

STRATUS PROPERTIES INC
Form 10-Q
November 09, 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 from to
Commission
File Number:
001-37716

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware 72-1211572

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

212 Lavaca St., Suite 300

Austin, Texas 78701

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(Address of principal executive offices) (Zip Code)

(512) 478-5788

(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 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 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

On October 31, 2016, there were issued and outstanding 8,098,140 shares of the registrant's common stock, par value \$0.01 per share.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

STRATUS PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	\$ 16,240	\$ 17,036
Restricted cash	10,682	8,731
Real estate held for sale	21,526	25,944
Real estate under development	111,491	139,171
Land available for development	13,733	23,397
Real estate held for investment, net	240,614	186,626
Deferred tax assets	28,156	15,329
Other assets	15,407	13,871
Total assets	\$ 457,849	\$ 430,105
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 7,930	\$ 14,182
Accrued liabilities, including taxes	23,088	10,356
Debt	285,358	260,592
Other liabilities	10,247	8,301
Total liabilities	326,623	293,431
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock	92	91
Capital in excess of par value of common stock	192,788	192,122
Accumulated deficit	(40,969) (35,144
Common stock held in treasury	(20,760) (20,470
Total stockholders' equity	131,151	136,599
Noncontrolling interests in subsidiaries	75	75
Total equity	131,226	136,674
Total liabilities and equity	\$ 457,849	\$ 430,105

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2016	2015	2016
Revenues:				
Hotel	\$8,268	\$8,521	\$29,501	\$31,194
Entertainment	4,190	4,159	13,236	13,463
Commercial leasing	2,567	787	6,761	4,311
Real estate operations	6,155	6,210	9,858	10,920
Total revenues	21,180	19,677	59,356	59,888
Cost of sales:				
Hotel	6,891	6,782	22,248	23,159
Entertainment	3,713	3,423	10,532	10,514
Commercial leasing	1,390	516	3,295	2,216
Real estate operations	4,075	4,459	8,173	8,580
Depreciation	2,189	2,063	5,854	6,713
Total cost of sales	18,258	17,243	50,102	51,182
General and administrative expenses	2,497	2,187	9,718	6,308
Gain on sales of assets	—	(20,729)	—	(20,729)
Total	20,755	(1,299)	59,820	36,761
Operating income (loss)	425	20,976	(464)	23,127
Interest expense, net	(2,579)	(855)	(6,894)	(2,736)
Gain (loss) on interest rate derivative instruments	174	(918)	(301)	(986)
Loss on early extinguishment of debt	—	—	(837)	—
Other income, net	6	15	14	304
(Loss) income before income taxes and equity in unconsolidated affiliates' (loss) income	(1,974)	19,218	(8,482)	19,709
Equity in unconsolidated affiliates' (loss) income	(3)	(280)	70	(398)
Benefit from (provision for) income taxes	318	(5,197)	2,587	(5,244)
(Loss) income from continuing operations	(1,659)	13,741	(5,825)	14,067
Income from discontinued operations, net of taxes	—	—	—	3,218
Net (loss) income	(1,659)	13,741	(5,825)	17,285
Net income attributable to noncontrolling interests in subsidiaries	—	(3,493)	—	(5,414)
Net (loss) income attributable to common stockholders	\$(1,659)	\$10,248	\$(5,825)	\$11,871
Basic and diluted net (loss) income per share attributable to common stockholders:				
Continuing operations	\$(0.20)	\$1.27	\$(0.72)	\$1.07
Discontinued operations	—	—	—	0.40
	\$(0.20)	\$1.27	\$(0.72)	\$1.47
Weighted-average shares of common stock outstanding:				
Basic	8,094	8,063	8,086	8,055
Diluted	8,094	8,094	8,086	8,085

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)
(In Thousands)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2015	2015	2015
Net (loss) income	\$(1,659)	\$13,741	\$(5,825)	\$17,285
Other comprehensive income, net of taxes:				
Gain on interest rate swap agreement	—	438	—	457
Other comprehensive income	—	438	—	457
Total comprehensive (loss) income	(1,659)	14,179	(5,825)	17,742
Total comprehensive income attributable to noncontrolling interests	—	(3,666)	—	(5,592)
Total comprehensive (loss) income attributable to common stockholders	\$(1,659)	\$10,513	\$(5,825)	\$12,150

