
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

December 3, 2018

Date of Report (Date of earliest event reported)

Essential Properties Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation)

001-38530
(Commission File Number)

82-4005693
(IRS Employer Identification No.)

47 Hulfish Street, Suite 210
Princeton, New Jersey
(Address of principal executive offices)

08542
(Zip Code)

Registrant's telephone number, including area code: **(609) 436-0610**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☒

Item 7.01 — Regulation FD Disclosure.

Investor Presentation

On December 3, 2018, Essential Properties Realty Trust, Inc. (the “Company”) released a presentation that it intends to use in upcoming meetings with institutional investors. A copy of the presentation is attached hereto as Exhibit 99.1.

The information set forth in this item 7.01 and in the attached Exhibit 99.1 is being "furnished" and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of Section 18, nor shall it be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in any such filing.

Item 9.01 — Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Investor Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ESSENTIAL PROPERTIES REALTY TRUST, INC.

Date: December 3, 2018

By: /s/ Hillary P. Hai
Hillary P. Hai
Chief Financial Officer

ESSENTIAL PROPERTIES



NAREIT REITworld 2018 - Investor Presentation

Disclaimer

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements can be identified by the use of words such as "expect," "plan," "will," "estimate," "project," "intend," "believe," "guidance," and other similar expressions that do not relate to historical matters. These forward-looking statements are subject to known and unknown risks and uncertainties that can cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, our continued ability to source new investments, risks associated with using debt and equity financing to fund our business activities (including refinancing and interest rate risks, changes in interest rates and/or credit spreads, changes in the price of our common shares, and conditions of the equity and debt capital markets, generally), unknown liabilities acquired in connection with acquired properties or interests in real-estate related entities, general risks affecting the real estate industry and local real estate markets (including, without limitation, the market value of our properties, the inability to enter into or renew leases at favorable rates, portfolio occupancy varying from our expectations, dependence on tenants' financial condition and operating performance, and competition from other developers, owners and operators of real estate), the financial performance of our retail tenants and the demand for retail space, particularly with respect to challenges being experienced by general merchandise retailers, potential fluctuations in the consumer price index, risks associated with our failure to maintain our status as a REIT under the Internal Revenue Code of 1986, as amended, and other additional risks discussed in our filings with the Securities and Exchange Commission. We expressly disclaim any responsibility to update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Investment Highlights

Newly Assembled Portfolio with Long Duration Leases is Devoid of Legacy Issues and At-Risk Sectors

14.3 Years
of Weighted Average
Lease Term (WALT)¹

15
Focused
Industries

Experienced Senior Management Team with Track Record of Growing and Managing Public Net Lease Businesses to Significant Scale

50+ Years
of Collective
Net Lease Experience

Smaller-Scale, Single-Tenant Properties Leased to Service-Oriented and Experienced-Based Businesses

90.6%
Service and
Experiential
Cash ABR¹

\$2.0mm
Average Investment
Per Property

Origination Platform Generates Attractive Growth via Sale-Leaseback Transactions with Middle-Market Companies

82.2%
Internally-Originated
Sale-Leasebacks^{1,2}

\$132mm
Average Quarterly
Investment Activity³

Balance Sheet Positioned to Fund New Investment Activity While Maintaining Conservative Long-Term Leverage Profile

~\$374mm
of Liquidity⁴

4.7x
Net Debt / Annualized Adj.
EBITDA⁵

1. Based on cash ABR as of September 30, 2018.

2. Percentage of portfolio cash ABR that was attributable to internally originated sale-leaseback transactions, exclusive of OE Seed Portfolio.

3. Average quarterly investment activity represents the trailing eight quarter average as of September 30, 2018.

4. Includes cash and cash equivalents and restricted cash deposits held for the benefit of lenders as of September 30, 2018, and our \$300M undrawn and fully available unsecured credit facility.

5. As of September 30, 2018, please see the Glossary at the end of the presentation for additional details.

Experienced and Proven Management Team

Senior Management has over 50+ years of collective experience managing and investing in net lease real estate



Pete Mavroides
President & CEO

- +20 years of experience in the single-tenant net lease industry and has overseen \$4 billion of aggregate acquisitions
- Previously served as President and Chief Operating Officer of Spirit Realty Capital (SRC) and was there from September 2011 to February 2015
- Helped transition SRC from a privately-held company with \$3.2 billion of total assets to a public company with \$8.0 billion of total assets
- Prior to SRC, served as President and Chief Executive Officer of Sovereign Investment Company and was there from May 2003 to January 2011



Gregg Seibert
Executive Vice President & COO

- +23 years experience in the single-tenant net lease industry
- Previously served as Executive Vice President and Chief Investment Officer of SRC and was there from September 2003 to May 2016
- Helped establish and implement SRC's investment sourcing, tenant underwriting, asset management and capital markets activities
- Prior to SRC, held positions as Vice President and Senior Vice President of Underwriting and Research as well as Senior Vice President of Acquisitions at Franchise Finance Corporation of America (FFCA)



Hillary Hai
CFO & Senior Vice President

- Previously served as Vice President and Director of Investments at SRC and was there from January 2013 to April 2016
- At SRC, underwrote and closed \$1 billion of transactions
- Prior to SRC, worked at Lowe Enterprises Investors, a real estate investment firm, as an analyst
- Graduated with a BA from the University of California Los Angeles and obtained an MBA from the University of Michigan



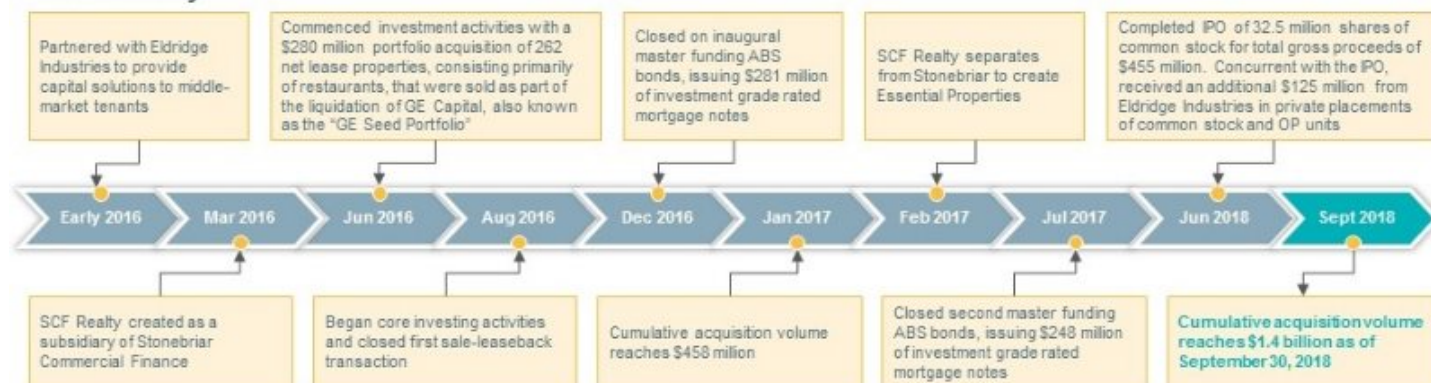
Dan Donlan
Senior Vice President & Head of Capital Markets

