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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **September 30, 2024**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number **001-38530**

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**Essential Properties Realty Trust, Inc.**

(Exact name of Registrant as specified in its Charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)  
**902 Carnegie Center Blvd., Suite 520**  
**Princeton, New Jersey**  
(Address of Principal Executive Offices)

**82-4005693**  
(I.R.S. Employer  
Identification No.)

**08540**  
(Zip Code)

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

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

| <u>Title of Each Class</u>     | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|--------------------------------|--------------------------|--|
| Common Stock, \$0.01 par value | EPRT                     | New York Stock Exchange                          |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 23, 2024, the registrant had 175,331,836 shares of common stock, \$0.01 par value per share, outstanding.

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**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Balance Sheets**  
*(In thousands, except share and per share data)*

|   | September 30, 2024<br>(Unaudited) | December 31, 2023 |
|---|-----------------------------------|-------------------|
| <b>ASSETS</b>   |                                   |                   |
| Investments:  |                                   |                   |
| Real estate investments, at cost:   |                                   |                   |
| Land and improvements   | \$ 1,799,183                      | \$ 1,542,302      |
| Building and improvements   | 3,302,198                         | 2,938,012         |
| Lease incentives  | 18,731                            | 17,890            |
| Construction in progress  | 200,725                           | 96,524            |
| Intangible lease assets   | 94,894                            | 89,209            |
| Total real estate investments, at cost  | 5,415,731                         | 4,683,937         |
| Less: accumulated depreciation and amortization   | (450,454)                         | (367,133)         |
| Total real estate investments, net  | 4,965,277                         | 4,316,804         |
| Loans and direct financing lease receivables, net   | 336,210                           | 223,854           |
| Real estate investments held for sale, net  | 6,882                             | 7,455             |
| Net investments   | 5,308,369                         | 4,548,113         |
| Cash and cash equivalents   | 32,656                            | 39,807            |
| Restricted cash   | 6,055                             | 9,156             |
| Straight-line rent receivable, net  | 137,729                           | 107,545           |
| Derivative assets   | 17,823                            | 30,980            |
| Rent receivables, prepaid expenses and other assets, net  | 29,423                            | 32,660            |
| Total assets (1)  | \$ 5,532,055                      | \$ 4,768,261      |
| <b>LIABILITIES AND EQUITY</b>   |                                   |                   |
| Unsecured term loans, net of deferred financing costs   | \$ 1,720,158                      | \$ 1,272,772      |
| Senior unsecured notes, net   | 396,264                           | 395,846           |
| Revolving credit facility   | 80,000                            | —                 |
| Intangible lease liabilities, net   | 10,894                            | 11,206            |
| Dividend payable  | 51,124                            | 47,182            |
| Derivative liabilities  | 40,403                            | 23,005            |
| Accrued liabilities and other payables  | 31,566                            | 31,248            |
| Total liabilities (1)   | 2,330,409                         | 1,781,259         |
| Commitments and contingencies (see Note 11)   | —                                 | —                 |
| Stockholders' equity:   |                                   |                   |
| Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of September 30, 2024 and December 31, 2023                                   | —                                 | —                 |
| Common stock, \$0.01 par value; 500,000,000 authorized; 175,331,836 and 164,635,150 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively | 1,753                             | 1,646             |
| Additional paid-in capital  | 3,330,653                         | 3,078,459         |
| Distributions in excess of cumulative earnings  | (113,232)                         | (105,545)         |
| Accumulated other comprehensive (loss) income   | (25,834)                          | 4,019             |
| Total stockholders' equity  | 3,193,340                         | 2,978,579         |
| Non-controlling interests   | 8,306                             | 8,423             |
| Total equity  | 3,201,646                         | 2,987,002         |
| Total liabilities and equity  | \$ 5,532,055                      | \$ 4,768,261      |

(1) The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 2—Summary of Significant Accounting Policies. As of September 30, 2024 and December 31, 2023, all of the assets and liabilities of the Company were held by its operating partnership, Essential Properties, L.P., a consolidated VIE, with the exception of \$51.0 million and \$47.0 million, respectively, of dividends payable.

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Operations**  
*(Unaudited, in thousands, except share and per share data)*

