
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

August 5, 2020
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)

902 Carnegie Center Blvd., Suite 520
Princeton, New Jersey
(Address of principal executive offices)

001-38530
(Commission File Number)

82-4005693
(IRS Employer Identification No.)

08540
(Zip Code)

Registrant's telephone number, including area code: **(609) 436-0619**

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common stock, \$0.01 par value

Trading Symbol(s)
EPRT

Name of Each Exchange on Which Registered
New York Stock Exchange

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 2.02 — Results of Operations and Financial Condition.

On August 5, 2020, Essential Properties Realty Trust, Inc. (the “Company”) issued a press release announcing the Company’s financial results for the three and six months ended June 30, 2020. The press release is furnished hereto as Exhibit 99.1 and incorporated herein by reference.

Item 7.01— Regulation FD Disclosure.

On August 5, 2020, the Company issued its Supplemental Operating & Financial Data—Second Quarter Ended June 30, 2020. The Supplemental Operating & Financial Data is furnished hereto as Exhibit 99.2 and incorporated herein by reference.

The foregoing information is furnished pursuant to Item 2.02, “Results of Operations and Financial Condition,” and Item 7.01, “Regulation FD Disclosure.” The information in Items 2.02 and 7.01 of this Current Report on Form 8-K and the exhibits furnished therewith shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, and shall not be or be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, regardless of any general incorporation language in such filing.

Item 9.01 — Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Earnings Press Release dated August 5, 2020 for the quarter ended June 30, 2020
99.2	Supplemental Operating & Financial Data—Second Quarter Ended June 30, 2020

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.

Date: August 5, 2020

ESSENTIAL PROPERTIES REALTY TRUST, INC.

By:

/s/ Anthony K. Dobkin

Anthony K. Dobkin

Interim Chief Financial Officer



Essential Properties Announces Second Quarter 2020 Results

- Collected 87% of July Rent -
 - Second Quarter Net Income per Share of \$0.11 and AFFO per Share of \$0.27 -
 - Closed Quarterly Investments of \$42.4 million at a 7.4% Weighted Average Cash Cap Rate -

August 5, 2020

PRINCETON, N.J.--(BUSINESS WIRE)--Essential Properties Realty Trust, Inc. (NYSE: EPRT; "Essential Properties" or the "Company"), today announced operating results for the three and six months ended June 30, 2020.

Second Quarter 2020 Financial and Operating Highlights

- Net income per fully diluted share decreased 21% to \$0.11
- Funds from Operations ("FFO") per fully diluted share increased 13% to \$0.26
- Core Funds from Operations ("Core FFO") per fully diluted share decreased by 7% to \$0.27
- Adjusted Funds from Operations ("AFFO") per fully diluted share remained unchanged at \$0.27
- Net Debt to Annualized Adjusted EBITDA was 4.9x at quarter end
- Cash and cash equivalents and restricted cash plus available capacity under revolving credit facility of \$509.5 million at quarter end
- Ended the quarter with a 99.6% leased portfolio with a weighted average lease term ("WALT") of 14.6 years and a weighted average rent coverage ratio of 3.0x
- Raised \$17.3 million in gross proceeds from the sale of shares of common stock through the Company's at-the-market equity program ("ATM Program")

Year-to-Date 2020 Financial and Operating Highlights

- Invested \$209.9 million in 76 properties at a 7.2% weighted average cash cap rate
- Net income per fully diluted share decreased by 4% to \$0.26
- FFO per fully diluted share increased 6% to \$0.54
- Core FFO per fully diluted share decreased by 2% to \$0.56
- AFFO per fully diluted share increased by 2% to \$0.56

CEO Comments

Commenting on the second quarter 2020 results, Essential Properties' President and Chief Executive Officer, Pete Mavroides, said, "The second quarter presented an extremely challenging operating environment in the wake of the COVID-19 pandemic. However, the obstacles we faced paled in comparison to those of our tenants. While we worried about whether or not to grant rent deferral requests and where our collections may land at quarter-end, our tenants were managing through mandatory shutdowns and stay-at-home orders. They confronted the threat of losing multi-generational businesses and the pain of laying off employees in large numbers, only to face the new challenge of quickly and profitably restarting operations without endangering themselves, their employees and their customers. And those complications do not compare to those faced by the front-line workers and emergency responders who have selflessly combated this pandemic, and all of the individuals and families whose health has been directly affected by it. Overall, we feel fortunate with where we are, with how the portfolio has performed, and with our prospects going forward."

Net Investment Activity

Investments

During the quarter ended June 30, 2020, Essential Properties invested \$42.4 million in 13 properties in 11 separate transactions at a weighted average cash and GAAP cap rate of 7.4% and 8.1%, respectively. These properties are 100% leased with a WALT of 16.7 years. As a percentage of cash ABR, 100% of the Company's investments for the quarter ended June 30, 2020 came from sale-leaseback transactions, 68% were subject to a master lease and 100% are required to provide the Company with financial reporting.

During the six months ended June 30, 2020, Essential Properties invested \$209.9 million in 76 properties in 43 separate transactions at a weighted average cash and GAAP cap rate of 7.2% and 8.0%, respectively. These properties are 100% leased with a WALT of 16.2 years. As a percentage of cash ABR, 90.5% of the Company's acquisitions for the six months ended June 30, 2020 came from sale-leaseback transactions, 57.0% were subject to a master lease and 100% are required to provide the Company with financial reporting.

Dispositions

During the quarter ended June 30, 2020, Essential Properties sold three properties for \$3.5 million in net proceeds, recording a net gain on these dispositions of \$1.1 million. The disposition weighted average cash cap rate on the properties sold in the quarter ended June 30, 2020 was 6.8%.

During the six months ended June 30, 2020, Essential Properties sold 13 properties for \$23.0 million, recording a net gain on these dispositions of \$3.0 million. The disposition weighted average cash cap rate on the properties sold in the six months ended June 30, 2020 was 7.1%, excluding one property sold pursuant to an existing tenant purchase option.

Portfolio Update

Portfolio Highlights

As of June 30, 2020, Essential Properties' portfolio consisted of 1,060 freestanding net lease properties, which included 92 properties that secured mortgage notes receivable, with a WALT of 14.6 years and a weighted average rent coverage ratio of 3.0x. As of the same date, the portfolio was 99.6% leased by 215 tenants operating 289 different concepts across 43 states in 16 industries. At quarter end, 96.2% of the Company's cash ABR was generated from tenants that operate service-oriented or experience-based businesses, and 60.1% of its cash ABR was derived from properties subject to a master lease.

Leverage and Balance Sheet and Liquidity

Leverage

As of June 30, 2020, the Company's ratio of net debt to Annualized Adjusted EBITDA^{re} was 4.9x.

Balance Sheet and Liquidity

Essential Properties had \$109.5 million of cash and cash equivalents and restricted cash as of June 30, 2020. Additionally, Essential Properties had \$400.0 million of unused borrowing capacity under its \$400 million unsecured revolving credit facility as of the same date.

ATM Program

In June 2020, Essential Properties established a new \$250.0 million ATM Program through which it may, from time to time, sell shares of its common stock. Essential Properties uses the proceeds generated from its ATM Program for general corporate purposes, including funding its investment activity, the repayment or refinancing of outstanding indebtedness, working capital and other general purposes. During the quarter ended June 30, 2020, Essential Properties sold 1,027,857 shares of common stock through its ATM Program at an average price of \$16.86 per share, raising gross proceeds of \$17.3 million.