- +12 years covering the single-tenant net lease REIT sector as a sell-side equity research analyst
- Previously worked at Ladenburg Thalmann & Co. as a Managing Director and senior REIT analyst
- Prior to Ladenburg, served as Vice President and senior REIT analyst at Janney Capital Markets
- Before Janney, was an associate analyst at BB&T Capital Markets
- Graduated with a BBA from the University of Notre Dame

Building Essential Properties

Management's long standing industry relationships have allowed the portfolio to scale rapidly with a selective and focused approach towards investing in granular net lease assets primarily through sale-leaseback transactions

Our History



Cumulative Acquisition Volume¹

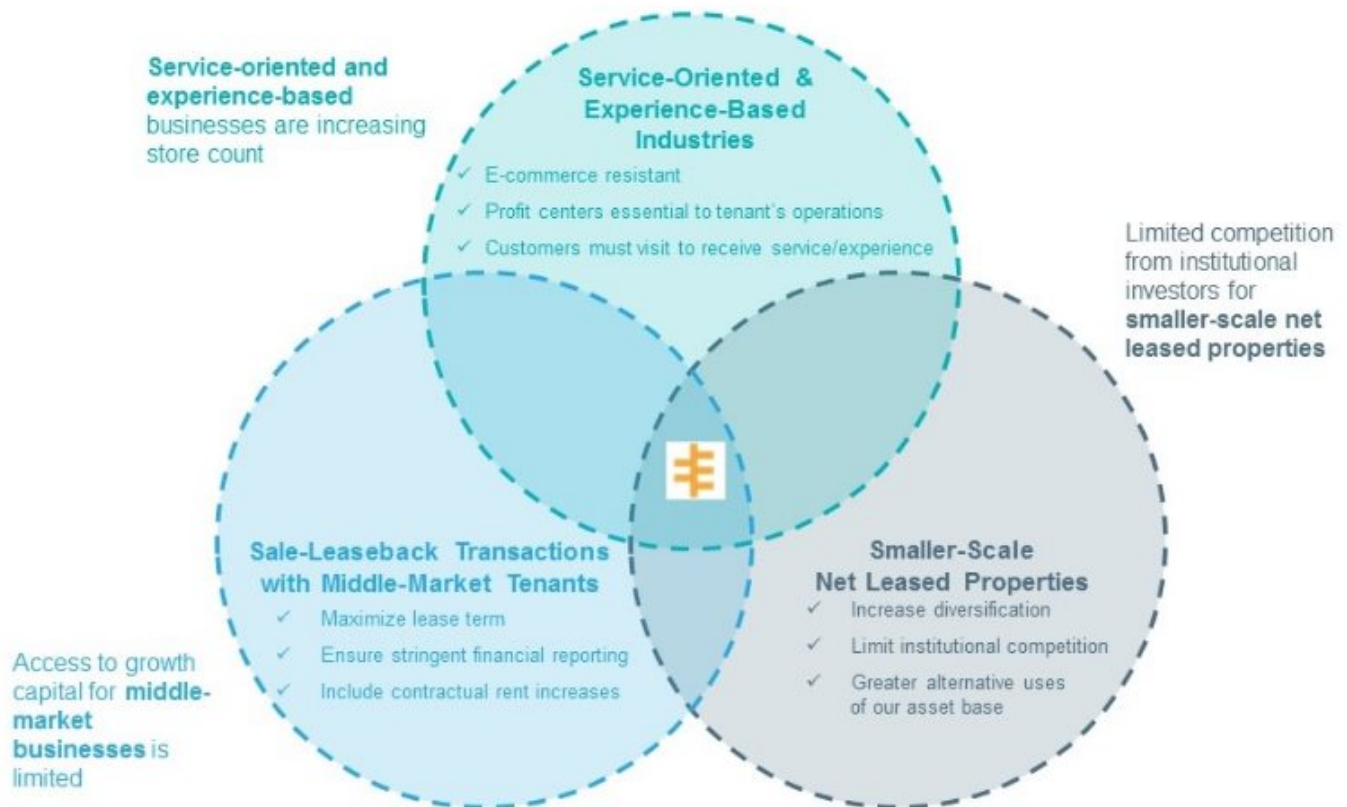
(\$mm)



¹. Includes transaction costs, lease incentives and amounts funded for construction in progress.

Our Investment Strategy Captures Identified Market Opportunities

With \$1.5 to \$2.0 trillion of U.S. real estate estimated to be held by corporate owner-occupiers, the addressable sale-leaseback market is both fragmented and vast in nature¹



1. Per Rosen Consulting Group.

New Vintage Portfolio is Focused on Select Industries

Our portfolio is the result of a disciplined adherence to investing in properties leased to service-oriented and experience-based businesses with unit-level reporting

- **E-commerce resistant:** ~91% of cash ABR comes from service-oriented and experience-based tenants
- **14.3 year WALT limits immediate-term cash flow erosion:** Only 3.2% of our cash ABR expires through 2022
- **Highly transparent with no legacy issues:** 97.6% unit-level reporting, investment program started in June 2016

Portfolio Highlights

September 30, 2018

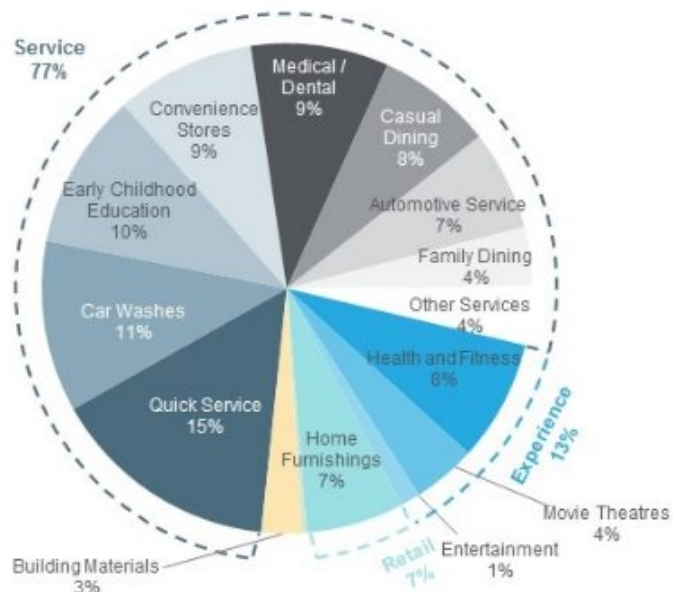
Investment Properties (#) ¹	645
Square Footage (MM)	5.5
Tenants (#)	153
Industries (#)	15
States (#)	42
Weighted Average Remaining Lease Term (Years) ²	14.3
Master Leases (% of Cash ABR)	67.2%
Sale-Leaseback (% of Cash ABR) ²	82.2%
Unit-Level Rent Coverage	2.8x
Unit-Level Financial Reporting (% of Cash ABR)	97.6%
Occupancy (%)	99.8%
Top 10 Tenants (% of Cash ABR)	35.0%
Average Investment Per Property (\$MM)	\$2.0
Average Transaction Size (\$MM) ²	\$7.5

1. Includes one land parcel and 11 properties that secured mortgage note receivables.

2. Exclusive of OE Seed Portfolio.

3. Includes a \$5.7M mortgage loan that automatically converts to a 20 year master lease in 2019

Tenant Industry Diversification



Top 10 Tenant Concentration

Essential has 153 tenants across 645 properties with the top 10 representing 189 properties and 35.0% of cash ABR

Top 10 Tenant Exposure

Top 10 Tenants	Properties	% of Cash ABR ¹
	77	5.3%
	5	4.4%
	13	4.2%
	15	3.8%
	5	3.6%
	13	3.1%
	26	2.9%
	3	2.7%
	19	2.6%
	13	2.4%
Top 10 Tenants	189	35.0%
Total	645	100.0%



¹. Represents annualized contractually specified cash base rent in effect on September 30, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date. Includes rental income from five sites under construction.

