

Public Storage
Form 10-Q
August 05, 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: 001-33519

PUBLIC STORAGE

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	95-3551121 (I.R.S. Employer Identification Number)
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701 Western Avenue, Glendale, California (Address of principal executive offices)	91201-2349 (Zip Code)
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Registrant's telephone number, including area code: (818) 244-8080.

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 at least the past 90 days.

Yes No

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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

Indicate the number of the registrant's outstanding common shares of beneficial interest, as of August 3, 2015:

Common Shares of beneficial interest, \$.10 par value per share – 172,967,347 shares

PUBLIC STORAGE

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PUBLIC STORAGE

BALANCE SHEETS

(Amounts in thousands, except share data)

(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 20,256	\$ 187,712
Real estate facilities, at cost:		
Land	3,517,310	3,476,883
Buildings	9,502,764	9,386,352
	13,020,074	12,863,235
Accumulated depreciation	(4,668,557)	(4,482,520)
	8,351,517	8,380,715
Construction in process	145,455	104,573
	8,496,972	8,485,288
Investments in unconsolidated real estate entities	808,455	813,740
Goodwill and other intangible assets, net	216,312	228,632
Other assets	92,763	103,304
Total assets	\$ 9,634,758	\$ 9,818,676
LIABILITIES AND EQUITY		
Borrowings on bank credit facility	\$ 11,000	\$ -
Notes payable	47,683	64,364
Accrued and other liabilities	270,414	247,141
Total liabilities	329,097	311,505
Commitments and contingencies (Note 12)		
Equity:		
Public Storage shareholders' equity:		
Preferred Shares, \$0.01 par value, 100,000,000 shares authorized, 167,200 shares issued (in series) and outstanding, (173,000 at December 31, 2014), at liquidation preference	4,180,000	4,325,000

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Common Shares, \$0.10 par value, 650,000,000 shares authorized, 172,664,710 shares issued and outstanding (172,445,554 shares at December 31, 2014)	17,267	17,245
Paid-in capital	5,571,895	5,561,530
Accumulated deficit	(428,270)	(374,823)
Accumulated other comprehensive loss	(61,523)	(48,156)
Total Public Storage shareholders' equity	9,279,369	9,480,796
Noncontrolling interests	26,292	26,375
Total equity	9,305,661	9,507,171
Total liabilities and equity	\$ 9,634,758	\$ 9,818,676

See accompanying notes.

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PUBLIC STORAGE

STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues:				
Self-storage facilities	\$ 551,028	\$ 500,803	\$ 1,081,665	\$ 986,390
Ancillary operations	41,603	37,234	80,360	71,271
	592,631	538,037	1,162,025	1,057,661
Expenses:				
Self-storage cost of operations	147,826	142,427	309,068	298,495
Ancillary cost of operations	14,406	8,127	26,326	26,578
Depreciation and amortization	106,473	106,443	213,619	215,464
General and administrative	20,988	15,377	45,148	34,366
	289,693	272,374	594,161	574,903
Operating income	302,938	265,663	567,864	482,758
Interest and other income	934	1,000	1,606	3,402
Interest expense	-	(2,063)	-	(5,543)
Equity in earnings of unconsolidated real estate entities	7,480	14,135	23,664	28,739
Foreign currency exchange loss	-	(1,675)	-	(4,023)
Gain on real estate sales	16,688	1,219	18,160	1,219
Net income	328,040	278,279	611,294	506,552
Allocation to noncontrolling interests	(1,635)	(1,445)	(3,108)	(2,522)
Net income allocable to Public Storage shareholders	326,405	276,834	608,186	504,030
Allocation of net income to:				
Preferred shareholders	(61,449)	(57,672)	(125,004)	(110,179)
Preferred shareholders - redemptions (Note 8)	-	-	(4,784)	-
Restricted share units	(1,030)	(810)	(1,859)	(1,447)
Net income allocable to common shareholders	\$ 263,926	\$ 218,352	\$ 476,539	\$ 392,404
Net income per common share:				
Basic	\$ 1.53	\$ 1.27	\$ 2.76	\$ 2.28
Diluted	\$ 1.52	\$ 1.26	\$ 2.75	\$ 2.27
Basic weighted average common shares outstanding	172,629	172,282	172,575	172,096
Diluted weighted average common shares outstanding	173,387	173,181	173,377	172,995
Cash dividends declared per common share	\$ 1.70	\$ 1.40	\$ 3.10	\$ 2.80

See accompanying notes.

