

CBRE GROUP, INC.  
Form 10-Q  
August 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

.. **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 32205

**CBRE GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**11150 Santa Monica Boulevard, Suite 1600**

**Los Angeles, California**  
(Address of principal executive offices)

**94-3391143**  
(I.R.S. Employer Identification Number)

**90025**  
(Zip Code)

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(310) 405-8900

(Registrant's telephone number, including area code)

(Former name, former address and

former fiscal year if changed since last report)

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  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 .

The number of shares of Class A common stock outstanding at July 31, 2012 was 328,219,385.

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**June 30, 2012**

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**Table of Contents****CBRE GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except share data)**

	<b>June 30, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 731,202	\$ 1,093,182
Restricted cash	64,328	67,138
Receivables, less allowance for doubtful accounts of \$38,770 and \$33,915 at June 30, 2012 and December 31, 2011, respectively	1,092,964	1,135,371
Warehouse receivables	423,681	720,061
Trading securities	79,115	151,484
Income taxes receivable	48,414	
Prepaid expenses	110,538	111,879
Deferred tax assets, net	173,211	168,939
Real estate under development	37,426	30,617
Real estate and other assets held for sale	13,667	26,201
Available for sale securities	2,068	2,790
Other current assets	52,084	42,385
<b>Total Current Assets</b>	<b>2,828,698</b>	<b>3,550,047</b>
Property and equipment, net	299,310	295,488
Goodwill	1,816,040	1,828,407
Other intangible assets, net of accumulated amortization of \$237,295 and \$194,982 at June 30, 2012 and December 31, 2011, respectively	784,779	794,325
Investments in unconsolidated subsidiaries	210,115	166,832
Real estate under development	7,813	3,952
Real estate held for investment	432,585	403,698
Available for sale securities	55,136	34,605
Other assets, net	141,919	141,789
<b>Total Assets</b>	<b>\$ 6,576,395</b>	<b>\$ 7,219,143</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 496,127	\$ 574,136
Compensation and employee benefits payable	399,216	398,688
Accrued bonus and profit sharing	284,729	544,628
Securities sold, not yet purchased	63,833	98,810
Income taxes payable		28,368
Short-term borrowings:		
Warehouse lines of credit	417,245	713,362
Revolving credit facility	52,838	44,825
Other	4,692	16
<b>Total short-term borrowings</b>	<b>474,775</b>	<b>758,203</b>
Current maturities of long-term debt	68,060	67,838
Notes payable on real estate	139,410	146,120
Liabilities related to real estate and other assets held for sale	6,939	21,482
Other current liabilities	45,369	42,375
<b>Total Current Liabilities</b>	<b>1,978,458</b>	<b>2,680,648</b>
Long-Term Debt:		
Senior secured term loans	1,584,774	1,615,773

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11.625% senior subordinated notes, net of unamortized discount of \$10,253 and \$10,984 at June 30, 2012 and December 31, 2011, respectively	439,747	439,016
6.625% senior notes	350,000	350,000
Other long-term debt	57	59
<b>Total Long-Term Debt</b>	<b>2,374,578</b>	<b>2,404,848</b>
Notes payable on real estate	243,334	206,339
Deferred tax liabilities, net	158,707	148,969
Non-current tax liabilities	86,062	79,927
Pension liability	60,627	60,860
Other liabilities	239,687	220,389
<b>Total Liabilities</b>	<b>5,141,453</b>	<b>5,801,980</b>
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 328,219,385 and 327,972,156 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	3,282	3,280
Additional paid-in capital	908,657	882,141
Accumulated earnings	527,347	424,499
Accumulated other comprehensive loss	(184,424)	(158,439)
<b>Total CBRE Group, Inc. Stockholders' Equity</b>	<b>1,254,862</b>	<b>1,151,481</b>
Non-controlling interests	180,080	265,682
<b>Total Equity</b>	<b>1,434,942</b>	<b>1,417,163</b>
<b>Total Liabilities and Equity</b>	<b>\$ 6,576,395</b>	<b>\$ 7,219,143</b>