Built to Mitigate Sector Risk Factors

The Company has purposefully developed business practices and constructed a portfolio designed to mitigate key identifiable risk factors

Net Lease Risk Factor	Essential Properties Mitigation
Challenged Retail Categories	No exposure to big-box apparel, electronics, sporting goods or other soft goods retailers
At-Risk Retail Categories	No exposure to pharmacy or discount retailers; de minimis exposure to grocers
Asset Concentration	No large office, manufacturing or high-dollar special-purpose properties; primarily target smaller asset size (average investment per property of \$2.0 million) in service-based and experience-oriented industries
Tenant Concentration	No single tenant represented more than 5.3% of cash ABR ¹
Industry Concentration	Focus on 12-15 industries allows balance of deep industry expertise and diversification, while avoiding at-risk categories
Opaque Credit Deterioration	97.6% of leases ¹ obligate tenant to provide unit-level financial reporting
Lack of Organic Revenue Growth	Primarily internally originated sale-leaseback transactions (82.2% of cash ABR ^{1,2}) with contractual base rent escalation (96.9% of leases ¹ provide for increases)
Low Rent Recapture at Expiration/Default	Focus on high-quality, well-located real estate with alternative uses

1. Based on cash ABR as of September 30, 2018.

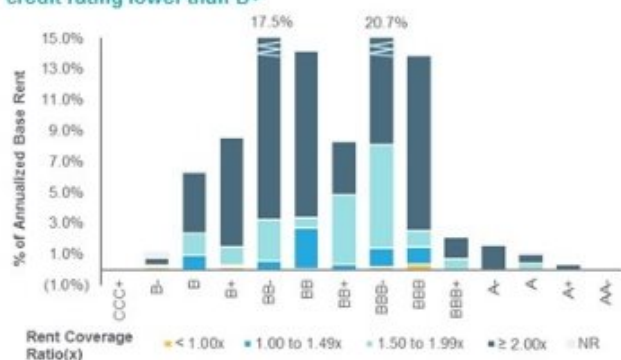
2. Exclusive of GE Seed Portfolio.

Disciplined Underwriting Leading to Healthy Portfolio Metrics

97.6% of unit-level reporting provides (near) real-time tenant visibility

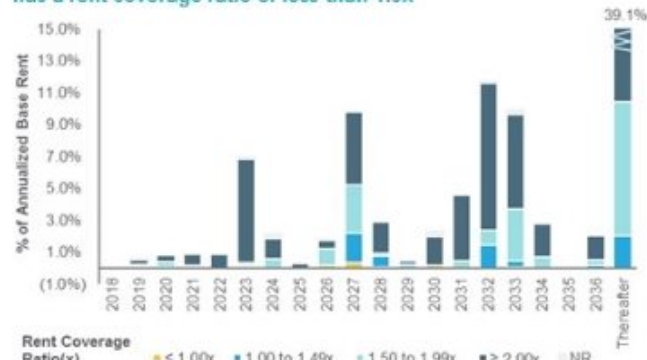
Healthy Rent Coverage Ratios¹

Only ~1.2% of cash ABR has less than 1.5x coverage and an implied credit rating lower than B+



Long Weighted Remaining Lease Term

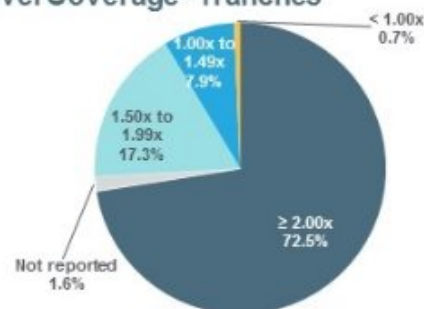
Over the next eight years only ~0.8% of our expiring cash ABR has a rent coverage ratio of less than 1.5x



Tenant Financial Reporting

Tenant Financial Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	97.6%
Corporate-Level Financial Reporting	98.8%
Both Unit-Level and Corporate-Level Financial Information	96.8%
No Financial Information	0.7%

Unit-Level Coverage² Tranches



Note: 'NR' means not reported.

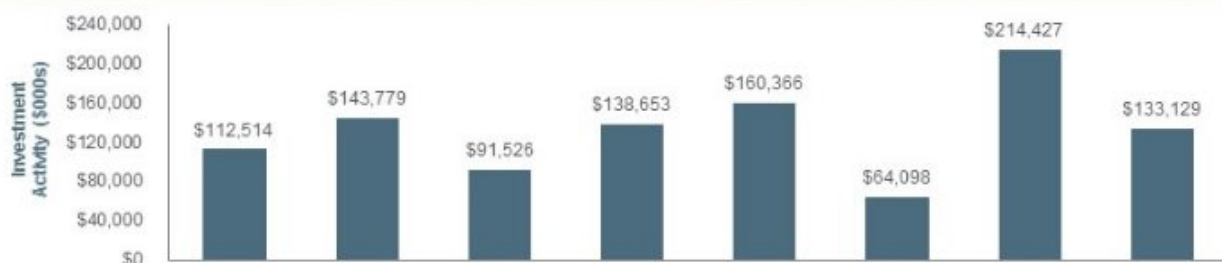
1. The chart illustrates the portions of annualized base rent as of September 30, 2018 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores. Moody's equates the EDF scores generated using RiskCalc with a corresponding credit rating.

2. Certain tenants, whose leases do not require unit-level financial reporting, provide the Company with unit-level financial information. The data shown includes unit-level coverage for these leases.

