

Paramount Group, Inc.
Form 10-Q
August 13, 2015

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, 2015

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: 001-36746

PARAMOUNT GROUP, INC.

(Exact name of registrant as specified in its charter)

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Maryland 32-0439307
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1633 Broadway, Suite 1801, New York, NY 10019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 237-3100

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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, 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 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 July 31, 2015, there were 212,111,937 shares of the registrant's common stock outstanding.



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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PARAMOUNT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	The Company	
ASSETS	June 30, 2015	December 31, 2014
Rental property, at cost		
Land	\$2,042,071	\$2,042,071
Buildings and improvements	5,534,885	5,488,168
	7,576,956	7,530,239
Accumulated depreciation and amortization	(162,377)	(81,050)
Rental property, net	7,414,579	7,449,189
Real estate fund investments	335,545	323,387
Investments in unconsolidated joint ventures	6,128	5,749
Cash and cash equivalents	438,088	438,599
Restricted cash	45,737	55,728
Marketable securities	21,524	20,159
Deferred rent receivable	40,308	8,267
Accounts and other receivables, net of allowance of \$406 and \$333 in 2015		
and 2014, respectively	10,781	7,692
Deferred charges, net of accumulated amortization of \$13,002 and \$10,859 in 2015		
and 2014, respectively	49,547	39,165
Intangible assets, net of accumulated amortization of \$103,158 and \$20,509 in 2015		
and 2014, respectively	583,126	669,385
Other assets	9,529	13,121
Total assets	\$8,954,892	\$9,030,441
LIABILITIES AND EQUITY		
Mortgages and notes payable	\$2,853,237	\$2,852,287
Credit facility	-	-
Due to affiliates	27,299	27,299
Loans payable to noncontrolling interests	43,981	42,195
Accounts payable and accrued expenses	96,595	93,472
Deferred income taxes	2,659	2,861
Interest rate swap liabilities	160,473	194,196

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Intangible liabilities, net of accumulated amortization of \$21,064 and \$3,757 in 2015

and 2014, respectively	201,839	219,228
Dividends and distributions payable	25,066	-
Other liabilities	45,922	43,950
Total liabilities	3,457,071	3,475,488
Commitments and contingencies		
Paramount Group, Inc. equity:		
Common stock \$0.01 par value per share; authorized 900,000,000 shares; issued		
and outstanding 212,111,937 and 212,106,718 shares in 2015 and 2014, respectively	2,122	2,122
Additional paid-in-capital	3,893,756	3,851,432
Earnings (less than) in excess of distributions	(5,843)	57,308
Accumulated other comprehensive loss	(493)	-
Paramount Group, Inc. equity	3,889,542	3,910,862
Noncontrolling interests in:		
Consolidated joint ventures and funds	703,596	685,888
Operating Partnership (51,660,088 and 51,543,993 units outstanding in 2015		
and 2014, respectively)	904,683	958,203
Total equity	5,497,821	5,554,953
Total liabilities and equity	\$8,954,892	\$9,030,441

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	The Company	
	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
REVENUES:		
Rental income	\$145,917	\$289,160
Tenant reimbursement income	12,063	25,551
Fee and other income	4,948	9,443
Total revenues	162,928	324,154
EXPENSES:		
Operating	57,781	119,665
Depreciation and amortization	79,421	153,004
General and administrative	9,133	21,746
Acquisition and transaction related costs	8,208	9,347
Total expenses	154,543	303,762
Operating income	8,385	20,392
Income from real estate fund investments	14,072	19,293
Income from unconsolidated joint ventures	2,011	2,986
Unrealized gains on interest rate swaps	21,747	33,725
Interest and other income, net	512	1,366
Interest and debt expense	(42,236)	(84,124)
Net income (loss) before income taxes	4,491	(6,362)
Income tax expense	(1,343)	(1,917)
Net income (loss)	3,148	(8,279)
Less net (income) loss attributable to noncontrolling interests in:		
Consolidated joint ventures and funds	(9,004)	(9,672)
Operating Partnership	1,147	3,511
Net loss attributable to common shareholders	\$(4,709)	\$(14,440)
LOSS PER COMMON SHARE - BASIC:		
Loss per common share	\$(0.02)	\$(0.07)
Weighted average shares outstanding	212,106,718	212,106,718
LOSS PER COMMON SHARE - DILUTED:		
Loss per common share	\$(0.02)	\$(0.07)
Weighted average shares outstanding	212,106,718	212,106,718
DIVIDENDS PER COMMON SHARE	\$0.095	\$0.190

(1)

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⁽¹⁾ Excludes the \$0.039 cash dividend for the 38 day period following the completion of our initial public offering and related formation transactions and ending on December 31, 2014.

See notes to combined consolidated financial statements (unaudited).

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PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in thousands)	The Predecessor	
	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
REVENUES:		
Rental income	\$8,499	\$16,312
Tenant reimbursement income	441	896
Distributions from real estate fund investments	4,744	11,247
Realized and unrealized gains, net	33,750	79,917
Fee and other income	6,400	11,582
Total revenues	53,834	119,954
EXPENSES:		
Operating	4,214	7,753
Depreciation and amortization	2,899	5,566
General and administrative	4,363	12,448
Profit sharing compensation	3,438	8,232
Other	2,634	3,901
Total expenses	17,548	37,900
Operating income	36,286	82,054
Income from unconsolidated joint ventures	903	2,035
Unrealized loss on interest rate swaps	(354)	(196)
Interest and other income, net	997	1,706
Interest and debt expense	(7,988)	(15,787)
Net income before income taxes	29,844	69,812
Income tax expense	(3,842)	(7,105)
Net income	26,002	62,707
Net income attributable to noncontrolling interests	(25,823)	(53,133)
Net income attributable to the Predecessor	\$179	\$9,574

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	The Company	
	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
(Amounts in thousands)		
Net income (loss)	\$3,148	\$(8,279)
Other comprehensive loss:		
Pro rata share of other comprehensive loss of unconsolidated joint ventures	(613)	(613)
Comprehensive income (loss)	2,535	(8,892)
Less comprehensive (income) loss attributable to noncontrolling interests in:		
Consolidated joint ventures and funds	(9,004)	(9,672)
Operating Partnership	1,267	3,631
Comprehensive loss attributable to Paramount Group, Inc.	\$(5,202)	\$(14,933)

See notes to combined consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC. AND PARAMOUNT PREDECESSOR

COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(Amounts in thousands)	Common Shares		Earnings (Less than) In			Accumulated Predecessor Shareholders' Equity	Noncontrolling Interests in Consolidated Joint Ventures and Funds		Operating Partnerships	Total Equity
	Shares	Amount	Additional Paid in Capital	Excess of Distributions	Other Comprehensive Loss					
Balance as of December 31, 2013	-	\$ -	\$ -	\$ -	\$ -	\$ 321,769	\$ 1,703,675	\$ -	\$ 2,025,444	
Net income	-	-	-	-	-	9,574	53,133	-	62,707	
Contributions	-	-	-	-	-	1,253	88,804	-	90,057	
Distributions	-	-	-	-	-	(22,323)	(2,183)	-	(24,506)	
Balance as of June 30, 2014	-	\$ -	\$ -	\$ -	\$ -	\$ 310,273	\$ 1,843,429	\$ -	\$ 2,153,702	