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

**Table of Contents****CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	\$ 1,601,117	\$ 1,422,218	\$ 2,951,106	\$ 2,607,323
Costs and expenses:				
Cost of services	908,143	839,822	1,695,699	1,553,577
Operating, administrative and other	482,377	432,856	923,099	809,881
Depreciation and amortization	38,336	25,385	84,793	48,563
Total costs and expenses	1,428,856	1,298,063	2,703,591	2,412,021
Gain on disposition of real estate	439	6,027	1,248	7,999
Operating income	172,700	130,182	248,763	203,301
Equity income from unconsolidated subsidiaries	2,609	17,068	16,995	32,247
Other (loss) income	(2,104)		4,484	
Interest income	1,585	1,902	3,888	4,570
Interest expense	44,411	34,216	88,392	67,934
Income from continuing operations before provision for income taxes	130,379	114,936	185,738	172,184
Provision for income taxes	54,780	46,336	80,193	69,742
Income from continuing operations	75,599	68,600	105,545	102,442
Income from discontinued operations, net of income taxes		6,267		16,911
Net income	75,599	74,867	105,545	119,353
Less: Net (loss) income attributable to non-controlling interests	(274)	13,644	2,697	23,761
Net income attributable to CBRE Group, Inc.	\$ 75,873	\$ 61,223	\$ 102,848	\$ 95,592
<i>Basic income per share attributable to CBRE Group, Inc. shareholders</i>				
Income from continuing operations attributable to CBRE Group, Inc.	\$ 0.24	\$ 0.19	\$ 0.32	\$ 0.30
Income from discontinued operations attributable to CBRE Group, Inc.				
Net income attributable to CBRE Group, Inc.	\$ 0.24	\$ 0.19	\$ 0.32	\$ 0.30
Weighted average shares outstanding for basic income per share	320,852,344	317,698,275	320,761,873	317,133,967
<i>Diluted income per share attributable to CBRE Group, Inc. shareholders</i>				
	\$ 0.23	\$ 0.19	\$ 0.32	\$ 0.30

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Income from continuing operations attributable to CBRE Group, Inc.

Income from discontinued operations attributable to CBRE Group, Inc.

Net income attributable to CBRE Group, Inc.	\$	0.23	\$	0.19	\$	0.32	\$	0.30
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Weighted average shares outstanding for diluted income per share		326,081,681		324,093,042		325,910,274		323,510,069
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*Amounts attributable to CBRE Group, Inc. shareholders*

Income from continuing operations, net of tax	\$	75,873	\$	61,223	\$	102,848	\$	95,592
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Income from discontinued operations, net of tax

Net income	\$	75,873	\$	61,223	\$	102,848	\$	95,592
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The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(Dollars in thousands)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 75,599	\$ 74,867	\$ 105,545	\$ 119,353
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(40,181)	15,550	(21,659)	45,545
Unrealized losses on interest rate swaps and interest rate caps, net	(5,614)	(7,833)	(4,360)	(6,777)
Unrealized (losses) gains on available for sale securities, net	(1,100)	89	(186)	183
Other, net	333	909	(167)	323
Total other comprehensive (loss) income	(46,562)	8,715	(26,372)	39,274
Comprehensive income	29,037	83,582	79,173	158,627
Less: Comprehensive (loss) income attributable to non-controlling interests	(857)	14,116	2,310	24,591
Comprehensive income attributable to CBRE Group, Inc.	\$ 29,894	\$ 69,466	\$ 76,863	\$ 134,036