Dividend Information

As previously announced on June 11, 2020, Essential Properties declared a cash dividend of \$0.23 per share of common stock for the quarter ended June 30, 2020. The dividend was paid on July 15, 2020 to stockholders of record as of the close of business on June 30, 2020.

Conference Call Information

In conjunction with the release of Essential Properties' operating results, the Company will host a conference call on Thursday, August 6, 2020 at 10:00 a.m. EDT to discuss the results. To access the conference, dial (800) 895-3361. A live webcast will also be available in listen-only mode by clicking on the webcast link in the Investor Relations section at www.essentialproperties.com.

A telephone replay of the conference call can also be accessed by calling (877) 481-4010 and entering the access code: 36027. The telephone replay will be available through August 20, 2020.

A replay of the conference call webcast will be available approximately two hours after the conclusion of the live broadcast. The webcast replay will be available for 90 days. No access code is required for this replay.

Supplemental Materials

The Company's Supplemental Operating & Financial Data—Second Quarter Ended June 30, 2020 is available on Essential Properties' website at investors.essentialproperties.com.

About Essential Properties Realty Trust, Inc.

Essential Properties Realty Trust, Inc. is an internally managed REIT that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to companies operating service-oriented or experience-based businesses. As of June 30, 2020, the Company's portfolio consisted of 1,060 freestanding net lease properties with a weighted average lease term of 14.6 years and a weighted average rent coverage ratio of 3.0x. As of the same date, the Company's portfolio was 99.6% leased to 215 tenants operating 289 different concepts in 16 industries across 43 states.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. When used in this press release, the words "estimate," "anticipate," "expect," "believe," "intend," "may," "will," "should," "seek," "approximately" or "plan," or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to

historical matters are intended to identify forward- looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and the Company may not be able to realize them. The Company does not guarantee that the transactions and events described will happen as described (or that they will happen at all). You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this press release. While forward-looking statements reflect the Company's good faith beliefs, they are not guarantees of future performance. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as required by law. In light of these risks and uncertainties, the forward-looking events discussed in this press release might not occur as described, or at all.

Additional information concerning factors that could cause actual results to differ materially from these forward-looking statements is contained from time to time in the company's Securities and Exchange Commission (the "Commission") filings, including, but not limited to, the Company's Quarterly Reports on Form 10-Q. Copies of each filing may be obtained from the Company or the Commission. Such forward-looking statements should be regarded solely as reflections of the company's current operating plans and estimates. Actual operating results may differ materially from what is expressed or forecast in this press release.

The results reported in this press release are preliminary and not final. There can be no assurance that these results will not vary from the final results reported in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 that it will file with the Commission.

Non-GAAP Financial Measures and Certain Definitions

The Company's reported results are presented in accordance with GAAP. The Company also discloses the following non-GAAP financial measures: FFO, Core FFO, AFFO, earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA further adjusted to exclude gains (or losses) on sales of depreciable property and real estate impairment losses ("EBITDAre"), adjusted EBITDAre, annualized adjusted EBITDAre, net debt, net operating income ("NOI") and cash NOI ("Cash NOI"). The Company believes these non-GAAP financial measures are industry measures used by analysts and investors to compare the operating performance of REITs.

FFO, Core FFO and AFFO

The Company computes 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 write-downs 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. FFO is used by management, and may be useful to investors and analysts, to facilitate meaningful comparisons of operating performance between periods and among the Company's peers primarily because it excludes the effect of real estate depreciation and amortization and net gains and losses on sales (which are dependent on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions).

The Company computes Core FFO by adjusting FFO, as defined by NAREIT, to exclude certain GAAP income and expense amounts that we believe are infrequent and unusual in nature and/or not related to our core real estate operations. Exclusion of these items from similar FFO-type metrics is common within the equity REIT industry, and management believes that presentation of Core FFO provides investors with a metric to assist in their evaluation of our operating performance across multiple periods and in comparison to the operating performance of our peers, because it removes the effect of unusual items that are not expected to impact our operating performance on an ongoing basis.

Core FFO is used by management in evaluating the performance of our core business operations. Items included in calculating FFO that may be excluded in calculating Core FFO include certain transaction related gains, losses, income or expense or other non-core amounts as they occur.

To derive AFFO, the Company modifies its computation of Core FFO to include other adjustments to GAAP net income related to certain items that it believes are not indicative of the Company's operating performance, including straight- line rental revenue, non-cash interest expense, non-cash compensation expense, other amortization expense, other non- cash charges (including changes to our provision for loan losses following the adoption of ASC 326), capitalized interest expense and transaction costs. Such items may cause short-term fluctuations in net income but have no impact on operating cash flows or long-term operating performance. The Company believes that AFFO is an additional useful supplemental measure for investors to consider when assessing the Company's operating performance without the distortions created by non-cash items and certain other revenues and expenses.

FFO, Core FFO and AFFO do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities and they 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 a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, our computation of FFO, Core FFO and AFFO may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

EBITDA and EBITDAre

The Company computes EBITDA as earnings before interest, income taxes and depreciation and amortization. In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDAre. The Company computes 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. The Company presents EBITDA and EBITDAre as they are measures commonly used in its industry and the Company believes that these measures are useful to investors and analysts because they provide supplemental information concerning its operating performance, exclusive of certain non-cash items and other costs. The Company uses EBITDA and EBITDAre as measures of its operating performance and not as measures of liquidity.

EBITDA and EBITDAre do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities and they 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 a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, the Company's computation of EBITDA and EBITDAre may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

Net Debt

The Company calculates its net debt as our gross debt (defined as total debt plus net deferred financing costs on its secured borrowings) less cash and cash equivalents and restricted cash deposits held for the benefit of lenders. The Company believes excluding cash and cash equivalents and restricted cash deposits held for the benefit of lenders from gross debt, all of which could be used to repay debt, provides an estimate of the net contractual amount of borrowed capital to be repaid, which it believes is a beneficial disclosure to investors and analysts.

NOI and Cash NOI

The Company computes NOI as 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 other amortization and non-cash charges. The Company believes NOI and Cash NOI provide useful and relevant information because they reflect only those revenue and expense items that are incurred at the property level and present such items on an unlevered basis.

NOI and Cash NOI are not measures of financial performance under GAAP. You should not consider the Company's NOI and Cash NOI as alternatives to net income or cash flows from operating activities determined in accordance with GAAP. Additionally, the Company's computation of NOI and Cash NOI may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

The Company further adjusts EBITDAre, NOI and Cash NOI i) based on an estimate calculated as if all investment and disposition activity that took place during the quarter had occurred on the first day of the quarter, ii) to exclude certain GAAP income and expense amounts that the Company believes are infrequent and unusual in nature and iii) to eliminate the impact of lease termination fees and contingent rental revenue from its tenants which is subject to sales thresholds specified in the lease. The Company then annualizes these estimates for the current quarter by multiplying them by four, which it believes provides a meaningful estimate of the Company's current run rate for all investments as of the end of the current quarter. You should not unduly rely on these measures, as they are based on assumptions and estimates that may prove to be inaccurate. The Company's actual reported EBITDAre, NOI and Cash NOI for future periods may be significantly less than these estimates of current run rates.

Cash ABR

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

Cash Cap Rate

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

GAAP Cap Rate

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

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.