Established and Proven Investment Infrastructure

Scalable platform allows for consistent and attractive investment activity without sacrificing our rigorous underwriting standards and narrowed investment focus

Investment activity has averaged \$132.3MM per quarter over the last eight quarters as of 3Q'2018



Investments	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018 ⁵
Number of Transactions	11	12	11	18	21	16	23	34
Property Count	62	35	37	50	90	28	86	62
Avg. Investment per Unit (in 000s)	\$1,815	\$4,108	\$2,474	\$2,728	\$1,742	\$2,195	\$2,493	\$2,032
Cash Cap Rates ¹	7.3%	7.5%	7.6%	7.6%	7.7%	7.8%	7.6%	7.7%
GAAP Cap Rates ²	8.3%	8.7%	8.9%	8.9%	8.7%	8.3%	8.7%	8.6%
Master Lease % ³	47%	83%	71%	73%	65%	33%	85%	58%
Sale-Leaseback % ³	66%	86%	76%	94%	75%	68%	90%	77%
% of Financial Reporting ³	100%	100%	100%	98%	100%	100%	97% ⁴	100%
Rent Coverage Ratio	2.8x	3.1x	4.0x	2.8x	3.1x	2.3x	2.4x	2.7x
Lease Term Years	17.3	17.0	17.3	18.0	15.5	14.1	17.2	16.1

Note: Exclusive of GE Seed Portfolio and nine additional properties that were acquired from GE Capital for \$5.7 million.

1. Annualized contractually specified cash base rent for the first full month after the investment divided by the purchase price for the property.

2. GAAP rent for the first twelve months after the investment divided by the purchase price for the property.

3. As a percentage of cash annualized base rent as of September 30, 2018.

4. The Company purchased four properties with no unit-level reporting per the lease; however, the Company was able to receive financials due to an existing relationship with the tenant.

5. Includes a mortgage loan that automatically converts to a 20 year master lease in 2019.

Active Asset Management

Each property is regularly reviewed for changes in business performance, tenant credit and real estate fundamentals

Selective Dispositions Criteria Enables Proactive Management to Maximize Risk-Adjusted Returns

- Remaining lease term
- In-place rents vs. market
- Lease structure (master leases vs. single asset)
- Industry health
- Credit profile
- Current and projected rent coverage
- Alternative use
- Tenant / industry concentration



Since inception through 3Q'2018, we have sold 101 properties at weighted average cash cap rate of 6.5%^{3,4,6} for \$111.0 million in net sales proceeds and a 5.1% realized gain^{2,3,6}

1. Net of transaction costs.

2. Gains/(losses) based on our aggregate allocated purchase price.

3. Excludes one property sold pursuant to an existing tenant purchase option.

4. Annualized contractually specified cash base rent at time of sale divided by gross sale price (excluding transaction costs) for the property.

5. Property count excludes dispositions in which only a portion of the owned parcel is sold.

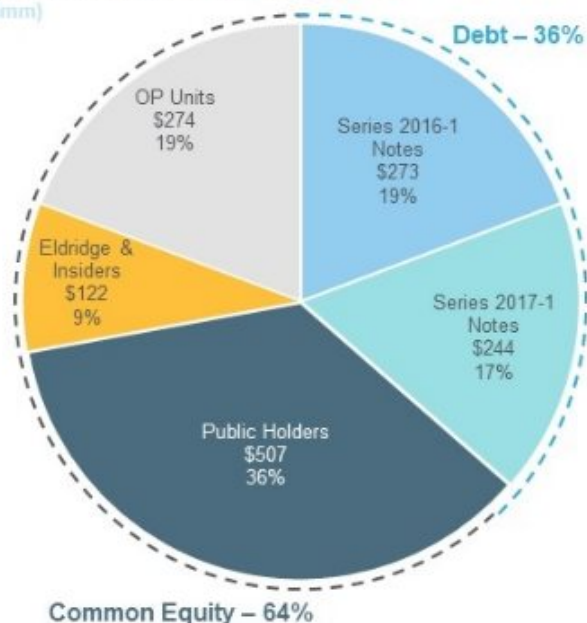
6. Excludes the sale of one leasehold property.

Growth Oriented Balance Sheet Supported by Scalable Infrastructure

We have approximately \$353 million of capital capacity to fund future investment activity

\$1.4 Billion Total Capitalization¹

(\$mm)



Selected Credit Ratios

	3Q 2018 ²	Intra Qtr 4Q 2018 ^{1,3}
Net Debt / Total Enterprise Value	33.2%	30.2%
Net Debt / Annualized EBITDAre	5.1x	--
Net Debt / Adjusted Annualized EBITDAre	4.7x	--

Long-Term Leverage Target:

<6.0x Net Debt-to-Annualized EBITDAre

Liquidity Profile

(\$ in millions)	3Q 2018	Intra Qtr 4Q 2018 ³
Cash & Cash Equivalents ⁴	\$74	\$74
Dividend Payment and Other	--	(\$9)
Net Investment Activity	--	(\$12)
Cash & Cash Equivalents	\$74	\$53
Revolving Credit Facility - Committed ⁵	\$300	\$300
Balance Outstanding	--	--
Revolving Credit Facility - Availability	\$300	\$300
Total Liquidity	\$374	\$353

1. Stock price of \$14.37 as of November 29, 2018.

2. Stock price of \$14.19 as of September 30, 2018.

3. Debt and cash and cash equivalents balance as of September 30, 2018, which is then adjusted for dividend payments, other items, and net investment activity through November 30, 2018.

4. Includes the impact of restricted cash deposits held for the benefit of lenders.

5. Our revolving credit facility provides a maximum aggregate initial original principal amount of up to \$300 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.

Debt Structure Allows for Capital Flexibility

We have no major debt maturities until 2021 at which point we can unencumber the entire portfolio

Debt Maturity Schedule^{1,2}

Embedded Prepayment Option: We have the ability to retire all Master Trust Funding notes and release the associated collateral without payment of a make-whole amount after November 2021



- **The Series 2016-1 notes:** Anticipated repayment date is November 2021, but the notes can be prepaid without penalty starting on **November 26, 2019**. The weighted average interest rate is 4.51%.
- **The Series 2017-1 notes:** Anticipated repayment date is June 2024, but the notes can be prepaid without penalty starting on **November 26, 2021**. The weighted average interest rate is 4.16%.

1. Maturity figures for our secured debt are based off of our anticipated repayment schedule.

2. The Series 2016-1 notes mature in November 2040 but have an anticipated repayment date of November 2021. The Series 2017-1 notes mature in June 2047 but have an anticipated repayment date of June 2024. The Series 2016-1 notes can be prepaid without penalty starting on November 26, 2019. The Series 2017-1 notes can be prepaid without penalty starting on November 26, 2021.

Differentiated Net Lease Investment Opportunity

Essential's portfolio mix and fundamentals are favorable versus peers

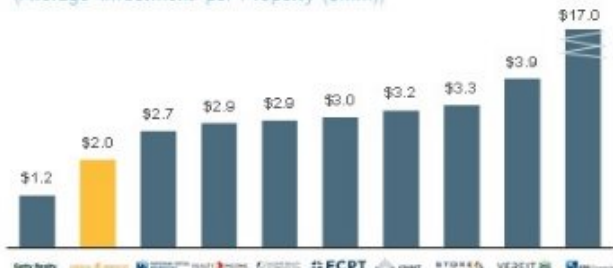
Service-Oriented & Experience-Based Tenant Profile^(% of ABR)



Long Weighted Average Remaining Lease Term



Smaller-Scale Net Leased Properties^{(Average Investment per Property (\$mm))}



Strong Unit-Level Coverage²



Source: Public filings.