|  | Three months ended September 30, |                  | Nine months ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2024                             | 2023             | 2024                            | 2023              |
| <b>Revenues:</b>   |                                  |                  |                                 |                   |
| Rental revenue   | \$ 110,512                       | \$ 86,969        | \$ 313,392                      | \$ 246,960        |
| Interest on loans and direct financing lease receivables | 6,477                            | 4,568            | 16,075                          | 13,548            |
| Other revenue, net                                       | 143                              | 120              | 434                             | 1,353             |
| <b>Total revenues</b>                                    | <b>117,132</b>                   | <b>91,657</b>    | <b>329,901</b>                  | <b>261,861</b>    |
| <b>Expenses:</b>   |                                  |                  |                                 |                   |
| General and administrative                               | 8,623                            | 7,174            | 26,691                          | 23,343            |
| Property expenses  | 1,536                            | 1,359            | 3,685                           | 3,346             |
| Depreciation and amortization                            | 30,879                           | 26,212           | 89,332                          | 74,779            |
| Provision for impairment of real estate                  | 5,695                            | 165              | 12,259                          | 1,645             |
| Change in provision for credit losses                    | 246                              | (63)             | 249                             | (85)              |
| <b>Total expenses</b>                                    | <b>46,979</b>                    | <b>34,847</b>    | <b>132,216</b>                  | <b>103,028</b>    |
| <b>Other operating income:</b>                           |                                  |                  |                                 |                   |
| (Loss) gain on dispositions of real estate, net          | (243)                            | 1,859            | 1,402                           | 19,320            |
| <b>Income from operations</b>                            | <b>69,910</b>                    | <b>58,669</b>    | <b>199,087</b>                  | <b>178,153</b>    |
| <b>Other (expense)/income:</b>                           |                                  |                  |                                 |                   |
| Loss on debt extinguishment                              | —                                | (116)            | —                               | (116)             |
| Interest expense   | (21,627)                         | (12,633)         | (54,586)                        | (36,837)          |
| Interest income  | 1,169                            | 330              | 2,510                           | 1,416             |
| Other income   | —                                | —                | 1,548                           | —                 |
| <b>Income before income tax expense</b>                  | <b>49,452</b>                    | <b>46,250</b>    | <b>148,559</b>                  | <b>142,616</b>    |
| Income tax expense                                       | 159                              | 162              | 470                             | 472               |
| <b>Net income</b>  | <b>49,293</b>                    | <b>46,088</b>    | <b>148,089</b>                  | <b>142,144</b>    |
| Net income attributable to non-controlling interests     | (153)                            | (174)            | (460)                           | (532)             |
| <b>Net income attributable to stockholders</b>           | <b>\$ 49,140</b>                 | <b>\$ 45,914</b> | <b>\$ 147,629</b>               | <b>\$ 141,612</b> |
| <b>Basic weighted average shares outstanding</b>         |                                  |                  |                                 |                   |
|  | 175,330,976                      | 155,917,176      | 172,656,778                     | 150,314,073       |
| <b>Basic net income per share</b>                        | <b>\$ 0.28</b>                   | <b>\$ 0.29</b>   | <b>\$ 0.85</b>                  | <b>\$ 0.94</b>    |
| <b>Diluted weighted average shares outstanding</b>       |                                  |                  |                                 |                   |
|  | 179,610,599                      | 157,182,984      | 175,365,280                     | 151,609,426       |
| <b>Diluted net income per share</b>                      | <b>\$ 0.27</b>                   | <b>\$ 0.29</b>   | <b>\$ 0.84</b>                  | <b>\$ 0.94</b>    |

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Comprehensive Income**  
*(Unaudited, in thousands)*

|   | Three months ended September 30, |           | Nine months ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2024                             | 2023      | 2024                            | 2023       |
| Net income  | \$ 49,293                        | \$ 46,088 | \$ 148,089                      | \$ 142,144 |
| Other comprehensive income:   |                                  |           |                                 |            |
| Unrealized (loss) gain on cash flow hedges                                  | (43,142)                         | 14,152    | (6,535)                         | 28,152     |
| Cash flow hedge gain reclassified to interest expense                       | (8,187)                          | (7,491)   | (23,416)                        | (19,453)   |
| Total other comprehensive (loss) income                                     | (51,329)                         | 6,661     | (29,951)                        | 8,699      |
| Comprehensive (loss) income   | (2,036)                          | 52,749    | 118,138                         | 150,843    |
| Net income attributable to non-controlling interests                        | (153)                            | (174)     | (460)                           | (532)      |
| Other comprehensive loss (income) attributable to non-controlling interests | 159                              | (24)      | 103                             | 5          |
| Comprehensive (loss) income attributable to stockholders                    | \$ (2,030)                       | \$ 52,551 | \$ 117,781                      | \$ 150,316 |

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Stockholders' Equity**  
*(Unaudited, in thousands, except share data)*

|  | Common Stock        |           | Additional<br>Paid In<br>Capital | Distributions<br>in Excess of<br>Cumulative<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Total<br>Stockholders'<br>Equity | Non-<br>controlling<br>Interests | Total Equity |
|--|---------------------|-----------|----------------------------------|---|--|----------------------------------|----------------------------------|--------------|
|  | Number of<br>Shares | Par Value |                                  |   |  |                                  |                                  |              |
| <b>Balance at December 31, 2023</b>                                    | 164,635,150         | \$ 1,646  | \$ 3,078,459                     | \$ (105,545)  | \$ 4,019   | \$ 2,978,579                     | \$ 8,423                         | \$ 2,987,002 |
| Common stock issuance  | 10,508,096          | 105       | 244,630                          | —   | —  | 244,735                          | —                                | 244,735      |
| Common stock withheld related to net share settlement of equity awards | —                   | —         | —                                | (3,277)   | —  | (3,277)                          | —                                | (3,277)      |
| Costs related to issuance of common stock                              | —                   | —         | (366)                            | —   | —  | (366)                            | —                                | (366)        |
| Other comprehensive income   | —                   | —         | —                                | —   | 19,575   | 19,575                           | 56                               | 19,631       |
| Equity based compensation expense                                      | 163,140             | 2         | 2,945                            | —   | —  | 2,947                            | —                                | 2,947        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (50,079)  | —  | (50,079)                         | (157)                            | (50,236)     |
| Net income   | —                   | —         | —                                | 46,975  | —  | 46,975                           | 148                              | 47,123       |
| <b>Balance at March 31, 2024</b>                                       | 175,306,386         | 1,753     | 3,325,668                        | (111,926)   | 23,594   | 3,239,089                        | 8,470                            | 3,247,559    |
| Common stock issuance  | 23,928              | —         | —                                | —   | —  | —                                | —                                | —            |
| Costs related to issuance of common stock                              | —                   | —         | (228)                            | —   | —  | (228)                            | —                                | (228)        |
| Other comprehensive income   | —                   | —         | —                                | —   | 1,742  | 1,742                            | 4                                | 1,746        |
| Equity based compensation expense                                      | —                   | —         | 2,642                            | —   | —  | 2,642                            | —                                | 2,642        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (50,964)  | —  | (50,964)                         | (160)                            | (51,124)     |
| Net income   | —                   | —         | —                                | 51,517  | —  | 51,517                           | 159                              | 51,676       |
| <b>Balance at June 30, 2024</b>  | 175,330,314         | 1,753     | 3,328,082                        | (111,373)   | 25,336   | 3,243,798                        | 8,473                            | 3,252,271    |
| Common stock issuance  | 1,522               | —         | —                                | —   | —  | —                                | —                                | —            |
| Common stock withheld related to net share settlement of equity awards | —                   | —         | —                                | (36)  | —  | (36)                             | —                                | (36)         |
| Costs related to issuance of common stock                              | —                   | —         | (47)                             | —   | —  | (47)                             | —                                | (47)         |
| Other comprehensive income   | —                   | —         | —                                | —   | (51,170)   | (51,170)                         | (159)                            | (51,329)     |
| Equity based compensation expense                                      | —                   | —         | 2,618                            | —   | —  | 2,618                            | —                                | 2,618        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (50,963)  | —  | (50,963)                         | (161)                            | (51,124)     |
| Net income   | —                   | —         | —                                | 49,140  | —  | 49,140                           | 153                              | 49,293       |
| <b>Balance at September 30, 2024</b>                                   | 175,331,836         | \$ 1,753  | \$ 3,330,653                     | \$ (113,232)  | \$ (25,834)  | \$ 3,193,340                     | \$ 8,306                         | \$ 3,201,646 |