Disclaimer

Essential Properties Realty Trust, Inc. and the Essential Properties Realty Trust REIT are not affiliated with or sponsored by Griffin Capital Essential Asset Operating Partnership, L.P. or the Griffin Capital Essential Asset REIT, information about which can be obtained at (<https://www.gcear.com>).

Essential Properties Realty Trust, Inc.
Consolidated Statements of Operations

(in thousands, except share and per share data)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues:				
Rental revenue ^{1,2}	\$ 36,465	\$ 32,111	\$ 76,007	\$ 62,884
Interest on loans and direct financing leases	2,037	403	3,976	729
Other revenue	1	241	8	248
Total revenues	38,503	32,755	79,991	63,861
Expenses:				
Interest	7,403	5,779	14,236	12,867
General and administrative ³	6,253	4,737	13,789	8,925
Property expenses ⁴	572	645	945	1,892
Depreciation and amortization	13,464	10,105	26,476	19,225
Provision for impairment of real estate	1,486	481	1,859	1,921
Provision for loan losses	48	—	516	—
Total expenses	29,226	21,747	57,821	44,830
Other operating income:				
Gain on dispositions of real estate, net	1,093	3,474	2,968	4,150
Income from operations	10,370	14,482	25,138	23,181
Other (loss)/income:				
Loss on repayment and repurchase of secured borrowings ⁵	—	(4,353)	(924)	(4,353)
Interest income	144	518	375	609
Income before income tax expense	10,514	10,647	24,589	19,437
Income tax expense	70	76	101	143
Net income	10,444	10,571	24,488	19,294
Net income attributable to non-controlling interests	(63)	(2,620)	(147)	(5,214)
Net income attributable to stockholders	\$ 10,381	\$ 7,951	\$ 24,341	\$ 14,080
Basic weighted-average shares outstanding	91,604,397	57,103,676	90,963,400	51,204,733
Basic net income per share	\$ 0.11	\$ 0.14	\$ 0.27	\$ 0.27
Diluted weighted-average shares outstanding	92,483,898	76,665,905	91,908,098	70,686,969
Diluted net income per share	\$ 0.11	\$ 0.14	\$ 0.26	\$ 0.27

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$56, \$226, \$257, and \$575 for the three and six months ended June 30, 2020 and 2019, respectively.

2. Includes reimbursable income from the Company's tenants of \$347, \$198, \$511, and \$941 for the three and six months ended June 30, 2020 and 2019, respectively.

3. During the three and six months ended June 30, 2020, includes non-recurring expenses of \$441 and \$1,093, respectively, for costs and charges incurred in connection with the termination of one of our executive officers and \$119 of non-recurring recruiting costs.

4. Includes reimbursable expenses from the Company's tenants \$346, \$198, \$511, and \$941 for the three and six months ended June 30, 2020 and 2019, respectively.

5. Includes the write-off of \$924 of deferred financing costs during the six months ended June 30, 2020 and, during the three and six months ended June 30, 2019, includes premium paid on repurchase of notes issued under our Master Trust Funding Program of \$1,400, the write-off of \$2,853 of deferred financing costs related to the repurchased notes and \$100 of legal costs related to the repurchase.

Essential Properties Realty Trust, Inc.
Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 646,445	\$ 588,279
Building and improvements	1,341,421	1,224,682
Lease incentive	11,807	4,908
Construction in progress	10,965	12,128
Intangible lease assets	79,177	78,922
Total real estate investments, at cost	2,089,815	1,908,919
Less: accumulated depreciation and amortization	(113,235)	(90,071)
Total real estate investments, net	1,976,580	1,818,848
Loans and direct financing lease receivables, net	101,007	92,184
Real estate investments held for sale, net	1,792	1,211
Net investments	2,079,379	1,912,243
Cash and cash equivalents	100,839	8,304
Restricted cash	8,665	13,015
Straight-line rent receivable, net	31,287	25,926
Rent receivables, prepaid expenses and other assets, net	27,072	15,959
Total assets	\$ 2,247,242	\$ 1,975,447
LIABILITIES AND EQUITY		
Secured borrowings, net of deferred financing costs	\$ 172,662	\$ 235,336
Unsecured term loans, net of deferred financing costs	625,941	445,586
Revolving credit facility	—	46,000
Intangible lease liabilities, net	9,129	9,564
Dividend payable	21,545	19,395
Derivative liabilities	46,443	4,082
Accrued liabilities and other payables	13,139	13,371
Total liabilities	888,859	773,334
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of June 30, 2020 and December 31, 2019	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 93,024,022 and 83,761,151 issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	930	838
Additional paid-in capital	1,440,828	1,223,043
Distributions in excess of cumulative earnings	(45,915)	(27,482)
Accumulated other comprehensive loss	(44,758)	(1,949)
Total stockholders' equity	1,351,085	1,194,450
Non-controlling interests	7,298	7,663
Total equity	1,358,383	1,202,113
Total liabilities and equity	\$ 2,247,242	\$ 1,975,447

Essential Properties Realty Trust, Inc.
Reconciliation of Non-GAAP Financial Measures

(unaudited, in thousands except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income	\$ 10,444	\$ 10,571	\$ 24,488	\$ 19,294
Depreciation and amortization of real estate	13,439	10,081	26,427	19,178
Provision for impairment of real estate	1,486	481	1,859	1,921
Gain on dispositions of real estate, net	(1,093)	(3,474)	(2,968)	(4,150)
Funds from Operations	<u>24,276</u>	<u>17,659</u>	<u>49,806</u>	<u>36,243</u>
Other non-recurring expenses ¹	560	4,353	2,136	4,353
Core Funds from Operations	<u>24,837</u>	<u>22,012</u>	<u>51,942</u>	<u>40,596</u>
Adjustments:				
Straight-line rental revenue, net	(2,170)	(2,994)	(5,361)	(5,897)
Non-cash interest expense	237	709	771	1,525
Non-cash compensation expense	1,399	1,247	2,690	2,473
Other amortization expense	919	213	1,353	440
Other non-cash charges	48	3	516	7
Capitalized interest expense	(65)	(45)	(160)	(70)
Transaction costs	42	—	109	—
Adjusted Funds from Operations	<u>\$ 25,247</u>	<u>\$ 21,145</u>	<u>\$ 51,861</u>	<u>\$ 39,074</u>
Net income per share²:				
Basic	<u>\$ 0.11</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.14</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>
FFO per share²:				
Basic	<u>\$ 0.26</u>	<u>\$ 0.23</u>	<u>\$ 0.54</u>	<u>\$ 0.51</u>
Diluted	<u>\$ 0.26</u>	<u>\$ 0.23</u>	<u>\$ 0.54</u>	<u>\$ 0.51</u>
Core FFO per share²:				
Basic	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.57</u>	<u>\$ 0.57</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.56</u>	<u>\$ 0.57</u>
AFFO per share²:				
Basic	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 0.57</u>	<u>\$ 0.56</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.56</u>	<u>\$ 0.55</u>
Additional supplemental disclosure:				
Scheduled principal repayments	\$ 965	\$ 1,425	\$ 1,918	\$ 3,390
Contractual deferred rents included in total revenues	9,756	—	9,756	—
Reduction of revenue for non-accrual tenants:				
Cash	\$ 2,501	\$ 21	\$ 3,242	\$ 25
Straight-line	2,259	—	2,263	—
Total reduction of revenue for non-accrual tenants	<u>\$ 4,760</u>	<u>\$ 21</u>	<u>\$ 5,505</u>	<u>\$ 25</u>

- Includes non-recurring expenses of \$441 and \$1,093 for accruals of severance payments and acceleration of non-cash compensation expense in connection with the termination of an executive officers during the three and six months ended June 30, 2020, respectively, \$119 of non-recurring recruiting costs during the three and six months ended June 30, 2020 and our \$924 loss on repayment of secured borrowings during the six months ended June 30, 2020.
- Calculations exclude \$77, \$112, \$207 and \$267 from the numerator for the three and six months ended June 30, 2020 and 2019, respectively, related to dividends paid on unvested restricted share awards and restricted share units.