Note: Essential Properties data as of September 30, 2018. Public net lease REIT data as of most recent reported quarter. 'NR' means not reported. Companies may define service-oriented and experience-based tenants differently, may calculate weighted average remaining lease term differently, may calculate unit-level coverage differently (including peers on a mean or median basis with EPRT representing a weighted average) and may calculate the percentage of their tenants reporting differently than EPRT. Accordingly, such data for these companies and EPRT may not be comparable.

1. Designations entitled "other" are counted as one industry, even though the "other" segment could represent multiple industries.

2. EPRT, GTY, NNN, O, SRC and STOR coverage based on four-wall, EPR and FCPT coverage based on EBITDAR.

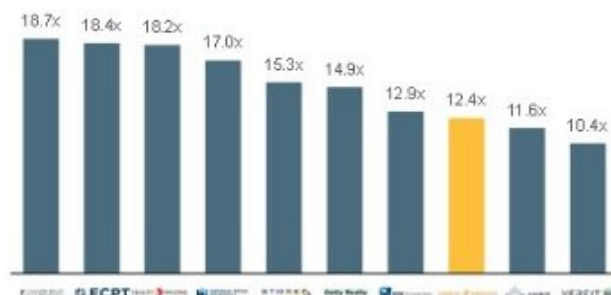
3. NNN receives unit-level financials on 79% of tenants by ABR, but only discloses weighted average rent coverage for tenants that represent more than 3% of ABR. O receives unit-level financials on ~65% of retail tenants by ABR, which account for ~51% of total portfolio ABR.

Public Net Lease REIT Benchmarking

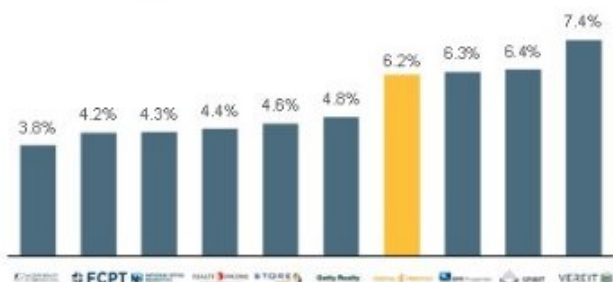
Implied Nominal Cap Rate¹



2019E AFFO per Share Multiple³

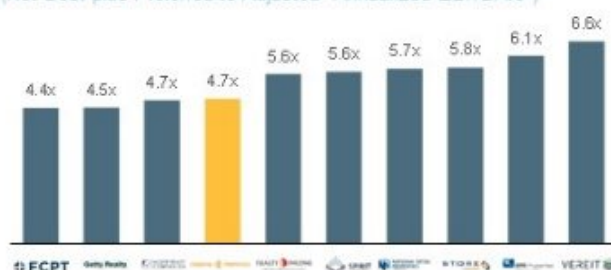


Dividend Yield⁴



Leverage

(Net Debt plus Preferred to Adjusted Annualized EBITDAre⁵)



Source: Public filings, FactSet and SNL.

Note: Market data as of November 29, 2018. Companies may define adjusted cash NOI and adjusted annualized EBITDAre differently. Accordingly, such data for these companies and EPRT may not be comparable.

1. Implied nominal cap rate calculated based on adjusted cash NOI for the most recently reported three months, as adjusted for subsequent events, annualized.

2. Premium/(discount) to SNL mean NAV per share calculated based on current price per share and mean NAV per share estimate per SNL.

3. 2019E AFFO per share multiple calculated based on current price per share and mean 2019E AFFO per share estimate per FactSet.

4. Dividend yield calculated based on current price per share and declared dividend per share, annualized, for the most recent quarter.

5. Adjusted annualized EBITDAre of public net lease REITs is for the most recently reported three months ended, as adjusted for subsequent events. ADC, EPR, EPRT, SRC and STOR include adjustments for intra-quarter acquisition and disposition activity.

Recent Developments & Upcoming Events

Essential has a pro-active approach towards disclosure and engagement with shareholders

Recent Developments

- **September 21st:** Inclusion into the Russell 2000, Russell 3000, and three FTSE NAREIT indices
- **Early November:** Reported first full quarter as a publicly traded company
 - Provided 2019 AFFO/sh guidance at a range of \$1.11 to \$1.15
 - Closed on ~\$133 million of investments at 7.7% weighted average initial cap rate in 3Q'2018
- **As of November 30th for 4Q'2018:**
 - Investments¹: Continued to scale portfolio by investing \$32.4mm into high-quality net lease properties
 - Acquired 14 properties at a 7.5% cash cap rate, 1.9% weighted average annual rent bumps, **15.7** years of remaining lease term, and rent coverage ratio of **2.0x**
 - Sales²: Disposed of one vacant and five leased properties for \$**4.3**mm in net proceeds
 - Sold five leased properties for a weighted average 6.9% cash cap rate with less than 2.0x rent coverage
 - Build-to-Suits³: Year-to-date invested \$**22.3**mm into five build-to-suit properties with three different tenants
 - Remaining cost to complete is \$**9.6**mm; weighted average lease term is **15.7** years

Upcoming Events

- **December 3rd:** Inclusion into the MSCI U.S. IMI Real Estate 25/50 Index
- **January & February:** Non-deal roadshows in various markets to visit institutional and retail investors
- **March 3rd-6th:** Citi's Global Property CEO Conference

1. Closed investment activity for 4Q'2018 as of November 30, 2018.

2. Closed disposition activity for 4Q'2018 as of November 30, 2018.

3. In process 100% pre-leased tenant reimbursement activity as of November 30, 2018.

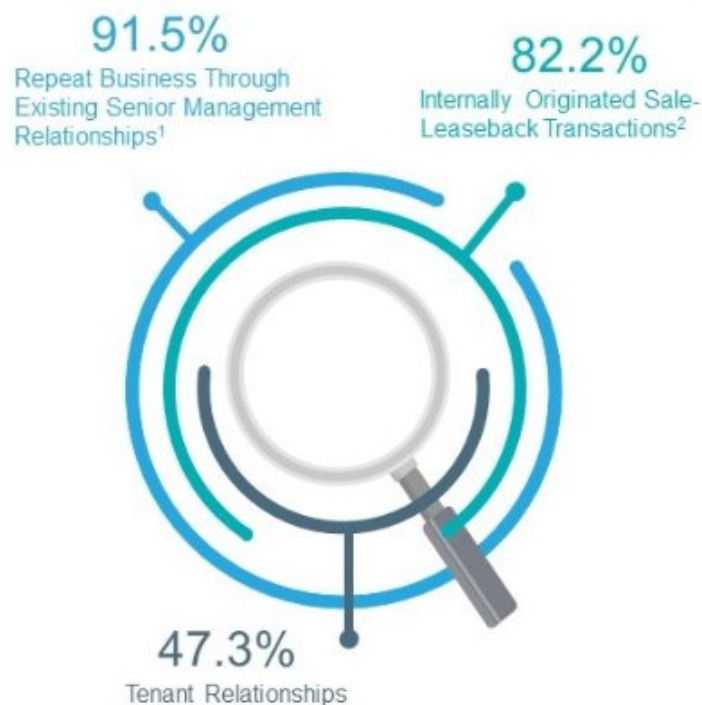


Appendix

Seek to be the Capital Provider of Choice

Maintain direct relationships with our tenants and actively seek to leverage our tenant relationships to identify new investment opportunities

Relationship-Based Sourcing



1. Percentage of portfolio cash ABR as of September 30, 2018 that was acquired from parties who previously engaged in one or more transaction with a senior management team member. Exclusive of GE Seed Portfolio.
2. Percentage of portfolio cash ABR as of September 30, 2018 that was attributable to internally originated sale-leaseback transactions. Exclusive of GE Seed Portfolio.