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PUBLIC STORAGE

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 328,040	\$ 278,279	\$ 611,294	\$ 506,552
Other comprehensive income (loss):				
Aggregate foreign currency exchange income (loss)	17,049	(6,228)	(13,367)	(8,091)
Adjust for foreign currency exchange loss included in net income	-	1,675	-	4,023
Other comprehensive income (loss):	17,049	(4,553)	(13,367)	(4,068)
Total comprehensive income	345,089	273,726	597,927	502,484
Allocation to noncontrolling interests	(1,635)	(1,445)	(3,108)	(2,522)
Comprehensive income allocable to Public Storage shareholders	\$ 343,454	\$ 272,281	\$ 594,819	\$ 499,962

See accompanying notes.

PUBLIC STORAGE

STATEMENT OF EQUITY

(Amounts in thousands, except share and per share amounts)

(Unaudited)

Cumulative Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Public Storage Shareholders' Equity	Noncontrolling Interests	Total Equity	
Balances at December 31, 2014	\$ 4,325,000	\$ 17,245	\$ 5,561,530	\$ (374,823)	\$ (48,156)	\$ 9,480,796	\$ 26,375	\$ 9,507,171
Redemption of 5,800 preferred shares (Note 8)	(145,000)	-	-	-	-	(145,000)	-	(145,000)
Issuance of common shares in connection with share-based compensation (219,156 shares) (Note 10)	-	22	10,466	-	-	10,488	-	10,488
Cash paid in lieu of common shares, net of share-based compensation expense (Note 10)	-	-	(101)	-	-	(101)	-	(101)
Net income	-	-	-	611,294	-	611,294	-	611,294
Net income allocated to noncontrolling interests	-	-	-	(3,108)	-	(3,108)	3,108	-
Distributions to equity holders: Preferred shares (Note 8)	-	-	-	(125,004)	-	(125,004)	-	(125,004)
Noncontrolling interests	-	-	-	-	-	-	(3,191)	(3,191)

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Common shares and restricted share units (\$3.10 per share)	-	-	-	(536,629)	-	(536,629)	-	(536,629)
Other comprehensive loss (Note 2)	-	-	-	-	(13,367)	(13,367)	-	(13,367)
Balances at June 30, 2015	\$ 4,180,000	\$ 17,267	\$ 5,571,895	\$ (428,270)	\$ (61,523)	\$ 9,279,369	\$ 26,292	\$ 9,305,661

See accompanying notes.

PUBLIC STORAGE

STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Six Months Ended June	
	30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 611,294	\$ 506,552
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on real estate sales	(18,160)	(1,219)
Depreciation and amortization	213,619	215,464
Distributions received from unconsolidated real estate entities less than equity in earnings	(7,303)	(2,953)
Foreign currency exchange loss	-	4,023
Other	26,584	4,179
Total adjustments	214,740	219,494
Net cash provided by operating activities	826,034	726,046
Cash flows from investing activities:		
Capital expenditures to maintain real estate facilities	(32,461)	(32,897)
Construction in process	(100,085)	(48,503)
Acquisition of real estate facilities and intangible assets	(87,783)	(32,030)
Proceeds from sale of real estate facilities	13,929	1,289
Disposition of portion of loan receivable from Shurgard Europe	-	216,217
Other	18,426	(2,355)
Net cash (used in) provided by investing activities	(187,974)	101,721
Cash flows from financing activities:		
Borrowings (repayments) on bank credit facility	11,000	(50,100)
Repayments on term loan	-	(378,000)
Repayments on notes payable	(16,282)	(18,768)
Issuance of preferred shares	-	555,106
Issuance of common shares	10,488	30,491
Redemption of preferred shares	(145,000)	-
Distributions paid to Public Storage shareholders	(661,633)	(593,923)
Distributions paid to noncontrolling interests	(3,191)	(3,400)
Net cash used in financing activities	(804,618)	(458,594)
Net (decrease) increase in cash and cash equivalents	(166,558)	369,173

Net effect of foreign exchange translation on cash and cash equivalents