

COUSINS PROPERTIES INC  
Form 10-Q  
October 24, 2018  
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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 September 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: 001-11312

COUSINS PROPERTIES INCORPORATED  
(Exact name of registrant as specified in its charter)

58-0869052  
(I.R.S.  
Employer  
Identification  
No.)

GEORGIA  
(State or other jurisdiction of  
incorporation or organization)

3344 Peachtree Road NE, Suite 1800, Atlanta, Georgia  
(Address of principal executive offices)  
(404) 407-1000  
(Registrant's telephone number, including area code)

30326-4802  
(Zip 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 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller 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.

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 shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding at October 17, 2018

Common Stock, \$1 par value per share 420,384,785 shares

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are “forward-looking statements” within the meaning of the federal securities laws and are subject to uncertainties and risks, as itemized in Item 1A included in the Annual Report on Form 10-K for the year ended December 31, 2017 and as itemized herein. These forward-looking statements include information about possible or assumed future results of the business and our financial condition, liquidity, results of operations, plans, and objectives. They also include, among other things, statements regarding subjects that are forward-looking by their nature, such as:

- our 2018 guidance and underlying assumptions;
- business and financial strategy;
- future financings;
- future acquisitions and dispositions of land, including ground leases;
- future acquisitions and dispositions of operating assets;
- future development and redevelopment opportunities;
- future fee development opportunities;
- future issuances and repurchases of common or preferred stock;
- future distributions;
- future projected capital expenditures;
- future changes in interest rates;
- market and industry trends; and

all statements that address operating performance, events, or developments that we expect or anticipate will occur in the future — including statements relating to creating value for stockholders.

Any forward-looking statements are based upon management's beliefs, assumptions, and expectations of our future performance, taking into account information currently available. These beliefs, assumptions, and expectations may change as a result of possible events or factors, not all of which are known. If a change occurs, our business, financial condition, liquidity, and results of operations may vary materially from those expressed in forward-looking statements. Actual results may vary from forward-looking statements due to, but not limited to, the following:

- the availability and terms of capital;
- the ability to refinance or repay indebtedness as it matures;
- the failure of purchase, sale, or other contracts to ultimately close;
- the failure to achieve anticipated benefits from acquisitions, investments, or dispositions;
- the potential dilutive effect of common stock or operating partnership unit issuances;
- the availability of buyers and pricing with respect to the disposition of assets;
- risks and uncertainties related to national and local economic conditions, the real estate industry, and the commercial real estate markets in which we operate, particularly in Atlanta, Charlotte, Austin, Phoenix, and Tampa where we have high concentrations of our lease revenue;
- changes to our strategy with regard to non-core holdings that require impairment losses to be recognized;
- leasing risks, including the ability to obtain new tenants or renew expiring tenants, the ability to lease newly developed and/or recently acquired space, and the risk of declining leasing rates;
- the adverse change in the financial condition of one or more of our major tenants;
- volatility in interest rates and insurance rates;
- competition from other developers or investors;
- the risks associated with real estate developments (such as zoning approval, receipt of required permits, construction delays, cost overruns, and leasing risk);
- changes in senior management and the loss of key personnel;
- the potential liability for uninsured losses, condemnation, or environmental issues;
- the potential liability for a failure to meet regulatory requirements;
- the financial condition and liquidity of, or disputes with, joint venture partners;
- any failure to comply with debt covenants under credit agreements;

any failure to continue to qualify for taxation as a real estate investment trust and meet regulatory requirements;  
potential changes to state, local, or federal regulations applicable to our business;  
material changes in the dividend rates or the ability to pay dividends on common shares or other securities;  
potential changes to the tax laws and accounting standards impacting REITs and real estate in general; and  
those additional risks and factors discussed in reports filed with the Securities and Exchange Commission by the  
Company.