Underwriting Method

Industry View

- Determine the relevant competitive factors and long-term viability of the industry, avoiding industries subject to long-term functional obsolescence

Credit of the Tenant

- Perform detailed credit reviews of the financial condition of all proposed tenants to determine their financial strength and flexibility



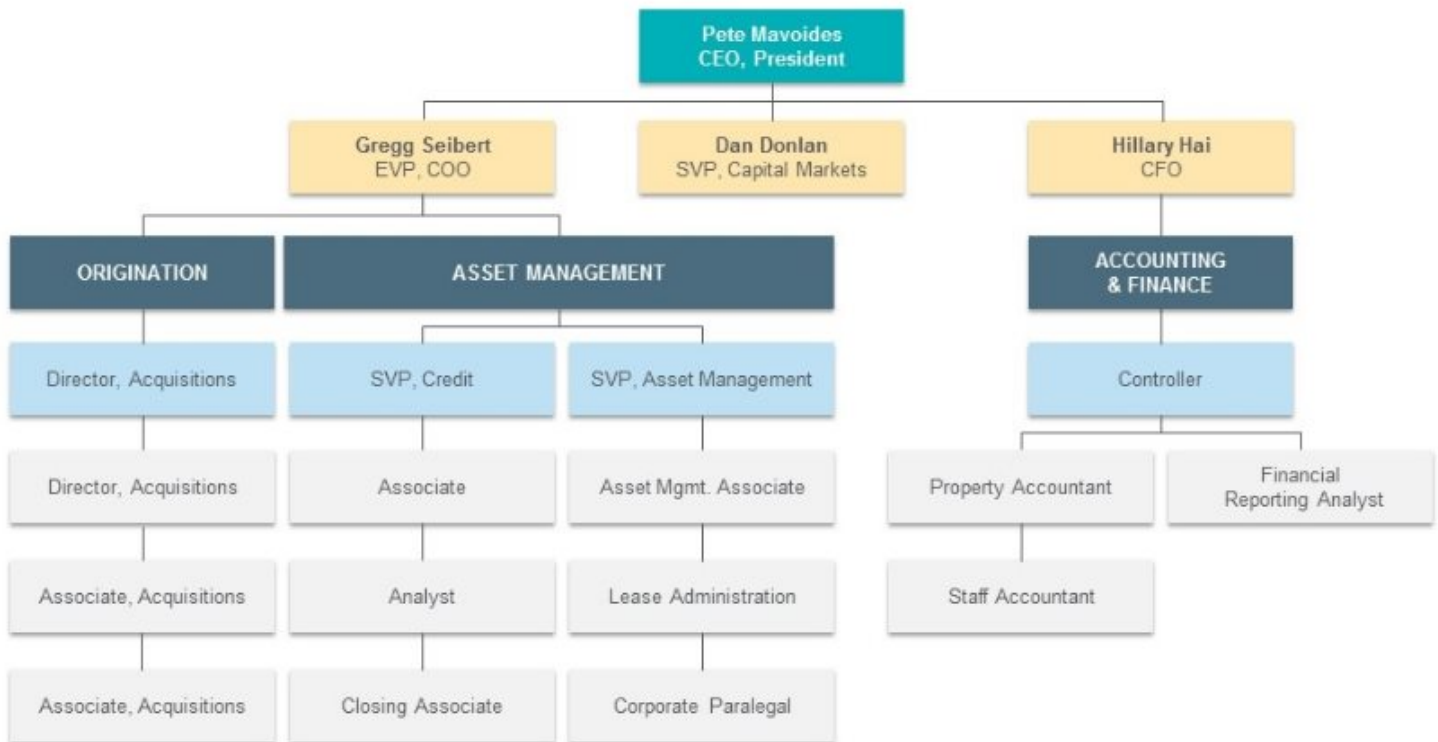
Unit-Level Profitability

- Evaluate the profitability of the business operated at our real estate locations through rent coverage ratios

Real Estate Valuation

- Identify whether the underlying real estate is commercially desirable and suitable for use by different tenants

Fully Integrated and Scalable Platform



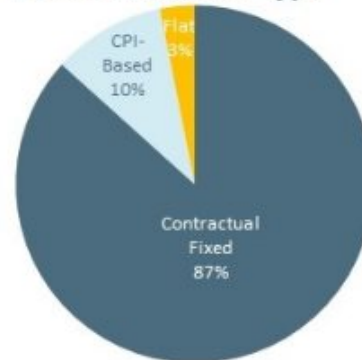
Contractual Base Rent Escalation Provisions

Provides source of internal growth and a measure of inflation protection

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average Annual Escalation Rate ¹
Annually ³	77.7%	1.7%
Every 2 years	0.9	1.0
Every 3 years	0.2	1.3
Every 4 years	0.8	0.8
Every 5 years	14.6	1.1
Other escalation frequencies	2.6	1.1
Flat	3.2	NA
Total / Weighted Average	100.0%	1.5%

Lease Escalation Type



- Leases contributing 96.9% of cash ABR² provided for base rent escalation, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation rate of 1.5%, which assumes 0% change in annual CPI.
- 10.2% of contractual rent escalations by cash ABR are CPI-based, while 86.7% are based on fixed percentage or scheduled increases
- 76.5% of cash ABR derived from flat leases is attributable to leases that provide for contingent rent based on a percentage of the tenant's gross sales at the leased property

1. Based on cash ABR as of September 30, 2018.

2. Represents the weighted average annual escalation rate of the entire portfolio as if all escalations occur annually. For leases in which rent escalates by the greater of a stated fixed percentage or CPI, we have assumed an escalation equal to the stated fixed percentage in the lease. As any future increase in CPI is unknowable at this time, we have not included an increase in the rent pursuant to these leases in the weighted average annual escalation rate presented.

3. Includes a \$5.7M mortgage loan that automatically converts to a 20 year master lease with 1.35% annual escalations in 2019.

Same-Store Analysis

While our same-store portfolio only represents 45.5% of our current portfolio, our same-store NOI growth of 2.0% in 3Q'2018 was healthy as compared to our weighted average annual rent escalation of 1.5%

Defined Terms

Same-Store Portfolio:

All properties owned, excluding new sites under construction, for the entire same-store measurement period, which is June 30, 2017, through September 30, 2018. The same-store portfolio for Q3 2018 was comprised of **338 properties** and represented **45.5%** of our current portfolio as measured by contractual cash rent divided by our cash ABR at September 30, 2018.

