deferred entrance fee revenue	17,377	15,660
Deferred income tax benefit	(41)	
Change in deferred lease liability	3,206	3,182
Change in fair value of derivatives and amortization	511	2,643
Loss (gain) on sale of assets	172	(1,315)
Loss on acquisition	636	
Gain on facility lease termination	(2,780)	
Non-cash stock-based compensation	13,164	9,095
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,801)	1,623
Prepaid expenses and other assets, net	4,446	1,937
Accounts payable and accrued expenses	(7,800)	1,317
Tenant refundable fees and security deposits	(1,117)	23
Deferred revenue	8,467	4,348
Net cash provided by operating activities	128,547	157,352
Cash Flows from Investing Activities		
Increase in lease security deposits and lease acquisition deposits, net	(6,336)	(372)
Decrease in cash and escrow deposits - restricted	5,404	58,296