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Stockholders' Equity (continued)**  
*(Unaudited, in thousands, except share data)*

|  | Common Stock        |           | Additional<br>Paid-In<br>Capital | Distributions<br>in Excess of<br>Cumulative<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Total<br>Stockholders'<br>Equity | Non-<br>controlling<br>Interests | Total Equity |
|--|---------------------|-----------|----------------------------------|---|--|----------------------------------|----------------------------------|--------------|
|  | Number of<br>Shares | Par Value |                                  |   |  |                                  |                                  |              |
| <b>Balance at December 31, 2022</b>                                    | 142,379,655         | \$ 1,424  | \$ 2,563,305                     | \$ (117,187)  | \$ 40,719  | \$ 2,488,261                     | \$ 8,510                         | \$ 2,496,771 |
| Common stock issuance  | 6,248,695           | 62        | 147,217                          | —   | —  | 147,279                          | —                                | 147,279      |
| Common stock withheld related to net share settlement of equity awards | —                   | —         | —                                | (2,745)   | —  | (2,745)                          | —                                | (2,745)      |
| Costs related to issuance of common stock                              | —                   | —         | (444)                            | —   | —  | (444)                            | —                                | (444)        |
| Other comprehensive loss   | —                   | —         | —                                | —   | (14,737)   | (14,737)                         | (91)                             | (14,828)     |
| Equity based compensation expense                                      | 209,767             | 2         | 2,719                            | —   | —  | 2,721                            | —                                | 2,721        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (41,030)  | —  | (41,030)                         | (153)                            | (41,183)     |
| Net income   | —                   | —         | —                                | 42,896  | —  | 42,896                           | 160                              | 43,056       |
| <b>Balance at March 31, 2023</b>                                       | 148,838,117         | 1,488     | 2,712,797                        | (118,066)   | 25,982   | 2,622,201                        | 8,426                            | 2,630,627    |
| Common stock issuance  | 6,278,287           | 63        | 149,263                          | —   | —  | 149,326                          | —                                | 149,326      |
| Common stock withheld related to net share settlement of equity awards | —                   | —         | —                                | (651)   | —  | (651)                            | —                                | (651)        |
| Costs related to issuance of common stock                              | —                   | —         | (173)                            | —   | —  | (173)                            | —                                | (173)        |
| Other comprehensive income   | —                   | —         | —                                | —   | 16,803   | 16,803                           | 62                               | 16,865       |
| Share-based compensation expense                                       | 56,097              | 1         | 1,970                            | —   | —  | 1,971                            | —                                | 1,971        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (43,551)  | —  | (43,551)                         | (154)                            | (43,705)     |
| Net income   | —                   | —         | —                                | 52,802  | —  | 52,802                           | 198                              | 53,000       |
| <b>Balance at June 30, 2023</b>  | 155,172,501         | 1,552     | 2,863,857                        | (109,466)   | 42,785   | 2,798,728                        | 8,532                            | 2,807,260    |
| Common stock issuance  | 836,050             | 8         | 20,143                           | —   | —  | 20,151                           | —                                | 20,151       |
| Common stock withheld related to net share settlement of equity awards | —                   | —         | —                                | (252)   | —  | (252)                            | —                                | (252)        |
| Costs related to issuance of common stock                              | —                   | —         | (319)                            | —   | —  | (319)                            | —                                | (319)        |
| Other comprehensive loss   | —                   | —         | —                                | —   | 6,637  | 6,637                            | 24                               | 6,661        |
| Equity based compensation expense                                      | 15,671              | —         | 2,144                            | —   | —  | 2,144                            | —                                | 2,144        |
| Dividends declared on common stock and OP Units                        | —                   | —         | —                                | (43,788)  | —  | (43,788)                         | (155)                            | (43,943)     |
| Net income   | —                   | —         | —                                | 45,914  | —  | 45,914                           | 174                              | 46,088       |
| <b>Balance at September 30, 2023</b>                                   | 156,024,222         | \$ 1,560  | \$ 2,885,825                     | \$ (107,592)  | \$ 49,422  | \$ 2,829,215                     | \$ 8,575                         | \$ 2,837,790 |