Contractual Cash Rent:

The amount of cash rent our tenants are contractually obligated to pay per the in-place lease as of September 30, 2018; excludes percentage rent that is subject to sales breakpoints per the lease.

Same-Store Portfolio Performance

Type of Business	Contractual Cash Rent (\$000s)		% Change
	Q3 2018	Q3 2017	
Experience	\$ 673	\$ 669	0.6%
Retail	1,640	1,615	1.6%
Service	8,445	8,274	2.1%
Industrial	661	648	2.0%
Vacant	-	11	0.0%
Total Same-Store Rent	\$ 11,419	\$ 11,218	1.8%
- Property Operating Expense	170	189	-9.9%
Total Same-Store NOI	\$ 11,249	\$ 11,029	2.0%



Financial Summary

Condensed Statement of Operations

(unaudited, in thousands except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental revenue ¹	\$ 25,496	\$ 13,427	\$ 67,119	\$ 36,105
Interest income on loans and direct financing leases	220	65	379	230
Other revenue	26	88	75	648
Total revenues	25,742	13,580	67,573	36,983
Expenses:				
Interest	6,563	6,317	23,474	15,192
General and administrative	3,529	2,336	9,872	6,612
Property expenses	494	389	1,221	1,077
Depreciation and amortization	8,763	5,154	22,842	13,241
Provision for impairment of real estate	770	857	3,526	1,436
Total expenses	20,119	15,053	60,935	37,558
Other operating income:				
Gain on dispositions of real estate, net	1,455	1,974	5,100	3,736
Income from operations	7,078	501	11,738	3,161
Other income:				
Interest	655	12	719	23
Income before income tax expense (benefit)	7,733	513	12,457	3,184
Income tax expense (benefit)	26	(9)	143	33
Net income	7,707	522	12,314	3,151
Net income attributable to non-controlling interests	(2,383)	—	(2,482)	—
Net income attributable to stockholders and members	\$ 5,324	\$ 522	\$ 9,832	\$ 3,151
Basic weighted-average shares outstanding	42,364,754			
Basic net income per share	\$ 0.12			
Diluted weighted-average shares outstanding	61,472,675			
Diluted net income per share	\$ 0.12			
Dividends declared per share	\$ 0.22			

1. Includes \$0.2 million, \$0.5 million, \$0.9 million and \$0.9 million of contingent rent (based on a percentage of the tenant's gross sales at the leased property) during the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017, respectively

Financial Summary

Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO)

(unaudited, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 7,707	\$ 522	\$ 12,314	\$ 3,151
Depreciation and amortization of real estate	8,762	5,153	22,839	13,239
Provision for impairment of real estate	770	857	3,526	1,436
Gain on dispositions of real estate	(1,455)	(1,974)	(5,100)	(3,736)
Funds from Operations	15,784	4,558	33,579	14,090
Adjustments:				
Straight-line rental revenue, net	(2,198)	(1,116)	(5,715)	(3,076)
Non-cash interest expense	817	552	1,982	1,310
Non-cash compensation expense	1,051	182	1,398	581
Amortization of market lease-related intangibles	154	584	284	727
Amortization of capitalized lease incentives	39	34	116	101
Capitalized interest expense	(78)	(74)	(214)	(149)
Transaction costs	32	—	58	—
Adjusted Funds from Operations	\$ 15,601	\$ 4,720	\$ 31,488	\$ 13,584
Net income per share:				
Basic	\$ 0.12			
Diluted	\$ 0.12			
FFO per share:				
Basic	\$ 0.25			
Diluted	\$ 0.25			
AFFO per share:				
Basic	\$ 0.25			
Diluted	\$ 0.25			

Financial Summary

Consolidated Balance Sheets

(in thousands, except share, per share, unit and per unit amounts)	September 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 392,831	\$ 278,985
Building and improvements	828,944	584,385
Lease incentive	2,544	2,275
Construction in progress	3,932	4,076
Intangible lease assets	64,542	62,453
Total real estate investments, at cost	1,292,793	932,174
Less: accumulated depreciation and amortization	(43,630)	(24,825)
Total real estate investments, net	1,249,163	907,349
Loans and direct financing lease receivables, net	13,049	2,725
Real estate investments held for sale, net	1,497	4,173
Net investments	1,263,619	914,247
Cash and cash equivalents	73,271	7,250
Restricted cash	809	12,180
Straight-linerent receivable, net	11,213	5,498
Prepaid expenses and other assets, net	6,048	3,045
Total assets	\$ 1,354,980	\$ 942,220
LIABILITIES AND EQUITY		
Secured borrowings, net of deferred financing costs	\$ 507,481	\$ 511,646
Notes payable to related party	—	230,000
Intangible lease liabilities, net	11,885	12,321
Intangible lease liabilities held for sale, net	—	129
Dividend payable	14,068	—
Accrued liabilities and other payables	6,834	6,722
Total liabilities	540,068	760,818
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of September 30, 2018	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 43,749,092 issued and outstanding as of September 30, 2018	431	—
Additional paid-in capital	568,309	—
Distributions in excess of cumulative earnings	(4,253)	—
Members' equity:		
Class A units, \$1,000 per unit, 83,700 issued and outstanding as of December 31, 2017	—	88,668
Class B units, 8,660 issued, 1,610 vested and outstanding as of December 31, 2017	—	674
Class C units, \$1,000 per unit, 91,450 issued and outstanding as of December 31, 2017	—	94,064
Class D Units, 3,000 issued, 600 vested and outstanding as of December 31, 2017	—	96
Total stockholders' / members' equity	564,547	181,402
Non-controlling interests	250,345	—
Total equity	814,892	181,402
Total liabilities and equity	\$ 1,354,980	\$ 942,220

Financial Summary

GAAP Reconciliations to EBITDAre, GAAP NOI, Cash NOI and Estimated Run Rate Metrics

	Three Months Ended September 30, 2018
<u>(unaudited, in thousands)</u>	
Net income	\$ 7,707
Depreciation and amortization	8,763
Interest expense	6,563
Interest income	(855)
Income tax expense	26
EBITDA	22,404
Provision for impairment of real estate	770
Gain on dispositions of real estate	(1,455)
EBITDAre	21,719
Adjustment for current quarter acquisition and disposition activity ¹	1,650
Adjusted EBITDAre - Current Estimated Run Rate	23,369
General and administrative	3,526
Adjusted net operating income ("NOI")	26,898
Straight-line rental revenue, net ¹	(2,156)
Amortization of market lease-related intangibles	154
Amortization of capitalized lease incentives	39
Adjusted Cash NOI	\$ 24,935
Annualized EBITDAre	\$ 86,876
Annualized Adjusted EBITDAre	\$ 93,476
Annualized Adjusted NOI	\$ 107,592
Annualized Adjusted Cash NOI	\$ 99,740

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all acquisitions and dispositions of real estate investments made during the three months ended September 30, 2018 had occurred on July 1, 2018.

