

HERSHA HOSPITALITY TRUST
Form 10-Q
July 25, 2018
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 June 30, 2018

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: 001-14765

HERSHA HOSPITALITY TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

251,811,499

(I.R.S. Employer Identification No.)

44 Hersha Drive, Harrisburg, PA

17102

(Address of Registrant's Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (717) 236-4400

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Small reporting company

Emerging growth 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. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of July 25, 2018, the number of Class A common shares of beneficial interest outstanding was 39,380,154 and there were no Class B common shares of beneficial interest outstanding.

Hersha Hospitality Trust
Table of Contents

	Page
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements.</u>	
<u>Consolidated Balance Sheets as of June 30, 2018 [Unaudited] and December 31, 2017.</u>	<u>3</u>
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2018 and 2017 [Unaudited].</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive (Loss) Income for the Three and Six Months Ended June 30, 2018 and 2017 [Unaudited].</u>	<u>6</u>
<u>Consolidated Statements of Equity for the Six Months Ended June 30, 2018 and 2017 [Unaudited].</u>	<u>7</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017 [Unaudited].</u>	<u>9</u>
<u>Notes to the Consolidated Financial Statements [Unaudited].</u>	<u>11</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>41</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>60</u>
<u>Item 4. Controls and Procedures.</u>	<u>61</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings.</u>	<u>62</u>
<u>Item 1A. Risk Factors.</u>	<u>62</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>62</u>
<u>Item 3. Defaults Upon Senior Securities.</u>	<u>62</u>
<u>Item 4. Mine Safety Disclosures.</u>	<u>62</u>
<u>Item 5. Other Information.</u>	<u>62</u>
<u>Item 6. Exhibits.</u>	<u>63</u>
<u>Signatures.</u>	<u>64</u>

Table of Contents

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2018 (UNAUDITED) AND DECEMBER 31, 2017
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	June 30, 2018	December 31, 2017
Assets:		
Investment in Hotel Properties, Net of Accumulated Depreciation	\$2,039,715	\$ 2,009,572
Investment in Unconsolidated Joint Ventures	3,406	3,569
Cash and Cash Equivalents	46,869	17,945
Escrow Deposits	7,063	7,641
Hotel Accounts Receivable, Net of Allowance for Doubtful Accounts of \$83 and \$49	11,517	11,999
Due from Related Parties	4,949	5,322
Intangible Assets, Net of Accumulated Amortization of \$7,273 and \$6,598	15,844	16,388
Other Assets	48,357	49,913
Hotel Assets Held for Sale	—	15,987
Total Assets	\$2,177,720	\$ 2,138,336
Liabilities and Equity:		
Line of Credit	\$26,000	\$ 16,100
Unsecured Term Loans, Net of Unamortized Deferred Financing Costs (Note 5)	697,826	715,449
Unsecured Notes Payable, Net of Unamortized Deferred Financing Costs (Note 5)	50,657	53,781
Mortgages Payable, Net of Unamortized Premium and Unamortized Deferred Financing Costs	334,664	307,683
Accounts Payable, Accrued Expenses and Other Liabilities	63,015	58,770
Dividends and Distributions Payable	17,117	17,115
Deferred Gain on Disposition of Hotel Assets	—	81,284
Total Liabilities	\$1,189,279	\$ 1,250,182
Redeemable Noncontrolling Interests - Consolidated Joint Venture (Note 1)	\$2,186	\$ —
Equity:		
Shareholders' Equity:		
Preferred Shares: \$.01 Par Value, 29,000,000 Shares Authorized, 3,000,000 Series C, 7,701,700 Series D and 4,001,514 Series E Shares Issued and Outstanding at June 30, 2018 and 3,000,000 Series C, 7,701,700 Series D and 4,000,000 Series E Shares Issued and Outstanding at December 31, 2017, with Liquidation Preferences of \$25 Per Share (Note 1)	\$ 147	\$ 147
Common Shares: Class A, \$.01 Par Value, 104,000,000 Shares Authorized at June 30, 2018 and December 31, 2017; 39,379,211 and 39,916,661 Shares Issued and Outstanding at June 30, 2018 and December 31, 2017, respectively	394	399
Common Shares: Class B, \$.01 Par Value, 1,000,000 Shares Authorized, None Issued and Outstanding at June 30, 2018 and December 31, 2017	—	—
Accumulated Other Comprehensive Income	7,769	3,749
Additional Paid-in Capital	1,156,604	1,164,946
Distributions in Excess of Net Income	(241,776)	(335,373)

