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Xenia Hotels & Resorts, Inc.
Form 10-Q
November 07, 2016

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 September 30, 2016

OR

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

For the transition period ended _____ to _____

Commission file number 001-36594

Xenia Hotels & Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland 20-0141677
(State of Incorporation) (I.R.S. Employer Identification No.)

200 S. Orange Avenue 32801
Suite 2700, Orlando, Florida
(Address of Principal Executive Offices) (Zip Code)
(407) 246-8100

(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

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 definition 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	Smaller reporting company
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(Do not check if a 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 November 4, 2016, there were 106,892,788 shares of the registrant's common stock outstanding.

XENIA HOTELS & RESORTS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

XENIA HOTELS & RESORTS, INC.

Condensed Consolidated Balance Sheets

As of September 30, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share data)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Investment properties:		
Land	\$ 343,000	\$ 343,000
Building and other improvements	2,830,089	2,680,591
Construction in progress	—	169
Total	\$ 3,173,089	\$ 3,023,760
Less: accumulated depreciation	(630,282)	(518,961)
Net investment properties	\$ 2,542,807	\$ 2,504,799
Cash and cash equivalents	185,311	122,154
Restricted cash and escrows	85,582	73,021
Accounts and rents receivable, net of allowance of \$259 and \$243, respectively	33,587	23,529
Intangible assets, net of accumulated amortization of \$19,259 and \$16,660, respectively	77,346	58,059
Deferred tax asset	1,726	2,304
Other assets	20,449	40,683
Assets held for sale	—	181,396
Total assets (including \$76,760 and \$77,140, respectively, related to consolidated variable interest entities)	\$ 2,946,808	\$ 3,005,945
Liabilities		
Debt, net of loan discounts, premiums and unamortized deferred financing costs	\$ 1,169,128	\$ 1,094,536
Accounts payable and accrued expenses	81,696	83,211
Distributions payable	30,121	25,684
Other liabilities	42,986	27,510
Liabilities associated with assets held for sale	—	31,646
Total liabilities (including \$48,409 and \$48,582, respectively, related to consolidated variable interest entities)	1,323,931	1,262,587
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 107,295,503 and 111,671,372 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	1,073	1,117
Additional paid in capital	1,932,360	1,993,760
Accumulated other comprehensive (loss) income	(9,721)	1,543
Distributions in excess of retained earnings	(321,292)	(268,991)
Total Company stockholders' equity	\$ 1,602,420	\$ 1,727,429
Non-controlling interests	20,457	15,929
Total equity	\$ 1,622,877	\$ 1,743,358
Total liabilities and equity	\$ 2,946,808	\$ 3,005,945
See accompanying notes to the combined condensed consolidated financial statements.		

XENIA HOTELS & RESORTS, INC.

Combined Condensed Consolidated Statements of Operations and Comprehensive Income

For the Three and Nine Months Ended September 30, 2016 and 2015

(unaudited)

(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Rooms revenues	\$167,066	\$175,872	\$507,361	\$501,754
Food and beverage revenues	55,687	58,500	185,484	185,707
Other revenues	11,193	14,081	37,515	40,089
Total revenues	\$233,946	\$248,453	\$730,360	\$727,550
Expenses:				
Rooms expenses	36,854	38,841	111,812	111,378
Food and beverage expenses	38,233	41,308	122,475	122,806
Other direct expenses	1,520	4,625	9,571	13,256
Other indirect expenses	55,076	58,311	170,957	167,758
Management and franchise fees	11,459	12,605	37,486	37,674
Total hotel operating expenses	\$143,142	\$155,690	\$452,301	\$452,872
Depreciation and amortization	37,796	37,818	115,066	110,094
Real estate taxes, personal property taxes and insurance	12,300	12,985	34,875	36,984
Ground lease expense	1,356	1,272	4,112	3,869
General and administrative expenses	7,211	5,396	25,508	19,443
Acquisition transaction costs	2	4,510	147	5,396
Pre-opening expenses	—	825	—	825
Provision for asset impairment	15	—	10,006	—
Separation and other start-up related expenses	—	426	—	26,887
Total expenses	\$201,822	\$218,922	\$642,015	\$656,370
Operating income	\$32,124	\$29,531	\$88,345	\$71,180
Gain (loss) on sale of investment properties	(1)	—	792	—
Other income	738	672	916	3,389
Interest expense	(12,373)	(12,496)	(38,014)	(38,726)
Loss on extinguishment of debt	(244)	—	(5,023)	(283)
Net income before income taxes	\$20,244	\$17,707	\$47,016	\$35,560
Income tax (expense) benefit	187	140	(9,613)	(8,344)
Net income from continuing operations	\$20,431	\$17,847	\$37,403	\$27,216
Net loss from discontinued operations	—	—	—	(489)
Net income	\$20,431	\$17,847	\$37,403	\$26,727
Non-controlling interests in consolidated real estate entities (Note 5)	84	255	205	255
Non-controlling interests of common units in Operating Partnership (Note 1)	(273)	(4)	(512)	(7)
Net (income) loss attributable to non-controlling interests	\$(189)	\$251	\$(307)	\$248
Net income attributable to the Company	\$20,242	\$18,098	\$37,096	\$26,975
Distributions to preferred stockholders	—	(4)	—	(12)
Net income attributable to common stockholders	\$20,242	\$18,094	\$37,096	\$26,963

XENIA HOTELS & RESORTS, INC.