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Cash Flows**  
*(Unaudited, in thousands)*

|  | Nine months ended September 30, |                  |
|--|---------------------------------|------------------|
|  | 2024                            | 2023             |
| <b>Cash flows from operating activities:</b>   |                                 |                  |
| Net income   | \$ 148,089                      | \$ 142,144       |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                 |                  |
| Depreciation and amortization  | 89,332                          | 74,779           |
| Amortization of lease incentives   | 925                             | 1,455            |
| Amortization of above/below market leases and right of use assets, net                   | (188)                           | (211)            |
| Amortization of deferred financing costs and other non-cash interest expense             | 3,826                           | 4,486            |
| Loss on debt extinguishment  | —                               | 116              |
| Provision for impairment of real estate  | 12,259                          | 1,645            |
| Change in provision for credit losses  | 249                             | (85)             |
| Gain on dispositions of real estate, net   | (1,402)                         | (19,320)         |
| Straight-line rent receivable, net   | (31,479)                        | (20,034)         |
| Equity based compensation expense  | 8,205                           | 6,836            |
| Adjustment to rental revenue for tenant credit   | 344                             | 501              |
| Changes in other assets and liabilities:   |                                 |                  |
| Rent receivables, prepaid expenses and other assets, net                                 | (6,240)                         | (4,968)          |
| Accrued liabilities and other payables   | (2,505)                         | (5,362)          |
| <b>Net cash provided by operating activities</b>   | <b>221,415</b>                  | <b>181,982</b>   |
| <b>Cash flows from investing activities:</b>   |                                 |                  |
| Proceeds from sales of investments, net  | 36,191                          | 107,459          |
| Principal collections on loans and direct financing lease receivables                    | 7,994                           | 23,206           |
| Investments in loans receivable  | (118,399)                       | (10,200)         |
| Deposits for prospective real estate investments   | (2,680)                         | (601)            |
| Investment in real estate, including capital expenditures                                | (576,234)                       | (628,305)        |
| Investment in construction in progress   | (194,370)                       | (61,776)         |
| Lease incentives paid  | (991)                           | —                |
| <b>Net cash used in investing activities</b>   | <b>(848,489)</b>                | <b>(570,217)</b> |
| <b>Cash flows from financing activities:</b>   |                                 |                  |
| Borrowings under term loans  | 174,569                         | 172,972          |
| Borrowings under revolving credit facility   | 360,000                         | 70,000           |
| Repayments under revolving credit facility   | (10,000)                        | (70,000)         |
| Payments for taxes related to net settlement of equity awards                            | (3,312)                         | (3,649)          |
| Deferred financing costs   | (68)                            | (2,301)          |
| Proceeds from issuance of common stock, net  | 244,735                         | 316,718          |
| Offering costs   | (560)                           | (701)            |
| Dividends paid   | (148,542)                       | (124,286)        |
| <b>Net cash provided by financing activities</b>   | <b>616,822</b>                  | <b>358,753</b>   |
| Net decrease in cash and cash equivalents and restricted cash                            | (10,252)                        | (29,482)         |
| Cash and cash equivalents and restricted cash, beginning of period                       | 48,963                          | 71,500           |
| Cash and cash equivalents and restricted cash, end of period                             | <u>\$ 38,711</u>                | <u>\$ 42,018</u> |
| <b>Reconciliation of cash and cash equivalents and restricted cash:</b>                  |                                 |                  |
| Cash and cash equivalents  | \$ 32,656                       | \$ 36,106        |
| Restricted cash  | 6,055                           | 5,912            |
| Cash and cash equivalents and restricted cash, end of period                             | <u>\$ 38,711</u>                | <u>\$ 42,018</u> |

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



**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Cash Flows (continued)**  
*(Unaudited, in thousands)*

|  | Nine months ended September 30, |           |
|--|---------------------------------|-----------|
|  | 2024                            | 2023      |
| <b>Supplemental disclosure of cash flow information:</b>               |                                 |           |
| Cash paid for interest, net of amounts capitalized                     | \$ 54,225                       | \$ 38,045 |
| Cash paid for income taxes   | 854                             | 1,366     |
| <b>Non-cash investing and financing activities:</b>                    |                                 |           |
| Reclassification from construction in progress upon project completion | \$ 90,166                       | \$ 28,964 |
| Net settlement of proceeds on the sale of investments                  | (2,200)                         | —         |
| Non-cash investments in real estate and loan receivable activity       | 2,200                           | —         |
| Unrealized (loss) gain on cash flow hedges                             | (43,142)                        | 28,152    |
| Non-cash debt issuance costs   | 4,647                           | 2,028     |
| Non-cash repayment of term loan facility                               | —                               | 200,000   |
| Non-cash borrowings under term loan                                    | (270,000)                       | —         |
| Non-cash repayment under revolving credit facility                     | 270,000                         | —         |
| Payable and accrued offering costs                                     | 81                              | 197       |
| Discounts and fees on capital raised through issuance of common stock  | —                               | 38        |
| Accrued debt issuance costs  | —                               | 100       |
| Dividends declared and unpaid  | 51,124                          | 43,943    |

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

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Notes to Consolidated Financial Statements**  
**September 30, 2024**

**1. Organization**

***Description of Business***

Essential Properties Realty Trust, Inc. (the “Company”) is an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. The Company generally invests in and leases freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of the tenant’s sales and profits.

The Company was organized on January 12, 2018 as a Maryland corporation. It elected to be taxed as a real estate investment trust (“REIT”) for federal income tax purposes beginning with the year ended December 31, 2018, and it believes that its current organizational and operational status and intended distributions will allow it to continue to so qualify. Substantially all of the Company’s business is conducted directly and indirectly through its operating partnership, Essential Properties, L.P. (the “Operating Partnership”).