Essential Properties Realty Trust, Inc.
Reconciliation of Non-GAAP Financial Measures

(in thousands)	Three months ended June 30, 2020
Net income	\$ 10,444
Depreciation and amortization	13,464
Interest expense	7,403
Interest income	(144)
Income tax expense	70
EBITDA	31,237
Provision for impairment of real estate	1,486
Gain on dispositions of real estate, net	(1,093)
EBITDAre	31,630
Adjustment for current quarter investment and disposition activity ¹	401
Adjustment to exclude other non-recurring expenses ²	3,431
Adjusted EBITDAre - Current Estimated Run Rate	35,462
General and administrative	5,692
Adjusted net operating income ("NOI")	41,154
Straight-line rental revenue, net ¹	(4,473)
Other amortization expense	919
Adjusted Cash NOI	\$ 37,600
Annualized EBITDAre	\$ 126,520
Annualized Adjusted EBITDAre	\$ 141,848
Annualized Adjusted NOI	\$ 164,617
Annualized Adjusted Cash NOI	\$ 150,401

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all investments in and dispositions of real estate made during the three months ended June 30, 2020 had occurred on April 1, 2020.
2. Adjustment excludes \$560 of non-core expenses added back to compute Core FFO, the \$48 adjustment to our provision for loan loss and a \$2,823 write-off of receivables from prior periods.
3. Adjustment excludes contingent rent (based on a percentage of the tenant's gross sales at the leased property) where payment is subject to exceeding a sales threshold specified in the lease and lease termination fees.

Essential Properties Realty Trust, Inc.
Reconciliation of Non-GAAP Financial Measures

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

	June 30, 2020
Secured debt:	
Series 2017-1, Class A	\$ 159,491
Series 2017-1, Class B	15,669
Total secured debt	175,160
Unsecured debt:	
\$200mm term loan	200,000
\$430mm term loan	430,000
Revolving credit facility ¹	—
Total unsecured debt	630,000
Gross debt	805,160
Less: cash & cash equivalents	(100,839)
Less: restricted cash deposits held for the benefit of lenders	(8,665)
Net debt	695,656
Equity:	
Preferred stock	—
Common stock & OP units (93,577,869 shares @ \$14.84/share as of 6/30/20) ²	1,388,696
Total equity	1,388,696
Total enterprise value ("TEV")	\$ 2,084,352
Net Debt / TEV	33.4 %
Net Debt / Annualized Adjusted EBITDAre	4.9x

- The Company's revolving credit facility provides a maximum aggregate initial original principal amount of up to \$400 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.
- Common equity & units as of June 30, 2020, based on 93,024,022 common shares outstanding (including unvested restricted share awards) and 553,847 OP units held by non-controlling interests.

Investor/Media:

Essential Properties Realty Trust, Inc. Daniel Donlan
Senior Vice President, Capital Markets 609-436-0619
info@essentialproperties.com

Source: Essential Properties Realty Trust, Inc.



ESSENTIAL  PROPERTIES

Supplemental Operating & Financial Data
Second Quarter Ended June 30, 2020

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Financial Summary

Consolidated Statements of Operations

(in thousands, except share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Revenues:				
Rental revenue ^{1,2}	\$ 36,465	\$ 32,111	\$ 76,007	\$ 62,884
Interest on loans and direct financing leases	2,037	403	3,976	729
Other revenue	1	241	8	248
Total revenues	38,503	32,755	79,991	63,861
Expenses:				
Interest	7,403	5,779	14,236	12,867
General and administrative ³	6,253	4,737	13,789	8,925
Property expenses ⁴	572	645	945	1,892
Depreciation and amortization	13,464	10,105	26,476	19,225
Provision for impairment of real estate	1,486	481	1,859	1,921
Provision for loan losses	48	—	516	—
Total expenses	29,226	21,747	57,821	44,830
Other operating income:				
Gain on dispositions of real estate, net	1,093	3,474	2,968	4,150
Income from operations	10,370	14,482	25,138	23,181
Other (loss)/income:				
Loss on repayment and repurchase of secured borrowings ⁵	—	(4,353)	(924)	(4,353)
Interest income	144	518	375	609
Income before income tax expense	10,514	10,647	24,589	19,437
Income tax expense	70	76	101	143
Net income	10,444	10,571	24,488	19,294
Net income attributable to non-controlling interests	(63)	(2,620)	(147)	(5,214)
Net income attributable to stockholders and members	\$ 10,381	\$ 7,951	\$ 24,341	\$ 14,080
Basic weighted-average shares outstanding	91,604,397	57,103,676	90,963,400	51,204,733
Basic net income per share	\$ 0.11	\$ 0.14	\$ 0.27	\$ 0.27
Diluted weighted-average shares outstanding	92,483,898	76,665,905	91,908,098	70,686,969
Diluted net income per share	\$ 0.11	\$ 0.14	\$ 0.26	\$ 0.27

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$56, \$226, \$257, and \$575 for the three and six months ended June 30, 2020 and 2019, respectively.

2. Includes reimbursable income from the Company's tenants of \$255, \$198, \$420, and \$941 for the three and six months ended June 30, 2020 and 2019, respectively.

3. During the three and six months ended June 30, 2020, includes non-recurring expenses of \$441 and \$1,093 for costs and charges incurred in connection with the termination of one of our executive officers and \$119 of non-recurring recruiting costs.

4. Includes reimbursable expenses from the Company's tenants \$255, \$198, \$420, and \$941 for the three and six months ended June 30, 2020 and 2019, respectively.

5. Includes the write-off of \$924 of deferred financing costs during the six months ended June 30, 2020 and, during the three and six months ended June 30, 2019, includes premium paid on repurchase of notes issued under our Master Trust Funding Program of \$1,400, the write-off of \$2,853 of deferred financing costs related to the repurchased notes and \$100 of legal costs related to the repurchase.