Combined Condensed Consolidated Statements of Operations and Comprehensive Income, Continued

For the Three and Nine Months Ended September 30, 2016 and 2015

(unaudited)

(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic and diluted earnings per share				
Income from continuing operations available to common stockholders	\$0.19	\$ 0.16	\$0.34	\$ 0.24
Income from discontinued operations available to common stockholders	—	—	—	—
Net income per share available to common stockholders	\$0.19	\$ 0.16	\$0.34	\$ 0.24
Weighted average number of common shares (basic)	107,538,601	111,694,773	108,384,241	112,096,957
Weighted average number of common shares (diluted)	107,677,749	111,885,350	108,495,365	112,258,505
Comprehensive Income:				
Net income	\$20,431	\$ 17,847	\$37,403	\$ 26,727
Other comprehensive income:				
Unrealized gain (loss) on interest rate derivative instruments	1,362	—	(14,283)	—
Reclassification adjustment for amounts recognized in net income (interest expense)	972	—	2,869	—
	\$22,765	\$ 17,847	\$25,989	\$ 26,727
Comprehensive income attributable to non-controlling interests:				
Non-controlling interests in consolidated real estate entities (Note 5)	84	255	205	255
Non-controlling interests of common units in Operating Partnership (Note 1)	(303)	(4)	(362)	(7)
Comprehensive income attributable to non-controlling interests	(219)	251	(157)	248
Comprehensive income attributable to the Company	\$22,546	\$ 18,098	\$25,832	\$ 26,975

See accompanying notes to the combined condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.

Condensed Consolidated Statements of Changes in Equity

For the Nine Months Ended September 30, 2016

(unaudited)

(Dollar amounts in thousands, except per share data)

	Common Stock			Accumulated other comprehensive income (loss)	Distributions in excess of retained earnings	Non-controlling Interests			
	Shares	Amount	Additional paid in capital			Operating Partnerships	Consolidated Real Estate Entities	Total Non-controlling Interests	Total
Balance at January 1, 2016	111,671,372	\$1,117	\$1,993,760	\$1,543	\$(268,991)	\$2,593	\$13,336	\$15,929	\$1,743,358
Net income (loss)	—	—	—	—	37,096	512	(205)	307	37,403
Repurchase of common shares, net	(4,466,048)	(45)	(66,216)	—	—	—	—	—	(66,261)
Dividends, common shares / units (\$0.825)	—	—	—	—	(89,397)	(273)	—	(273)	(89,670)
Share-based compensation	90,179	1	4,816	—	—	4,303	—	4,303	9,120
Other comprehensive income (loss):									
Unrealized loss on interest rate derivative instruments	—	—	—	(14,096)	—	(187)	—	(187)	(14,283)
Reclassification adjustment for amounts recognized in net income	—	—	—	2,832	—	37	—	37	2,869
Contributions from non-controlling interests	—	—	—	—	—	—	341	341	341
Balance at September 30, 2016	107,295,503	\$1,073	\$1,932,360	\$(9,721)	\$(321,292)	\$6,985	\$13,472	\$20,457	\$1,622,877

See accompanying notes to the combined condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.

Combined Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2016 and 2015

(unaudited)

(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$37,403	\$26,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	112,897	107,427
Amortization of above and below market leases and other lease intangibles	2,547	2,769
Amortization of debt premiums, discounts, and financing costs	3,009	2,872
Loss on extinguishment of debt	5,023	283
Gain on sale of investment property, net	(792)	—
Provision for asset impairment	10,006	—
Share-based compensation expense	7,049	4,774
Other non-cash adjustments	—	36
Prepayment penalties and defeasance	(4,813)	—
Changes in assets and liabilities:		
Restricted cash	256	—
Accounts and rents receivable	(8,814)	(9,088)
Deferred costs and other assets	4,858	8,208
Accounts payable and accrued expenses	1,236	2,909
Other liabilities	2,708	(5,227)
Net cash flows provided by operating activities	\$172,573	\$141,690
Cash flows used in investing activities:		
Purchase of investment properties	(116,000)	(245,000)
Capital expenditures and tenant improvements	(38,091)	(40,941)
Investment in development projects	—	(30,842)
Proceeds from sale of investment properties	161,129	—
Restricted cash and escrows	(9,277)	4,155
Deposits for acquisition of hotel properties	—	(20,000)
Other assets	—	1,039
Net cash flows used in investing activities	\$(2,239)	\$(331,589)
Cash flows used in financing activities:		
Distribution to InvenTrust Properties Corp.	—	(23,505)
Contribution from InvenTrust Properties Corp.	—	176,805
Proceeds from mortgage debt and notes payable	71,258	19,628
Payoffs of mortgage debt	(147,042)	(81,468)
Principal payments of mortgage debt	(4,377)	(6,707)
Proceeds from unsecured term loan	125,000	—
Payment of loan fees and deposits	(646)	(2,926)
Proceeds from revolving line of credit draws	—	127,000