The common stock of the Company is listed on the New York Stock Exchange under the ticker symbol “EPRT”.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying unaudited consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and with the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results of operations for the three and nine months ended September 30, 2024 and 2023 are not necessarily indicative of the results for the full year. These unaudited financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as filed with the SEC in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and subsidiaries in which the Company has a controlling financial interest. All intercompany accounts and transactions have been eliminated in consolidation. As of September 30, 2024 and December 31, 2023, the Company, directly and indirectly, held a 99.7% ownership interest in the Operating Partnership and the consolidated financial statements include the financial statements of the Operating Partnership as of these dates. See Note 8—Non-controlling Interests for changes in the ownership interest in the Operating Partnership.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Reportable Segments***

ASC Topic 280, Segment Reporting, establishes standards for the manner in which enterprises report information about operating segments. Substantially all of the Company’s investments, at acquisition, are comprised of real estate owned that is leased to tenants on a long-term basis or real estate that secures the Company’s investment in loans and direct financing lease receivables. Therefore, the Company aggregates these investments for reporting purposes and operates in one reportable segment.

### **Real Estate Investments**

Investments in real estate are carried at cost less accumulated depreciation and impairment losses. The cost of investments in real estate reflects their purchase price or development cost. The Company evaluates each acquisition transaction to determine whether the acquired asset meets the definition of a business. Under Accounting Standards Update (“ASU”) 2017-1, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, an acquisition does not qualify as a business when there is no substantive process acquired or substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. Transaction costs related to acquisitions that are asset acquisitions are capitalized as part of the cost basis of the acquired assets, while transaction costs for acquisitions that are deemed to be acquisitions of a business are expensed as incurred. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

The Company incurs various costs in the leasing and development of its properties. Amounts paid to tenants that incentivize them to extend or otherwise amend an existing lease or to sign a new lease agreement are capitalized to lease incentives on the Company’s consolidated balance sheets. Tenant improvements are capitalized to building and improvements within the Company’s consolidated balance sheets. Costs incurred which are directly related to properties under development, which include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs and real estate taxes and insurance, are capitalized during the period of development as construction in progress. Determination of when a development project commences, and capitalization begins, and when a development project has reached substantial completion, and is available for occupancy and capitalization must cease, involves a degree of judgment. The Company does not engage in speculative real estate development. The Company does, however, opportunistically agree to reimburse certain of its tenants for development costs at its properties in exchange for contractually specified rent that generally increases proportionally with its funding.

The Company allocates the purchase price of acquired properties accounted for as asset acquisitions to tangible assets and liabilities and identifiable intangible assets or liabilities, if any, based on their relative fair values. Tangible assets may include land, site improvements and buildings. Intangible assets may include the value of in-place leases and above- and below-market leases and other identifiable intangible assets or liabilities based on lease or property specific characteristics.

The fair value of the tangible assets of an acquired property with an in-place operating lease is determined by valuing the property as if it were vacant, and the “as-if-vacant” value is then allocated to the tangible assets based on the fair value of the tangible assets. The fair value of in-place leases is determined by considering estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases based on the specific characteristics of each tenant’s lease. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. Factors the Company considers in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses, and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from six to 12 months. The fair value of above- or below-market leases is recorded based on the net present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between the contractual amount to be paid pursuant to the in-place lease and the Company’s estimate of the fair market lease rate for the corresponding in-place lease, measured over the remaining non-cancelable term of the lease including any below-market fixed rate renewal options for below-market leases.

In making estimates of fair values for purposes of allocating purchase price, the Company uses a number of sources, including real estate valuations prepared by independent valuation firms. The Company also considers information and other factors including market conditions, the industry that the tenant operates in, characteristics of the real estate (e.g., location, size, demographics, value and comparative rental rates), tenant credit profile and the importance of the location of the real estate to the operations of the tenant’s business. Additionally, the Company considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting

standard governing asset retirement obligations and, when necessary, will record an asset retirement obligation as part of the purchase price allocation.

Real estate investments that are intended to be sold are designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount and fair value less estimated selling costs. Real estate investments are no longer depreciated when they are classified as held for sale. If the disposal, or intended disposal, of certain real estate investments represents a strategic shift that has had or will have a major effect on the Company's operations and financial results, the operations of such real estate investments would be presented as discontinued operations in the consolidated statements of operations for all applicable periods.

### **Depreciation and Amortization**

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings and 15 years for site improvements. The Company recorded the following amounts of depreciation expense on its real estate investments during the periods presented:

| (in thousands)                          | Three months ended September 30, |           | Nine months ended September 30, |           |
|---|----------------------------------|-----------|---------------------------------|-----------|
|   | 2024                             | 2023      | 2024                            | 2023      |
| Depreciation on real estate investments | \$ 29,173                        | \$ 24,534 | \$ 84,041                       | \$ 69,735 |

Lease incentives are amortized on a straight-line basis as a reduction of rental revenue over the remaining non-cancellable terms of the respective leases. If a tenant terminates its lease, the unamortized portion of the lease incentive is charged to rental revenue. Construction in progress is not depreciated until the development has reached substantial completion. Tenant improvements are depreciated over the non-cancellable term of the related lease or their estimated useful life, whichever is shorter.

Capitalized above-market lease intangibles are amortized on a straight-line basis as a reduction of rental revenue over the remaining non-cancellable terms of the respective leases. Capitalized below-market lease intangibles are accreted on a straight-line basis as an increase to rental revenue over the remaining non-cancellable terms of the respective leases including any below-market fixed rate renewal option periods.