The accompanying Notes to Consolidated Financial Statements (Unaudited) are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In Thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flow from operating activities:		
Net (loss) income	\$(5,825)	\$17,285
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	5,854	6,713
Cost of real estate sold	4,546	4,935
Loss on early extinguishment of debt	837	—
Gain on sales of assets	—	(20,729)
Loss on interest rate derivative contracts	301	986
Debt issuance cost amortization and stock-based compensation	1,233	1,177
Gain on sale of 7500 Rialto, net of tax	—	(3,218)
Equity in unconsolidated affiliates' (income) loss	(70)	398
Deposits	1,054	1,267
Deferred income taxes	(12,827)	1,470
Purchases and development of real estate properties	(10,919)	(20,591)
Municipal utility district reimbursement	12,302	5,307
Increase in other assets	(2,675)	(3,519)
Increase in accounts payable, accrued liabilities and other	7,071	11,863
Net cash provided by operating activities	882	3,344
Cash flow from investing activities:		
Capital expenditures	(24,820)	(37,383)
Net proceeds from sales of assets	—	43,266
Other, net	(19)	6
Net cash (used in) provided by investing activities	(24,839)	5,889
Cash flow from financing activities:		
Borrowings from credit facility	24,000	55,826
Payments on credit facility	(19,120)	(20,857)
Borrowings from project loans	174,342	60,202
Payments on project and term loans	(154,584)	(36,081)
Purchase of noncontrolling interest	—	(61,991)
Stock-based awards net (payments) proceeds, including excess tax benefit	(146)	1,722
Noncontrolling interests distributions	—	(4,244)
Financing costs	(1,331)	(265)
Net cash provided by (used in) financing activities	23,161	(5,688)
Net (decrease) increase in cash and cash equivalents	(796)	3,545
Cash and cash equivalents at beginning of year	17,036	29,645
Cash and cash equivalents at end of period	\$16,240	\$33,190

The accompanying Notes to Consolidated Financial Statements (Unaudited), which include information regarding noncash transactions, are an integral part of these consolidated financial statements.

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STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
(In Thousands)

	Stockholders' Equity									
	Common Stock Number of Shares	At Par Value	Capital in Excess of Par Value	Accum- ulated Deficit	Accum- ulated Other Compre- hensive Loss	Common Stock Held in Treasury Number of Shares	At Cost	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2015	9,160	\$ 91	\$ 192,122	\$(35,144)	\$ —	1,093	\$(20,470)	\$ 136,599	\$ 75	\$ 136,674
Exercised and issued stock-based awards	43	1	(1)	—	—	—	—	—	—	—
Stock-based compensation	—	—	523	—	—	—	—	523	—	523
Tax benefit for stock-based awards	—	—	144	—	—	—	—	144	—	144
Tender of shares for stock-based awards	—	—	—	—	—	12	(290)	(290)	—	(290)
Total comprehensive loss	—	—	—	(5,825)	—	—	—	(5,825)	—	(5,825)
Balance at September 30, 2016	9,203	\$ 92	\$ 192,788	\$(40,969)	\$ —	1,105	\$(20,760)	\$ 131,151	\$ 75	\$ 131,226
Balance at December 31, 2014	9,116	\$ 91	\$ 204,269	\$(47,321)	\$(279)	1,081	\$(20,317)	\$ 136,443	\$ 38,643	\$ 175,086
Exercised and issued stock-based awards	42	—	—	—	—	—	—	—	—	—
Stock-based compensation	2	—	421	—	—	—	—	421	—	421
Tax benefit for stock-based awards	—	—	1,866	—	—	—	—	1,866	—	1,866
Tender of shares for stock-based awards	—	—	—	—	—	12	(153)	(153)	—	(153)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(4,244)	(4,244)