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



**Table of Contents****CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollars in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 105,545	\$ 119,353
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	84,793	49,088
Amortization of financing costs	4,643	3,241
Gain on sale of loans, servicing rights and other assets	(43,776)	(25,437)
Net realized and unrealized gains from investments	(4,484)	
Gain on disposition of real estate held for investment		(19,695)
Equity income from unconsolidated subsidiaries	(16,995)	(32,247)
Provision for doubtful accounts	6,842	6,830
Compensation expense related to stock options and non-vested stock awards	22,606	21,292
Incremental tax benefit from stock options exercised	(861)	(14,495)
Distribution of earnings from unconsolidated subsidiaries	8,017	11,855
Tenant concessions received	8,428	11,807
Purchase of trading securities	(121,412)	
Proceeds from sale of trading securities	125,412	
Proceeds from securities sold, not yet purchased	86,059	
Securities purchased to cover short sales	(73,250)	
Decrease in receivables	17,010	4,131
Increase in prepaid expenses and other assets	(10,831)	(4,523)
(Increase) decrease in real estate held for sale and under development	(9,378)	32,525
Decrease in accounts payable and accrued expenses	(47,455)	(34,955)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(284,895)	(256,597)
Increase in income taxes receivable/payable	(62,527)	(28,245)
Increase in other liabilities	5,721	400
Other operating activities, net	(871)	(718)
<b>Net cash used in operating activities</b>	<b>(201,659)</b>	<b>(156,390)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(38,705)	(47,148)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired	(183)	(41,075)
Contributions to unconsolidated subsidiaries	(48,518)	(17,094)
Distributions from unconsolidated subsidiaries	11,583	34,988
Net proceeds from disposition of real estate held for investment		109,667
Additions to real estate held for investment	(2,562)	(6,315)
Proceeds from the sale of servicing rights and other assets	13,490	11,416
Decrease in restricted cash	2,909	3,974
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)	(73,187)	
Other investing activities, net	1,626	(704)
<b>Net cash (used in) provided by investing activities</b>	<b>(133,547)</b>	<b>47,709</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from senior secured term loans		400,000
Repayment of senior secured term loans	(33,966)	(19,000)
Proceeds from revolving credit facility	23,222	744,733
Repayment of revolving credit facility	(15,230)	(652,000)

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Proceeds from notes payable on real estate held for investment	4,515	3,551
Repayment of notes payable on real estate held for investment	(9,727)	(91,471)
Proceeds from notes payable on real estate held for sale and under development	6,146	1,665
Repayment of notes payable on real estate held for sale and under development	(1,394)	(26,594)
Proceeds from short-term borrowings	4,683	
Proceeds from exercise of stock options	3,137	4,858
Incremental tax benefit from stock options exercised	861	14,495
Non-controlling interests contributions	15,909	8,630
Non-controlling interests distributions	(24,080)	(30,679)
Payment of financing costs	(55)	(18,454)
Other financing activities, net	(58)	(91)
Net cash (used in) provided by financing activities	(26,037)	339,643
Effect of currency exchange rate changes on cash and cash equivalents	(737)	14,573
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(361,980)</b>	<b>245,535</b>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	<b>1,093,182</b>	<b>506,574</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<b>\$ 731,202</b>	<b>\$ 752,109</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 81,320	\$ 68,221
Income tax payments, net	\$ 143,350	\$ 95,744

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENT OF EQUITY****(Unaudited)****(Dollars in thousands)**

	CBRE Group, Inc. Shareholders				Non-controlling interests	Total
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss		
Balance at December 31, 2011	\$ 3,280	\$ 882,141	\$ 424,499	\$ (158,439)	\$ 265,682	\$ 1,417,163
Net income			102,848		2,697	105,545
Stock options exercised (including tax benefit)	4	3,994				3,998
Compensation expense for stock options and non-vested stock awards		22,606				22,606
Foreign currency translation loss				(21,272)	(387)	(21,659)
Unrealized losses on interest rate swaps and interest rate caps, net				(4,360)		(4,360)
Unrealized losses on available for sale securities, net				(186)		(186)
Contributions from non-controlling interests					15,909	15,909
Distributions to non-controlling interests					(24,080)	(24,080)
Deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)					(91,580)	(91,580)
Other	(2)	(84)				