Capitalized above-market ground lease values are accreted as a reduction of property expenses over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property expenses over the remaining terms of the respective leases and any expected below-market renewal option periods where renewal is considered probable.

The value of in-place leases, exclusive of the value of above-market and below-market lease intangibles, is amortized to depreciation and amortization expense on a straight-line basis over the remaining periods of the respective leases.

If a tenant terminates its lease, the unamortized portion of each intangible, including in-place lease values, is charged to depreciation and amortization expense, while above- and below-market lease adjustments are recorded within rental revenue in the consolidated statements of operations.

### **Loans Receivable**

The Company holds its loans receivable for long-term investment. Loans receivable are carried at amortized cost, including related unamortized discounts or premiums, if any, less the Company's estimated allowance for credit losses. The Company recognizes interest income on loans receivable using the effective-interest method applied on a loan-by-loan basis. Direct costs associated with originating loans are offset against any related fees received and the balance, along with any premium or discount, is deferred and amortized as an adjustment to interest income over the term of the related loan receivable using the effective-interest method.

### **Direct Financing Lease Receivables**

Certain of the Company's real estate investment transactions are accounted for as direct financing leases. The Company records the direct financing lease receivables at their net investment, determined as the aggregate minimum lease payments and the estimated non-guaranteed residual value of the leased property less unearned income. The unearned income is recognized over the term of the related lease so as to produce a constant rate of

return on the net investment in the asset. The Company's investment in direct financing lease receivables is reduced over the applicable lease term to its non-guaranteed residual value by the portion of rent allocated to the direct financing lease receivables.

### **Allowance for Credit Losses**

Under ASC Topic 326, Financial Instruments – Credit Losses, the Company uses a real estate loss estimate model ("RELEM") which estimates losses on its loans and direct financing lease receivable portfolio, for purposes of calculating allowances for credit losses. The RELEM allows the Company to refine (on an ongoing basis) the expected loss estimate by incorporating asset-specific assumptions as necessary, such as anticipated funding, interest payments, estimated extensions and estimated loan repayment/refinancing at maturity to estimate cash flows over the life of the loan or direct financing lease receivable. The model also incorporates assumptions related to underlying collateral values, various loss scenarios, and predicted losses to estimate expected losses. The Company's specific asset-level inputs include loan-to-stabilized-value ("LTV"), principal balance, property type, location, coupon, origination year, term, subordination, expected repayment date and future funding. The Company categorizes the results by LTV range, which it considers the most significant indicator of credit quality for its loans and direct financing lease receivables. A lower LTV ratio typically indicates a lower credit loss risk.

The Company also evaluates each loan and direct financing lease receivable measured at amortized cost for credit deterioration at least quarterly. Credit deterioration occurs when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan or direct financing lease receivable.

The Company's allowance for credit losses is adjusted to reflect its estimation of the current and future economic conditions that impact the performance of the real estate assets securing its loans. These estimations include various macroeconomic factors impacting the likelihood and magnitude of potential credit losses for the Company's loans and direct financing lease receivables during their anticipated term. Changes in the Company's allowance for credit losses are presented within change in provision for credit losses in its consolidated statements of operations.

### **Impairment of Long-Lived Assets**

If circumstances indicate that the carrying value of a property may not be recoverable, the Company reviews the property for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends, and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss is the adjustment to fair value less estimated cost to dispose of the asset. Impairment losses, if any, are recorded directly within our consolidated statements of operations.

The Company recorded the following provisions for impairment of long lived assets during the periods presented:

| (in thousands)                          | Three months ended September 30, |        | Nine months ended September 30, |          |
|---|----------------------------------|--------|---------------------------------|----------|
|   | 2024                             | 2023   | 2024                            | 2023     |
| Provision for impairment of real estate | \$ 5,695                         | \$ 165 | \$ 12,259                       | \$ 1,645 |

### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in the Company's bank accounts. The Company considers all cash balances and highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to an insurance limit.

As of September 30, 2024 and December 31, 2023, the Company had cash and cash equivalents of \$32.7 million and \$39.8 million, respectively, of which \$32.2 million and \$39.6 million, respectively, were not insured by the FDIC. Although the Company bears risk with respect to amounts not insured by the FDIC, it has not experienced

and does not anticipate any losses as a result due to the high quality of the financial institutions where balances are held.

#### ***Restricted Cash***

Restricted cash primarily consists of cash proceeds from the sale of assets held by a qualified intermediary to facilitate tax-deferred exchange transactions under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code").

#### ***Forward Equity Sales***

The Company has and may continue to enter into forward sale agreements relating to shares of its common stock, either through its ATM Programs (as defined herein) or through underwritten public offerings. These agreements may be physically settled in stock, settled in cash or net share settled at the Company's election.

The Company evaluated its forward sale agreements and concluded they meet the conditions to be classified within stockholders' equity. Prior to settlement, a forward sale agreement will be reflected in the diluted net income per share calculations using the treasury stock method. Under this method, the number of shares of the Company's common stock used in calculating diluted net income per share is deemed to be increased by the excess, if any, of the number of shares of the Company's common stock that would be issued upon full physical settlement of such forward sale agreement over the number of shares of the Company's common stock that could be purchased by the Company in the market (based on the average market price during the reporting period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to settlement of a forward sale agreement, there will be no dilutive effect on the Company's net income per share except during periods when the average market price of the Company's common stock is above the adjusted forward sale price. However, upon settlement of a forward sales agreement, if the Company elects to physically settle or net share settle such forward sale agreement, delivery of the Company's shares will result in dilution to the Company's net income per share.