Financial Summary

Market Capitalization, Debt Summary and Leverage Metrics

	September 30, 2018	Rate	Maturity ¹
Secured debt:			
Series 2016-1, Class A	\$ 256,124	4.45%	3.2 years
Series 2016-1, Class B	17,243	5.43%	3.2 years
Series 2017-1, Class A	228,024	4.10%	5.8 years
Series 2016-1, Class B	15,669	5.11%	5.8 years
Total secured debt	517,060	4.35%	4.4 years
Unsecured debt:			
Revolving credit facility ²	—	LIBOR plus 1.45% to 2.15%	3.7 years
Total unsecured debt	—		
Gross debt	517,060	4.35%	4.4 years
Less: cash & cash equivalents	(73,271)		
Less: restricted cash deposits held for the benefit of lenders	(808)		
Net debt	442,981		
Equity:			
Preferred stock	—		
Common stock & OP units (62,805,644 shares @ \$14.19/share) ³	891,212		
Total equity	891,212		
Total enterprise value ("TEV")	\$ 1,334,193		
Net Debt / TEV	33.2%		
Net Debt / Annualized EBITDA⁴	5.1x		
Net Debt / Annualized Adjusted EBITDA⁴	4.7x		

1. Maturity figures for our secured debt are based off of our anticipated repayment schedule. The Series 2016-1 notes mature in November 2048 but have an anticipated repayment date of November 2021. The Series 2017-1 notes mature in June 2047 but have an anticipated repayment date of June 2024. The Series 2016-1 notes can be prepaid without penalty starting on November 28, 2019. The Series 2017-1 notes can be prepaid without penalty starting on November 28, 2021.

2. Our revolving credit facility provides a maximum aggregate initial original principal amount of up to \$300 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.

3. Common equity & units as of September 30, 2018, based on 43,749,092 common shares outstanding (including unvested restricted share awards) and 19,056,552 OP units held by non-controlling interests, and share price as of the close of trading on September 28, 2018.

Glossary

Supplemental Reporting Measures

FFO and AFFO

Our reported results are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). We also disclose funds from operations ("FFO") and adjusted funds from operations ("AFFO"), both of which are non-GAAP financial measures. We believe these two non-GAAP financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs.

FFO and AFFO do not represent cash generated from operating activities and are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operations as reported on our statement of cash flows as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures.

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude extraordinary items (as defined by GAAP), net gain or loss from sales of depreciable real estate assets, impairment writedowns associated with depreciable real estate assets and real estate related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), including the pro rata share of such adjustments of unconsolidated subsidiaries.

To derive AFFO, we modify the NAREIT computation of FFO to include other adjustments to GAAP net income related to non-cash revenues and expenses such as straight-line rental revenue, amortization of deferred financing costs, amortization of capitalized lease incentives and above- and below-market lease related intangibles, capitalized interest expense and non-cash compensation. Such items may cause short-term fluctuations in net income but have no impact on operating cash flows or long-term operating performance. We use AFFO as one measure of our performance when we formulate corporate goals.

FFO is used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. We believe that AFFO is an additional useful supplemental measure for investors to consider because it will help them to better assess our operating performance without the distortions created by other non-cash revenues or expenses. FFO and AFFO may not be comparable to similarly titled measures employed by other companies.

Glossary

Supplemental Reporting Measures

We also present our earnings before interest, taxes and depreciation and amortization for real estate ("EBITDA"), EBITDA further adjusted to exclude gains (or losses) on sales of depreciable property and real estate impairment losses ("EBITDAre"), net debt, net operating income ("NOI") and cash NOI ("Cash NOI"), all of which are non-GAAP financial measures. We believe these measures are useful to investors in assessing our operating performance and borrowing levels.

EBITDA and EBITDAre

We calculate EBITDA as earnings (GAAP net income) before interest, income taxes, and depreciation and amortization. In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDAre in all financial reports for periods beginning after December 31, 2017. We compute EBITDAre in accordance with the definition adopted by NAREIT. NAREIT defines EBITDAre as EBITDA (as defined above) excluding gains (or losses) from the sales of depreciable property and real estate impairment losses. We present EBITDA and EBITDAre as they are measures commonly used in our industry and we believe that these measures are useful to investors and analysts because they provide important supplemental information concerning our operating performance exclusive of certain non-cash and other costs.

EBITDA and EBITDAre are not measurements of financial performance under GAAP, and our EBITDA and EBITDAre may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA and EBITDAre as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

Net Debt

Net debt represents our gross debt (defined as total debt plus deferred financing costs, net) less cash and cash equivalents and restricted cash deposits held for the benefit of lenders. We believe excluding cash and cash equivalents and restricted cash deposits held for the benefit of lenders from gross debt, both of which could be used to repay debt,

provides an estimate of the net contractual amount of borrowed capital to be repaid, which we believe is a beneficial disclosure to investors and analysts.

NOI and Cash NOI

NOI and Cash NOI are non-GAAP financial measures used by us to evaluate the operating performance of our real estate. NOI is equal to total revenues less property expenses. NOI excludes all other items of expense and income included in the financial statements in calculating net income or loss. Cash NOI further excludes non-cash items included in total revenues and property expenses, such as straight-line rental revenue and amortization of capitalized lease incentives and above- and below-market lease-related intangibles. We believe NOI and Cash NOI provide useful and relevant information because they reflect only those income and expense items that are incurred at the property level and present such items on an unlevered basis.

NOI and Cash NOI are not measurements of financial performance under GAAP, and our NOI and Cash NOI may not be comparable to similarly titled measures of other companies. You should not consider our NOI and Cash NOI as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

We adjust EBITDAre, NOI and Cash NOI based on an estimate calculated as if all acquisition and disposition activity that took place during the current quarter had been made on the first day of the quarter. We then annualize these estimates for the current quarter by multiplying them by four, which we believe provides a meaningful estimate of our current run rate for all properties owned as of the end of the current quarter. You should not unduly rely on these metrics as they are based on assumptions and estimates that may prove to be inaccurate. Our actual reported EBITDAre, NOI and Cash NOI for future periods may be significantly less than these estimates of current run rates for a variety of reasons.

Glossary of Supplemental Reporting Measures

Other Terms

Cash ABR

Cash ABR means annualized contractually specified cash base rent in effect as of the end of the current quarter for all of our leases (including those accounted for as direct financing leases) commenced as of that date, as well as interest on our mortgage loans receivable.

Rent Coverage Ratio

Rent coverage ratio means the ratio of tenant-reported or, when unavailable, management's estimate based on tenant-reported financial information, annual EBITDA and cash rent attributable to the leased property (or properties, in the case of a master lease) to the annualized base rental obligation as of a specified date.

GE Seed Portfolio

GE seed portfolio means our acquisition of a portfolio of 262 net leased properties on June 16, 2016, consisting primarily of restaurants, that were being sold as part of the liquidation of General Electric Capital Corporation for an aggregate purchase price of \$279.8 million (including transaction costs).

GAAP Cap Rate

GAAP Cap Rate means annualized rental income computed in accordance with GAAP for the first full month after acquisition divided by the purchase price, as applicable, for the property.

Cash Cap Rate

Cash Cap Rate means annualized contractually specified cash base rent for the first full month after acquisition or disposition divided by the purchase or sale price, as applicable, for the property.