Financial Summary

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

(unaudited, in thousands except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income	\$ 10,444	\$ 10,571	\$ 24,488	\$ 19,294
Depreciation and amortization of real estate	13,439	10,081	26,427	19,178
Provision for impairment of real estate	1,486	481	1,859	1,921
Gain on dispositions of real estate, net	(1,093)	(3,474)	(2,968)	(4,150)
Funds from Operations	24,276	17,659	49,806	36,243
Other non-recurring expenses ¹	560	4,353	2,136	4,353
Core Funds from Operations	24,837	22,012	51,942	40,596
Adjustments:				
Straight-line rental revenue, net	(2,170)	(2,994)	(5,361)	(5,897)
Non-cash interest expense	237	709	771	1,525
Non-cash compensation expense	1,399	1,247	2,690	2,473
Other amortization expense	919	213	1,353	440
Other non-cash charges	48	3	516	7
Capitalized interest expense	(65)	(45)	(160)	(70)
Transaction costs	42	—	109	—
Adjusted Funds from Operations	\$ 25,247	\$ 21,145	\$ 51,861	\$ 39,074
FFO per share²:				
Basic	\$ 0.26	\$ 0.23	\$ 0.54	\$ 0.51
Diluted	\$ 0.26	\$ 0.23	\$ 0.54	\$ 0.51
Core FFO per share²:				
Basic	\$ 0.27	\$ 0.29	\$ 0.57	\$ 0.57
Diluted	\$ 0.27	\$ 0.29	\$ 0.56	\$ 0.57
AFFO per share²:				
Basic	\$ 0.27	\$ 0.28	\$ 0.57	\$ 0.56
Diluted	\$ 0.27	\$ 0.27	\$ 0.56	\$ 0.55
Additional supplemental disclosure:				
Scheduled principal repayments	\$ 965	\$ 1,425	\$ 1,918	\$ 3,390
Contractual deferred rents included in total revenues	9,756	—	9,756	—
Reduction of revenue for non-accrual tenants:				
Cash	\$ 2,501	\$ 21	\$ 3,242	\$ 25
Straight-line	2,259	—	2,263	—
Total reduction of revenue for non-accrual tenants	\$ 4,760	\$ 21	\$ 5,505	\$ 25

1. Includes non-recurring expenses of \$441 and \$1,093 for accruals of severance payments and acceleration of non-cash compensation expense in connection with the termination of an executive officers during the three and six months ended June 30, 2020, \$119 of non-recurring recruiting costs during the same periods and our \$924 loss on repayment of secured borrowings during the six months ended June 30, 2020.

2. Calculations exclude \$77, \$112, \$207 and \$267 from the numerator for the three and six months ended June 30, 2020 and 2019, respectively, related to dividends paid on unvested restricted share awards and restricted share units.

Financial Summary

Consolidated Balance Sheets

(in thousands, except share and per share amounts)	June 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 646,445	\$ 588,279
Building and improvements	1,341,421	1,224,682
Lease incentive	11,807	4,908
Construction in progress	10,965	12,128
Intangible lease assets	79,177	78,922
Total real estate investments, at cost	2,089,815	1,908,919
Less: accumulated depreciation and amortization	(113,235)	(90,071)
Total real estate investments, net	1,976,580	1,818,848
Loans and direct financing lease receivables, net	101,007	92,184
Real estate investments held for sale, net	1,792	1,211
Net investments	2,079,379	1,912,243
Cash and cash equivalents	100,839	8,304
Restricted cash	8,665	13,015
Straight-line rent receivable, net	31,287	25,926
Rent receivables, prepaid expenses and other assets, net	27,072	15,959
Total assets	\$ 2,247,242	\$ 1,975,447
LIABILITIES AND EQUITY		
Secured borrowings, net of deferred financing costs	\$ 172,662	\$ 235,336
Unsecured term loans, net of deferred financing costs	625,941	445,586
Revolving credit facility	—	46,000
Intangible lease liabilities, net	9,129	9,564
Dividend payable	21,545	19,395
Derivative liabilities	46,443	4,083
Accrued liabilities and other payables	13,139	13,371
Total liabilities	888,859	773,334
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of June 30, 2020 and December 31, 2019	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 93,024,022 and 83,761,151 issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	930	838
Additional paid-in capital	1,440,828	1,223,043
Distributions in excess of cumulative earnings	(45,915)	(27,482)
Accumulated other comprehensive loss	(44,758)	(1,949)
Total stockholders' equity	1,351,085	1,194,450
Non-controlling interests	7,298	7,663
Total equity	1,358,383	1,202,113
Total liabilities and equity	\$ 2,247,242	\$ 1,975,447

Financial Summary

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

(unaudited, in thousands)	Three Months Ended	
	June 30, 2020	
Net income	\$	10,444
Depreciation and amortization		13,464
Interest expense		7,403
Interest income		(144)
Income tax expense		70
EBITDA		31,237
Provision for impairment of real estate		1,486
Gain on dispositions of real estate, net		(1,093)
EBITDAre		31,630
Adjustment for current quarter acquisition and disposition activity ¹		401
Adjustment to exclude other non-recurring expenses ²		3,431
Adjusted EBITDAre - Current Estimated Run Rate		35,462
General and administrative		5,692
Adjusted net operating income ("NOI")		41,154
Straight-line rental revenue, net ¹		(4,473)
Other amortization expense		919
Adjusted Cash NOI	\$	37,600
Annualized EBITDAre	\$	126,520
Annualized Adjusted EBITDAre	\$	141,848
Annualized Adjusted NOI	\$	164,617
Annualized Adjusted Cash NOI	\$	150,401

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all investments in and dispositions of real estate made during the three months ended June 30, 2020 had occurred on April 1, 2020.
2. Adjustment excludes \$560 of non-core expenses added back to compute Core FFO, the \$48 adjustment to our provision for loan loss and a \$2,823 write-off of receivables from prior periods.

Financial Summary

Market Capitalization, Debt Summary and Leverage Metrics

(dollars in thousands, except share and per share amounts)	June 30, 2020	Rate	Maturity ¹
Secured debt:			
Series 2017-1, Class A	\$ 159,491	4.10%	4.0 years
Series 2017-1, Class B	15,669	5.11%	4.0 years
Total secured debt	<u>175,160</u>	4.19%	4.0 years
Unsecured debt:			
\$200mm term loan	200,000	3.26%	3.8 years
\$430mm term loan	430,000	2.51%	6.4 years
Revolving credit facility ²	—	LIBOR plus 1.25% to 1.85%	2.8 years
Total unsecured debt	<u>630,000</u>	2.75%	5.6 years
Gross debt	<u>805,160</u>	3.06%	5.2 years
Less: cash & cash equivalents	(100,839)		
Less: restricted cash deposits held for the benefit of lenders	(8,665)		
Net debt	<u>695,656</u>		
Equity:			
Preferred stock	—		
Common stock & OP units (93,577,869 shares @ \$14.84/share as of 6/30/20) ³	<u>1,388,696</u>		
Total equity	<u>1,388,696</u>		
Total enterprise value ("TEV")	<u>\$ 2,084,352</u>		
Net Debt / TEV	33.4%		
Net Debt / Annualized Adjusted EBITDAre	4.9x		

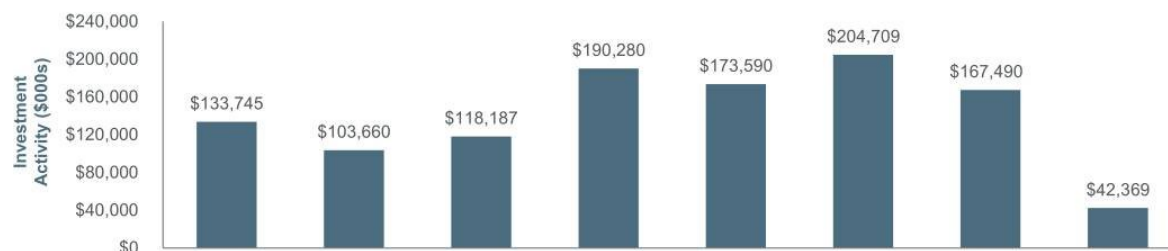
1. Maturity figures for our secured debt are based off of our anticipated repayment schedule. The Series 2017-1 notes mature in June 2047 but have an anticipated repayment date of June 2024.

2. Our revolving credit facility provides a maximum aggregate initial original principal amount of up to \$400 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 June 30, 2020, based on 93,024,022 common shares outstanding (including unvested restricted share awards) and 553,847 OP units held by non-controlling interests.