#### ***Deferred Financing Costs***

Financing costs related to establishing the Company's Revolving Credit Facility (as defined below) were deferred and are being amortized as an increase to interest expense in the consolidated statements of operations over the term of the facility and are reported as a component of rent receivables, prepaid expenses and other assets, net on the consolidated balance sheets.

Financing costs related to the incurrence of borrowings under the Company's unsecured term loans and the issuance of senior unsecured notes were deferred and are being amortized as an increase to interest expense in the consolidated statements of operations over the term of the related debt instrument and are reported as a reduction of the related debt balance on the consolidated balance sheets.

#### ***Derivative Instruments***

In the normal course of business, the Company uses derivative financial instruments, which may include interest rate swaps, caps, options, floors and other interest rate derivative contracts, to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows on a portion of the Company's floating-rate debt. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract. The Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may also enter into derivative contracts that are intended to economically hedge certain risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

The accounting for subsequent changes in the fair value of these derivatives depends on whether each has been designed and qualifies for hedge accounting treatment. If a derivative is designated and qualifies for cash flow hedge accounting treatment, the change in the estimated fair value of the derivative is recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income to the extent that it is effective. Any ineffective portion of a change in derivative fair value is immediately recorded in earnings. If the Company elects not to apply hedge accounting treatment (or for derivatives that do not qualify as hedges), any change in the fair value of such derivative instruments would be recognized immediately as a gain or loss on derivative instruments in the consolidated statements of operations.

#### ***Fair Value Measurement***

The Company estimates the fair value of financial and non-financial assets and liabilities based on the framework established in fair value accounting guidance. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy described below prioritizes inputs to the valuation techniques used in measuring the fair value of assets and liabilities. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3—Unobservable inputs that reflect the Company's own assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

#### ***Revenue Recognition***

The Company's rental revenue is primarily rent received from tenants. Rent from tenants is recorded in accordance with the terms of each lease on a straight-line basis over the non-cancellable initial term of the lease from the later of the date of the commencement of the lease and the date of acquisition of the property subject to the lease. Rental revenue recognition begins when the tenant controls the space and continues through the term of the related lease. Because substantially all of the leases provide for rental increases at specified intervals, the Company records a straight-line rent receivable and recognizes revenue on a straight-line basis through the expiration of the non-cancelable term of the lease. The Company considers whether the collectability of rents is reasonably assured in determining the amount of straight-line rent to record.

Generally, the Company's leases provide the tenant with one or more multi-year renewal options, subject to generally the same terms and conditions provided under the initial lease term, including rent increases. If economic incentives make it reasonably certain that an option period to extend the lease will be exercised, the Company will include these options in determining the non-cancelable term of the lease.

The Company defers rental revenue related to lease payments received from tenants in advance of their due dates. These amounts are presented within accrued liabilities and other payables on the Company's consolidated balance sheets.

Certain properties in the Company's investment portfolio are subject to leases that provide for contingent rent based on a percentage of the tenant's gross sales. For these leases, the Company recognizes contingent rental revenue when the threshold upon which the contingent lease payment is based is actually reached.

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The Company recorded the following amounts as contingent rent, which are included as a component of rental revenue in the Company's consolidated statements of operations, during the periods presented:

| (in thousands)  | Three months ended September 30, |        | Nine months ended September 30, |        |
|-----------------|----------------------------------|--------|---------------------------------|--------|
|                 | 2024                             | 2023   | 2024                            | 2023   |
| Contingent rent | \$ 285                           | \$ 198 | \$ 619                          | \$ 518 |

#### **Adjustment to Rental Revenue for Tenant Credit**

The Company continually reviews receivables related to rent and unbilled rent receivables and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located.

If the assessment of the collectability of substantially all payments due under a lease changes from probable to not probable, any difference between the rental revenue recognized to date and the lease payments that have been collected is recognized as a current period reduction of rental revenue in the consolidated statements of operations. Conversely, if the assessment of the collectability changes from not probable to probable, any difference is recognized as a current period increase of rental revenue in the consolidated statements of operations.

The Company recorded the following adjustments as increases or decreases to rental revenue for tenant credit during the periods presented:

| (in thousands)   | Three months ended September 30, |       | Nine months ended September 30, |          |
|--|----------------------------------|-------|---------------------------------|----------|
|  | 2024                             | 2023  | 2024                            | 2023     |
| Adjustment to (decrease) increase rental revenue for tenant credit | \$ (780)                         | \$ 32 | \$ (344)                        | \$ (501) |

#### **Offering Costs**

In connection with the completion of equity offerings, the Company incurs legal, accounting and other offering-related costs. Such costs are deducted from the gross proceeds of each equity offering when the offering is completed. As of September 30, 2024 and December 31, 2023, the Company capitalized a total of \$91.9 million and \$91.3 million, respectively, of such costs, which are presented as a reduction of additional paid-in capital in the Company's consolidated balance sheets.

#### **Income Taxes**

The Company elected and qualified to be taxed as a REIT under sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 2018. REITs are subject to a number of organizational and operational requirements, including a requirement that 90% of ordinary "REIT taxable income" (as determined without regard to the dividends paid deduction or net capital gains) be distributed. As a REIT, the Company will generally not be subject to U.S. federal income tax to the extent that it meets the organizational and operational requirements and its distributions equal or exceed REIT taxable income. For the period subsequent to the effective date of its REIT election, the Company continues to meet the organizational and operational requirements and expects distributions to exceed REIT taxable income. Accordingly, no provision has been made for U.S. federal income taxes. Even though the Company has elected and qualifies for taxation as a REIT, it may be subject to state and local income and franchise taxes, and to federal income and excise tax on its undistributed income. Franchise taxes and federal excise taxes on the Company's undistributed income, if any, are included in general and administrative expenses on the accompanying consolidated statements of operations. Additionally, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiary is subject to federal, state, and local taxes.

