

Chesapeake Lodging Trust
Form 10-Q
August 04, 2014

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, 2014

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 001-34572

CHESAPEAKE LODGING TRUST
(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization) 1997 Annapolis Exchange Parkway, Suite 410 Annapolis, Maryland (Address of principal executive offices) (410) 972-4140 (Registrant's telephone number, including area code)	27-0372343 (I.R.S. Employer Identification No.) 21401 (Zip Code)
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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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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, 2014, there were 50,048,154 shares of the registrant's common shares issued and outstanding.

Table of Contents

CHESAPEAKE LODGING TRUST
INDEX

	Page
PART I	
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>28</u>
<u>Item 4. Controls and Procedures</u>	<u>28</u>
PART II	
<u>Item 1. Legal Proceedings</u>	<u>29</u>
<u>Item 1A. Risk Factors</u>	<u>29</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>29</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>29</u>
<u>Item 5. Other Information</u>	<u>29</u>
<u>Item 6. Exhibits</u>	<u>30</u>

Table of Contents

PART I

Item 1. Financial Statements

CHESAPEAKE LODGING TRUST
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Property and equipment, net	\$1,440,848	\$1,422,439
Intangible assets, net	38,480	38,781
Cash and cash equivalents	40,047	28,713
Restricted cash	36,313	34,235
Accounts receivable, net of allowance for doubtful accounts of \$116 and \$91, respectively	21,123	13,011
Prepaid expenses and other assets	15,362	10,478
Deferred financing costs, net of accumulated amortization of \$4,943 and \$3,497, respectively	5,178	6,501
Total assets	\$1,597,351	\$1,554,158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-term debt	\$576,776	\$531,771
Accounts payable and accrued expenses	51,440	45,982
Other liabilities	31,564	29,848
Total liabilities	659,780	607,601
Commitments and contingencies (Note 10)		
Preferred shares, \$.01 par value; 100,000,000 shares authorized; Series A Cumulative Redeemable Preferred Shares; 5,000,000 shares issued and outstanding, respectively (\$127,422 liquidation preference)	50	50
Common shares, \$.01 par value; 400,000,000 shares authorized; 50,048,154 shares and 49,574,005 shares issued and outstanding, respectively	501	496
Additional paid-in capital	993,801	991,417
Cumulative dividends in excess of net income	(56,781) (45,339
Accumulated other comprehensive loss	—	(67
Total shareholders' equity	937,571	946,557
Total liabilities and shareholders' equity	\$1,597,351	\$1,554,158

The accompanying notes are an integral part of these consolidated financial statements.

Table of ContentsCHESAPEAKE LODGING TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Six Months Ended June	
	June 30,		30,	
	2014	2013	2014	2013
REVENUE				
Rooms	\$98,118	\$86,946	\$168,957	\$138,490
Food and beverage	26,063	24,313	46,331	40,225
Other	4,684	4,311	8,351	7,456
Total revenue	128,865	115,570	223,639	186,171
EXPENSES				
Hotel operating expenses:				
Rooms	21,326	19,167	39,945	33,186
Food and beverage	18,730	17,142	34,940	29,734
Other direct	1,998	1,936	3,779	3,707
Indirect	39,633	35,125	75,782	61,705
Total hotel operating expenses	81,687	73,370	154,446	128,332
Depreciation and amortization	12,524	10,838	25,022	19,677
Air rights contract amortization	130	130	260	260
Corporate general and administrative	3,891	3,643	7,811	6,985
Hotel acquisition costs	—	1,237	—	4,136
Total operating expenses	98,232	89,218	187,539	159,390
Operating income	30,633	26,352	36,100	26,781
Interest income	—	25	—	243
Interest expense	(6,828)	(6,346)	(13,514)	(11,787)
Income before income taxes	23,805	20,031	22,586	15,237
Income tax benefit (expense)	(2,556)	(2,974)	841	(690)
Net income	21,249	17,057	23,427	14,547
Preferred share dividends	(2,422)	(2,422)	(4,844)	(4,844)
Net income available to common shareholders	\$18,827	\$14,635	\$18,583	\$9,703
Net income available per common share—basic and diluted	\$0.38	\$0.30	\$0.37	\$0.21

The accompanying notes are an integral part of these consolidated financial statements.

Table of ContentsCHESAPEAKE LODGING TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$21,249	\$17,057	\$23,427	\$14,547
Other comprehensive income:				
Unrealized losses on cash flow hedge instruments	—	(13) (9) (55
Reclassification of unrealized losses on cash flow hedge instruments to interest expense	39	278	76	537
Comprehensive income	\$21,288	\$17,322	\$23,494	\$15,029

The accompanying notes are an integral part of these consolidated financial statements.

Table of ContentsCHESAPEAKE LODGING TRUST
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands, except share data)

(unaudited)

	Preferred Shares		Common Shares		Additional Paid-In Capital	Cumulative Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balances at December 31, 2013	5,000,000	\$ 50	49,574,005	\$ 496	\$ 991,417	\$ (45,339)	\$ (67)	\$ 946,557
Repurchase of common shares	—	—	(18,104)	—	(430)	—	—	(430)
Issuance of restricted common shares	—	—	491,564	5	(5)	—	—	—
Issuance of unrestricted common shares	—	—	1,439	—	40	—	—	40
Forfeiture of restricted common shares	—	—	(750)	—	—	—	—	—
Amortization of deferred compensation	—	—	—	—	2,779	—	—	2,779
Declaration of dividends on common shares	—	—	—	—	—	(30,025)	—	(30,025)
Declaration of dividends on preferred shares	—	—	—	—	—	(4,844)	—	(4,844)
Net income	—	—	—	—	—	23,427	—	23,427
Other comprehensive income	—	—	—	—	—	—	67	67
Balances at June 30, 2014	5,000,000	\$ 50	50,048,154	\$ 501	\$ 993,801	\$ (56,781)	\$ —	\$ 937,571

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CHESAPEAKE LODGING TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Six Months Ended June 30,