Net Investment Activity

Investment Summary

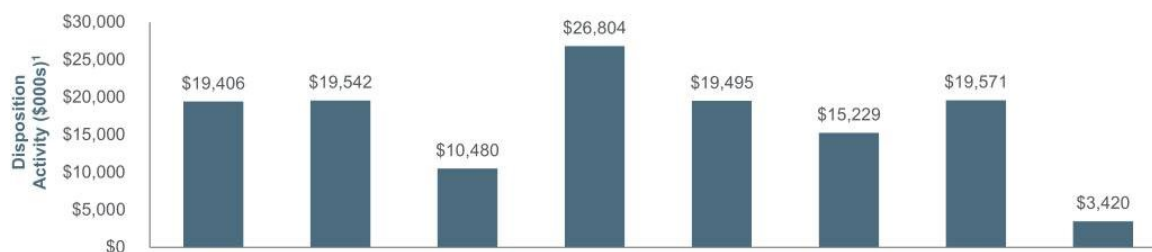


Investments	3Q 2018	4Q 2018	1Q 2019	2Q 2019 ⁶	3Q 2019 ⁷	4Q 2019 ⁸	1Q 2020 ⁹	2Q 2020
Number of Transactions	34	24	35	32	28	41	32	11
Property Count	62	39	51	91	139	94	63	13
Avg. Investment per Unit (in 000s)	\$2,042	\$2,572	\$2,303	\$2,015	\$1,174	\$2,049	\$2,551	\$2,870
Cash Cap Rates ¹	7.6%	7.6%	7.5%	7.3%	7.5%	7.3%	7.1%	7.4%
GAAP Cap Rates ²	8.5%	8.5%	8.4%	8.1%	8.2%	8.0%	8.0%	8.1%
Master Lease % ^{3,4}	58%	57%	47%	67%	73%	41%	54%	68%
Sale-Leaseback % ^{3,5}	77%	83%	78%	65%	88%	81%	88%	100%
% of Financial Reporting ³	100%	90%	100%	100%	100%	99%	100%	100%
Rent Coverage Ratio	2.7x	2.8x	3.2x	3.2x	3.2x	3.1x	2.7x	4.3x
Lease Term Years	16.1	16.6	15.1	15.3	16.6	16.3	16.1	16.7

1. Cash ABR for the first full month after the investment divided by the gross purchase price for the property plus transaction costs.
2. GAAP rent for the first twelve months after the investment divided by the gross purchase price for the property plus transaction costs.
3. As a percentage of cash ABR for that particular quarter.
4. Includes investments in mortgage loan receivables collateralized by more than one property.
5. Includes investments in mortgage loans receivable made in support of sale-leaseback transactions.
6. Includes three properties that secured \$16.8 million of mortgage loans receivable.
7. Includes 71 properties that secured \$35.3 million of mortgage loans receivable.
8. Includes 18 properties that secured \$34.6 million of mortgage loans receivable.
9. Includes one property that secured \$5.3 million of mortgage loans receivable.

Net Investment Activity

Disposition Summary



Dispositions	3Q 2018	4Q 2018	1Q 2019	2Q 2019 ⁷	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Realized Gain/(Loss) ^{1,2}	(6.6%) ⁶	0.4%	2.9%	1.3%	17.8%	8.5%	3.2% ⁵	27.8%
Cash Cap Rate on Leased Assets ³	6.8% ⁶	6.9%	6.6%	7.0%	6.7%	6.9%	7.1% ⁵	6.8%
Leased Properties Sold ⁴	17	7	7	10	9	7	10	3
Vacant Properties Sold ⁴	4	1	--	1	1	1	--	--
Rent Coverage Ratio	1.8x ⁵	1.8x	1.8x	1.5x	1.1x	1.7x	0.7x ⁵	1.3x

1. Includes the impact of transaction costs.

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

3. Cash ABR at time of sale divided by gross sale price (excluding transaction costs) for the property.

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

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

6. Excludes the sale of one leasehold property.

7. Excludes the prepayment of two mortgage loans receivable for \$4.6 million.

Portfolio Summary

Portfolio Highlights

As of June 30, 2020

Investment Properties (#) ¹	1,060
Square Footage (mm)	8.5
Tenants (#)	215
Concepts (#)	289
Industries (#)	16
States (#)	43
Weighted Average Remaining Lease Term (Years)	14.6
Triple-Net Leases (% of Cash ABR)	93.8%
Master Leases (% of Cash ABR)	60.1%
Sale-Leaseback (% of Cash ABR) ^{2,3}	81.5%
Unit-Level Rent Coverage	3.0x
Unit-Level Financial Reporting (% of Cash ABR)	98.3%
Leased (%)	99.6%
Top 10 Tenants (% of Cash ABR)	23.0%
Average Investment Per Property (\$mm)	\$2.0
Total Cash ABR (\$mm)	\$160.9

1. Includes one undeveloped land parcel and 92 properties that secure mortgage loans receivable.

2. Exclusive of GE Seed Portfolio.

3. Includes investments in mortgage loans receivable made in support of sale-leaseback transactions.



Portfolio Summary

Tenant and Industry Diversification

Top 10 Tenant Exposure

Top 10 Tenants ¹	Properties	% of Cash ABR
	74	3.2%
	23	2.9%
	13	2.7%
	5	2.3%
	34	2.3%
	11	2.2%
	13	2.0%
	26	1.8%
	5	1.8%
	24	1.8%
Top 10 Tenants	228	23.0%
Total	1,060	100.0%

Diversification by Industry

Tenant Industry	Type of Business	Cash ABR (\$'000s)	% of Cash ABR	# of Properties ²	Building SqFt	Rent Per SqFt ³
Quick Service	Service	\$ 23,037	14.3%	314	839,474	\$ 27.66
Early Childhood Education	Service	21,640	13.5%	94	974,143	21.51
Car Washes	Service	19,226	12.0%	82	384,242	48.89
Medical / Dental	Service	18,109	11.3%	105	662,465	26.56
Convenience Stores	Service	16,476	10.2%	143	581,486	28.33
Automotive Service	Service	8,935	5.6%	78	457,340	19.54
Casual Dining	Service	8,850	5.5%	61	371,825	23.80
Other Services	Service	6,457	4.0%	30	377,855	17.09
Family Dining	Service	5,426	3.4%	36	211,085	27.03
Pet Care Services	Service	5,415	3.4%	33	214,718	20.20
Service Subtotal		\$ 133,572	83.0%	976	5,074,633	\$ 25.87
Health and Fitness	Experience	10,830	6.7%	25	1,004,189	10.78
Entertainment	Experience	6,246	3.9%	18	647,483	10.24
Movie Theatres	Experience	4,343	2.7%	6	293,206	14.81
Experience Subtotal		\$ 21,419	13.3%	49	1,944,878	\$ 11.23
Home Furnishings	Retail	2,225	1.4%	7	383,415	5.80
Grocery	Retail	955	0.6%	4	161,296	5.92
Retail Subtotal		\$ 3,180	2.0%	11	544,711	\$ 5.84
Building Materials	Other	2,696	1.7%	19	896,956	3.01
Total		\$ 160,866	100.0%	1,055	8,461,178	\$ 18.81

1. Represents tenant, guarantor or parent company.

2. Property count includes 92 properties that secure mortgage loans receivable, but excludes one undeveloped land parcel and four vacant properties.