The words “believes,” “expects,” “anticipates,” “estimates,” “plans,” “may,” “intend,” “will,” or similar expressions are intended to identify forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in any forward-looking statements are reasonable, we can give no assurance that such plans, intentions, or expectations will be achieved. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information, or otherwise, except as required under U.S. federal securities laws.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	September 30, 2018	December 31, 2017
	(unaudited)	
Assets:		
Real estate assets:		
Operating properties, net of accumulated depreciation of \$384,097 and \$275,977 in 2018 and 2017, respectively	\$ 3,499,741	\$ 3,332,619
Projects under development	128,580	280,982
Land	4,221	4,221
	3,632,542	3,617,822
Cash and cash equivalents	82,706	148,929
Restricted cash	419	56,816
Notes and accounts receivable, net of allowance for doubtful accounts of \$456 and \$535 in 2018 and 2017, respectively	10,400	14,420
Deferred rents receivable	76,494	58,158
Investment in unconsolidated joint ventures	154,070	101,414
Intangible assets, net	155,025	186,206
Other assets	31,943	20,854
Total assets	\$ 4,143,599	\$ 4,204,619
Liabilities:		
Notes payable	\$ 1,065,012	\$ 1,093,228
Accounts payable and accrued expenses	114,229	137,909
Deferred income	40,035	37,383
Intangible liabilities, net of accumulated amortization of \$39,332 and \$28,960 in 2018 and 2017, respectively	60,082	70,454
Other liabilities	39,786	40,534
Total liabilities	1,319,144	1,379,508
Commitments and contingencies		
Equity:		
Stockholders' investment:		
Preferred stock, \$1 par value, 20,000,000 shares authorized, 6,867,357 shares issued and outstanding in 2018 and 2017	6,867	6,867
Common stock, \$1 par value, 700,000,000 shares authorized, 430,724,520 and 430,349,620 shares issued in 2018 and 2017, respectively	430,725	430,350
Additional paid-in capital	3,605,617	3,604,776
Treasury stock at cost, 10,339,735 and 10,329,082 shares in 2018 and 2017, respectively	(148,473)	(148,373)
Distributions in excess of cumulative net income	(1,124,518)	(1,121,647)
Total stockholders' investment	2,770,218	2,771,973
Nonredeemable noncontrolling interests	54,237	53,138
Total equity	2,824,455	2,825,111
Total liabilities and equity	\$ 4,143,599	\$ 4,204,619

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental property revenues	\$ 115,443	\$ 109,569	\$ 342,489	\$ 336,093
Fee income	2,519	2,597	7,211	6,387
Other	744	993	2,836	9,593
	118,706	113,159	352,536	352,073
Expenses:				
Rental property operating expenses	41,579	40,688	122,501	123,715
Reimbursed expenses	955	895	2,757	2,667
General and administrative expenses	3,913	7,193	18,793	21,993
Interest expense	9,551	7,587	29,043	25,851
Depreciation and amortization	45,068	47,622	135,836	152,546
Acquisition and transaction costs	—	(677)	228	1,499
Other	93	423	457	1,063
	101,159	103,731	309,615	329,334
Gain on extinguishment of debt	93	429	8	2,258
Income from continuing operations before unconsolidated joint ventures and gain (loss) on sale of investment properties	17,640	9,857	42,929	24,997
Income from unconsolidated joint ventures	2,252	2,461	10,173	43,362
Income from continuing operations before gain (loss) on sale of investment properties	19,892	12,318	53,102	68,359
Gain (loss) on sale of investment properties	(33)	(33)	4,912	119,729
Net income	19,859	12,285	58,014	188,088
Net income attributable to noncontrolling interests	(374)	(218)	(1,210)	(3,181)
Net income available to common stockholders	\$ 19,485	\$ 12,067	\$ 56,804	\$ 184,907
Net income per common share — basic and diluted	\$ 0.05	\$ 0.03	\$ 0.14	\$ 0.45
Weighted average shares — basic	420,385	419,998	420,279	414,123
Weighted average shares — diluted	427,520	427,300	427,472	421,954
Dividends declared per common share	\$ 0.065	\$ 0.060	\$ 0.195	\$ 0.240

See accompanying notes.



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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Nine months ended September 30, 2018 and 2017

(unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Distributions in Excess of Net Income	Stockholders' Investment	Nonredeemable Noncontrolling Interests	Total Equity
Balance								
December 31, 2017	\$ 6,867	\$ 430,350	\$ 3,604,776	\$(148,373)	\$(1,121,647)	\$ 2,771,973	\$ 53,138	\$ 2,825,111
Net income	—	—	—	—	56,804	56,804	1,210	58,014
Common stock issued pursuant to stock-based compensation	—	397	(864)	(100)	—	(567)	—	(567)
Cumulative effect of change in accounting principle	—	—	—	—	22,329	22,329	—	22,329
Amortization of stock options and restricted stock, net of forfeitures	—	(22)	1,705	—	—	1,683	—	1,683
Contributions from nonredeemable noncontrolling interest	—	—	—	—	—	—	1,960	1,960
Distributions to nonredeemable noncontrolling interest	—	—	—	—	—	—	(2,071)	(2,071)
Common dividends (\$0.195 per share)	—	—	—	—	(82,004)	(82,004)	—	(82,004)
Balance								
September 30, 2018	\$ 6,867	\$ 430,725	\$ 3,605,617	\$(148,473)	\$(1,124,518)	\$ 2,770,218	\$ 54,237	\$ 2,824,455
Balance								
December 31, 2016	\$ 6,867	\$ 403,747	\$ 3,407,430	\$(148,373)	\$(1,214,114)	\$ 2,455,557	\$ 58,683	\$ 2,514,240
Net income	—	—	—	—	184,907	184,907	3,181	188,088

Common stock  
issued pursuant  
to:

Common stock offering, net of issuance costs	—	25,000	186,774	—	—	211,774
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