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Total Shareholders' Equity	923,138	833,868
Noncontrolling Interests (Note 1)	63,117	54,286
Total Equity	986,255	888,154
Total Liabilities and Equity	\$2,177,720	\$2,138,336

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

3

Table of Contents

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017 [UNAUDITED]
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Hotel Operating Revenues:				
Room	\$109,492	\$114,461	\$188,540	\$205,230
Food & Beverage	17,001	15,010	30,539	25,746
Other Operating Revenues	7,269	7,545	14,198	13,992
Other Revenues	78	988	202	1,034
Total Revenues	133,840	138,004	233,479	246,002
Operating Expenses:				
Hotel Operating Expenses:				
Room	22,945	23,749	42,301	45,053
Food & Beverage	13,331	11,856	25,182	21,413
Other Operating Expenses	40,383	40,917	75,958	77,323
Gain on Insurance Settlement	(6,363)	—	(6,363)	—
Hotel Ground Rent	1,349	894	2,277	1,701
Real Estate and Personal Property Taxes and Property Insurance General and Administrative (including Share Based Payments of \$3,123 and \$2,527, and \$4,729 and \$3,956 for the three and six months ended June 30, 2018 and 2017, respectively)	8,129	8,068	16,421	15,694
Acquisition and Terminated Transaction Costs	2	1,124	2	1,824
Depreciation and Amortization	22,061	20,114	43,600	39,576
Total Operating Expenses	109,422	113,320	212,052	213,807
Operating Income	24,418	24,684	21,427	32,195
Interest Income	20	72	45	197
Interest Expense	(11,879)	(10,590)	(23,251)	(20,439)
Other Expense	(75)	(279)	(734)	(678)
Gain (Loss) on Disposition of Hotel Properties	(14)	70,852	3,403	89,583
Loss on Debt Extinguishment	—	—	(22)	(274)
Income Before Results from Unconsolidated Joint Venture Investments and Income Taxes	12,470	84,739	868	100,584
Income (Loss) from Unconsolidated Joint Ventures	537	711	336	(3,175)
Gain from Remeasurement of Investment in Unconsolidated Joint Venture	—	—	—	16,239
Income from Unconsolidated Joint Venture Investments	537	711	336	13,064
Income Before Income Taxes	13,007	85,450	1,204	113,648
Income Tax (Expense) Benefit	(1,170)	(662)	1,485	(2,905)
Net Income	11,837	84,788	2,689	110,743
(Income) Loss Allocated to Noncontrolling Interests - Common Units	(500)	(4,758)	604	(5,939)
	1,200	—	1,200	—

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Loss Allocated to Noncontrolling Interests - Consolidated Joint
Venture

Preferred Distributions	(6,043)	(6,042)	(12,087)	(12,084)
Net Income (Loss) Applicable to Common Shareholders	\$6,494	\$73,988	\$(7,594)	\$92,720

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

4

Table of Contents

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017 [UNAUDITED]
 [IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings Per Share:				
BASIC				
Income (Loss) from Continuing Operations Applicable to Common Shareholders	\$0.16	\$ 1.77	\$(0.20)	\$ 2.22
DILUTED				
Income (Loss) from Continuing Operations Applicable to Common Shareholders	\$0.16	\$ 1.75	\$(0.20)	\$ 2.19
Weighted Average Common Shares Outstanding:				
Basic	39,246,946	37,044	39,440,481	41,727,056
Diluted*	39,926,402	207,841	39,440,481	42,201,126

* Income allocated to noncontrolling interest in Hersha Hospitality Limited Partnership (the "Operating Partnership" or "HHLP")