3. Calculation excludes properties with no annualized base rent and properties under construction.

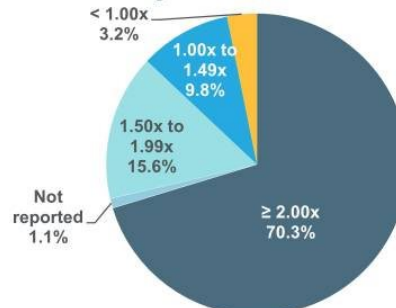
Portfolio Summary

Portfolio Health

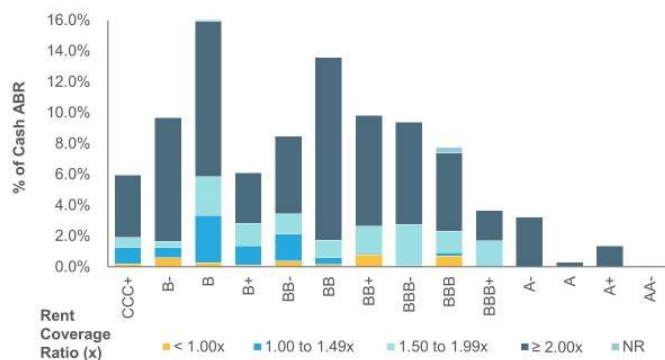
Tenant Financial Reporting

Tenant Financial Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	98.3%
Corporate-Level Financial Reporting	98.7%
Both Unit-Level and Corporate-Level Financial Information	98.1%
No Financial Information	1.1%

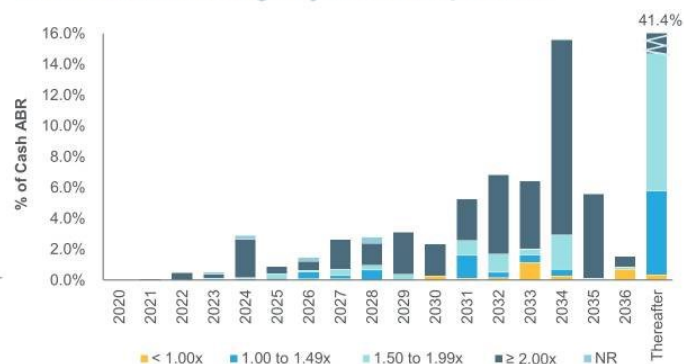
% of Cash ABR by Unit-Level Coverage Tranche¹



Unit-Level Coverage by Tenant Credit²



Unit-Level Coverage by Lease Expiration



Note: 'NR' means not reported.

1. 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.

2. The chart illustrates the portions of annualized base rent as of June 30, 2020 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.

Leasing Summary

Leasing Expiration Schedule, Lease Renewal Activity and Statistics

Annual Lease Expiration by Cash ABR

Year ¹	Cash ABR	% of Cash ABR	# of Properties ²	Wgt. Avg. Coverage ³
2020	\$ 90	0.1%	1	1.9x
2021	139	0.1%	2	3.5x
2022	773	0.5%	5	3.8x
2023	823	0.5%	10	3.4x
2024	4,648	2.9%	46	4.1x
2025	1,443	0.9%	13	3.3x
2026	2,395	1.5%	14	2.1x
2027	4,243	2.6%	28	3.2x
2028	4,491	2.8%	18	2.4x
2029	4,996	3.1%	70	3.9x
2030	3,764	2.3%	46	4.7x
2031	8,497	5.3%	46	3.0x
2032	11,029	6.9%	56	4.1x
2033	10,332	6.4%	40	2.6x
2034	25,121	15.6%	197	3.2x
2035	9,036	5.6%	68	2.7x
2036	2,486	1.5%	21	1.4x
2037	7,892	4.9%	52	3.7x
2038	16,183	10.1%	90	2.2x
2039	28,191	17.5%	159	2.6x
Thereafter	14,297	8.9%	73	2.6x
Total	\$160,866	100.0%	1,055	3.0x

Leasing Activity – Trailing 12 Months

\$(000)s	Lease Renewals	Terminated Leases Without Vacancy	Re-Leased After Vacancy	Total Leasing
Prior Cash ABR	\$ 122	\$ 5,360	243	\$ 5,725
New Cash ABR ⁴	132	4,312	218	4,661
Recovery Rate	107.6%	80.4%	89.7%	81.4%
Number of Leases	3	16	2	21
Average Months Vacant	-	-	3.9	-
% of Total Cash ABR ⁵	0.1%	2.7%	0.1%	2.9%

Leasing Statistics

Vacant Properties at March 31, 2020	5
Expiration Activity	0
Leasing Activity	- 2
Vacant Property Sales	0
Lease Termination	+ 1
Vacant Properties at June 30, 2020	4

1. Expiration year of contracts in place as of June 30, 2020 and excludes any tenant option renewal periods that have not been exercised.

2. Property count includes 92 properties that secure mortgage loans receivable, but excludes one undeveloped land parcel and four vacant properties.

3. Weighted by cash ABR as of June 30, 2020.

4. New cash ABR reflects full lease rental rate without giving effect to free rent or discounted rent periods.

5. New cash ABR divided by total cash ABR as of June 30, 2020.

Leasing Summary

Same-Store Analysis

Defined Terms

Same-Store Portfolio:

All properties owned, excluding new sites under construction, for the entire same-store measurement period, which is April 1, 2019 through June 30, 2020. The same-store portfolio for 2Q 2020 is comprised of 651 properties and represented ~64% of our total portfolio as measured by contractual cash rent divided by our cash ABR at June 30, 2020.

Contractual Cash Rent:

The amount of cash rent our tenants are contractually obligated to pay per the in-place lease as of June 30, 2020; excludes 1.) percentage rent that is subject to sales breakpoints per the lease and 2.) redevelopment properties in a free rent period

Same-Store Portfolio Performance

Type of Business	Contractual Cash Rent (\$000s)		%	
	2Q 2020	2Q 2019	Change	
Service	\$ 20,101	\$ 19,996	0.5%	
Experience	4,510	4,548	-0.8%	
Retail	553	1,395	-60.3%	
Industrial	674	661	2.0%	
Total Same-Store Rent	\$ 25,838	\$ 26,599	-2.9%	
- Property Operating Expense ¹	121	366	-67.1%	
Total Same-Store NOI	\$ 25,717	\$ 26,233	-2.0%	



¹. Excludes reimbursable property operating expenses.

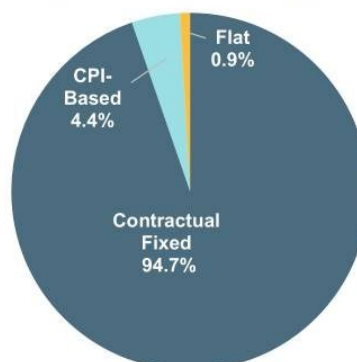
Leasing Summary

Lease Escalations

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average Annual Escalation Rate ^{1,2}
Annually	78.6%	1.6%
Every 2 years	2.4	1.4
Every 3 years	0.9	1.5
Every 4 years	0.5	0.8
Every 5 years	12.9	1.4
Other escalation frequencies	3.9	0.8
Flat	0.9	0.0
Total / Weighted Average	100.0%	1.5%

Lease Escalation Type



- Leases contributing 99.1% of cash ABR provided for base rent escalation, generally ranging from 1.0% to 3.0% annually, with a weighted average annual escalation rate of 1.5%, which assumes 0.0% change in annual CPI
- 63.6% 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 June 30, 2020.

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.

COVID-19 Impact on Portfolio

Portfolio Operating Stats, Rent Collection and Deferral Information

Reported Period	April	May	June	2Q 2020	July
Portfolio					
% Open	48%	61%	73%	--	80%
% Limited	23%	21%	16%	--	13%
% Closed	29%	18%	11%	--	7%
% Open + % Limited	71%	82%	89%	--	93%
Rent Collection¹					
Paid	68%	67%	72%	69%	87%
Deferred	30%	32%	26%	29%	10%
-- Recognized ²	26%	28%	21%	25%	6%
-- Non-Recognized ²	4%	4%	5%	4%	4%
Other	2%	2%	2%	2%	3%
-- Unresolved Rent ³	1%	<1%	<1%	<1%	3%
-- Lost / Abated ⁴	1%	1%	1%	1%	<1%

- **Rent Deferral Agreements:** We granted rent deferrals requests to 85 different tenants across 299 properties in our portfolio. The average granted deferral length is less than five months with an average payback period of 14 months. In aggregate, these deferrals represent \$18.1mm in cash rent. As 2Q'20-end, we had approximately \$6.6mm of remaining rent deferrals for future periods

Note: All ratios for April, May, June, and 2Q'20 represent percentage of cash ABR as of June 30, 2020, excluding all cash ABR from 2Q 2020 investment activity. All ratios for July represent cash ABR as of June 30, 2020.

1. Percentages may not add up due to rounding.

2. Recognized rent deferrals are included in revenue on our income statement while non-recognized rent deferrals are accounted for on a non-accrual basis and are not included in revenue.

3. Uncollected contractual cash rents from non-accrual tenants that were not subject to a lease deferral in the period.

4. Rent that has either been lost due to lease termination or abated temporarily.

COVID-19 Impact on Portfolio

Tenant Industry Breakdown

Tenant Industry	Projected Recovery	Level of Impact	% of ABR ^{1,2}	% Open ²	% Limited ²	% Closed ²	% of Total Closed ABR ^{1,2}	% of July ABR ¹ Collected	% of Total Deferred Rent
Quick Service	Fast	Light	14.3%	16%	81%	3%	7%	90%	6%
Child Care	Moderate	Severe	13.5%	99%	0%	1%	2%	82%	26%
Car Wash	Fast	Light	12.0%	100%	0%	0%	1%	100%	4%
Medical / Dental	Fast	Moderate	11.3%	100%	0%	0%	1%	95%	8%
C-Store	Fast	Light	10.2%	97%	2%	1%	1%	97%	2%
Health & Fitness	Moderate	Severe	6.7%	90%	2%	9%	9%	67%	11%
Auto Service	Fast	Light	5.6%	100%	0%	0%	0%	100%	3%
Casual Dining	Slow	Severe	5.5%	73%	16%	11%	9%	74%	5%
Other Service	Fast	Light	4.0%	100%	0%	0%	0%	100%	0%
Entertainment	Slow	Severe	3.9%	63%	0%	37%	21%	79%	3%
Family Dining	Slow	Severe	3.4%	85%	6%	9%	5%	61%	6%
Pet Care	Fast	Light	3.4%	100%	0%	0%	0%	79%	14%
Movie Theatres	Slow	Severe	2.7%	0%	0%	100%	40%	15%	10%
Building Materials	Fast	Light	1.7%	100%	0%	0%	0%	100%	0%
Furniture	Moderate	Severe	1.4%	70%	0%	30%	6%	100%	2%
Grocery	Fast	Light	0.6%	100%	0%	0%	0%	100%	0%
Total	--	--	--	80%	13%	7%	--	87%	--
Light	--	--	52%	75%	24%	1%	8%	95%	29%
Moderate	--	--	11%	100%	0%	0%	1%	95%	8%
Severe	--	--	37%	80%	3%	17%	91%	72%	63%
Fast	--	--	63%	79%	20%	1%	9%	95%	37%
Moderate	--	--	22%	94%	1%	5%	17%	79%	39%
Slow	--	--	15%	60%	7%	33%	74%	62%	24%

1. Property operating status as of July 27, 2020, as measured by cash ABR.

2. Cash ABR as of June 30, 2020.

Glossary

Supplemental Reporting Measures

FFO, Core 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"), core funds from operations ("Core FFO") and adjusted funds from operations ("AFFO"), each of which is a non-GAAP financial measure. We believe these non-GAAP financial measures are industry measures used by analysts and investors to compare the operating performance of REITs.

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 write-downs 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. FFO is used by management, and may be useful to 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 and losses on sales (which are dependent 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 compute Core FFO by adjusting FFO, as defined by NAREIT, to exclude certain GAAP income and expense amounts that we believe are infrequent and unusual in nature and/or not related to our core real estate operations. Exclusion of these items from similar FFO-type metrics is common within the equity REIT industry, and management believes that presentation of Core FFO provides investors with a metric to assist in their

evaluation of our operating performance across multiple periods and in comparison to the operating performance of our peers, because it removes the effect of unusual items that are not expected to impact our operating performance on an ongoing basis. Core FFO is used by management in evaluating the performance of our core business operations. Items included in calculating FFO that may be excluded in calculating Core FFO include items like certain transaction related gains, losses, income or expense or other non-core amounts as they occur.

To derive AFFO, we modify the NAREIT computation of FFO to include other adjustments to GAAP net income related to certain items that we believe are not indicative of our operating performance, including straight-line rental revenue, non-cash interest expense, non-cash compensation expense, other amortization and non-cash charges, capitalized interest expense and transaction costs. Such items may cause short-term fluctuations in net income but have no impact on operating cash flows or long-term operating performance. We believe that AFFO is an additional useful supplemental measure for investors to consider to assess our operating performance without the distortions created by non-cash and certain other revenues and expenses.

FFO, Core FFO and AFFO do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities, and they 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 a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, our computation of FFO, Core FFO and AFFO may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

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 non-GAAP financial measures are accepted industry measures used by analysts and investors to compare the operating performance of REITs.

EBITDA and EBITDAre

We compute EBITDA as earnings before interest, income taxes and depreciation and amortization. In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDAre. 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. We use EBITDA and EBITDAre as measures of our operating performance and not as measures of liquidity.

EBITDA and EBITDAre do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities and they 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 a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, our computation of EBITDA and EBITDAre may differ from the methodology for calculating these metrics used by other equity REITs and, therefore,

may not be comparable to similarly titled measures reported by other equity REITs.

Net Debt

We calculate our net debt as our gross debt (defined as total debt plus net deferred financing costs on our secured borrowings) 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, all 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

We compute NOI as 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 other amortization and non-cash charges. 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. 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. Additionally, our computation of NOI and Cash NOI may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

Glossary

Supplemental Reporting Measures

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

We further adjust EBITDAre, NOI and Cash NOI i) based on an estimate calculated as if all investment and disposition activity that took place during the quarter had been made on the first day of the quarter, ii) to exclude certain GAAP income and expense amounts that we believe are infrequent and unusual in nature and iii) to eliminate the impact of lease termination fees and contingent rental revenue from our tenants which is subject to sales thresholds specified in the lease. 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 investments as of the end of the current quarter. You should not unduly rely on these measures, 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.

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 and annualized cash interest on our mortgage loans receivable as of that date.

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 investment 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 investment or disposition divided by the purchase or sale price, as applicable, for the property.

Disclaimer

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