The Company analyzes its tax filing positions in all of the U.S. federal, state and local tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in such jurisdictions. The Company follows a two-step process to evaluate uncertain tax positions. Step one, recognition, occurs when an entity concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Step two, measurement, determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when the Company



subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

As of September 30, 2024 and December 31, 2023, the Company had no accruals recorded for uncertain tax positions. The Company's policy is to classify interest expense and penalties relating to taxes in general and administrative expense in the consolidated statements of operations. During the three and nine months ended September 30, 2024 and 2023, the Company recorded de minimis interest or penalties relating to taxes, and there were no interest or penalties with respect to taxes accrued as of September 30, 2024 or December 31, 2023. The 2022, 2021 and 2020 taxable years remain open to examination by federal and/or state taxing jurisdictions to which the Company is subject.

### **Equity-Based Compensation**

The Company grants shares of restricted common stock ("RSAs") and restricted stock units ("RSUs") to its directors, executive officers and other employees that vest over specified time periods, subject to the recipient's continued service. The Company also grants performance-based RSUs to executive officers, the final number of which is determined based on objective and, with respect to performance-based RSUs issued prior to 2024, subjective performance conditions which vest over a multi-year period, subject to the recipient's continued service. The Company accounts for RSAs and RSUs in accordance with ASC 718, Compensation – Stock Compensation, which requires that such compensation be recognized in the financial statements based on its estimated grant-date fair value. The value of such awards is recognized as compensation expense in general and administrative expenses in the accompanying consolidated statements of operations over the applicable service periods.

The Company recognizes compensation expense for equity-based compensation using the straight-line method based on the fair value of the award on the grant date. Forfeitures of equity-based compensation awards, if any, are recognized when they occur.

### **Variable Interest Entities**

The Financial Accounting Standards Board ("FASB") provides guidance for determining whether an entity is a VIE. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance; and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

The Company has concluded that the Operating Partnership is a VIE of which the Company is the primary beneficiary, as the Company has the power to direct the activities that most significantly impact the economic performance of the Operating Partnership. Substantially all of the Company's assets and liabilities are held by the Operating Partnership. The assets and liabilities of the Operating Partnership are consolidated and reported as assets and liabilities on the Company's consolidated balance sheets as of September 30, 2024 and December 31, 2023.

Additionally, the Company has concluded that certain entities to which it has provided mortgage loans are VIEs because the entities' equity was not sufficient to finance their activities without additional subordinated financial support. The following table presents information about the Company's mortgage loan-related VIEs as of the dates presented:

| <b>(dollars in thousands)</b> | <b>September 30, 2024</b> | <b>December 31, 2023</b> |
|-------------------------------|---------------------------|--------------------------|
| Number of VIEs                | 46                        | 21                       |
| Aggregate carrying value      | \$ 311,090                | \$ 219,449               |

The Company was not the primary beneficiary of any of these entities, because the Company did not have the power to direct the activities that most significantly impact the entities' economic performance as of September 30, 2024 and December 31, 2023. The Company's maximum exposure to loss in these entities is limited to the carrying amount of its investment. The Company had no liabilities associated with these VIEs as of September 30, 2024 and December 31, 2023.

### Recent Accounting Developments

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). The guidance in ASU 2023-07 improves reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. ASU 2023-07 includes requirements to disclose the title and position of the Chief Operating Decision Maker ("CODM") along with disclosure of the significant segment expenses regularly provided to the CODM, the extension of certain annual disclosures to interim periods, requirements that entities that have a single reportable segment must apply ASC 280 in its entirety, and requirements that permit more than one measure of segment profit or loss to be reported under certain conditions. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires annual disclosure of specific categories in the rate reconciliation and the provision of additional information for reconciling items that meet a quantitative threshold within the rate reconciliation. In addition, ASU 2023-09 requires annual disclosure of income taxes paid disaggregated by federal, state and foreign jurisdictions as well as individual jurisdictions in which income taxes paid is equal to or greater than 5 percent of total income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis, however early adoption and retrospective application is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

### 3. Investments

The following table presents information about the number of investments in the Company's real estate investment portfolio as of each date presented:

|  | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Owned properties <sup>(1)</sup>                                  | 1,896              | 1,726             |
| Properties securing investments in mortgage loans <sup>(2)</sup> | 149                | 136               |
| Ground lease interests   | 8                  | 11                |
| Total number of investments                                      | <u>2,053</u>       | <u>1,873</u>      |

(1) Includes seven and six properties which are subject to leases accounted for as direct financing leases or loans as of September 30, 2024 and December 31, 2023, respectively.

(2) Properties secure 26 and 20 mortgage loans receivable as of September 30, 2024 and December 31, 2023.

The following table presents information about the gross investment value of the Company's real estate investment portfolio as of each date presented:

| (in thousands)                                    | September 30, 2024  | December 31, 2023   |
|---|---------------------|---------------------|
| Real estate investments, at cost                  | \$ 5,415,731        | \$ 4,683,937        |
| Loans and direct financing lease receivables, net | 336,210             | 223,854             |
| Real estate investments held for sale, net        | 6,882               | 7,455               |
| Total gross investments                           | <u>\$ 5,758,823</u> | <u>\$ 4,915,246</u> |

**Investments in 2024 and 2023**

The following table presents information about the Company's investment activity during the nine months ended September 30, 2024 and 2023:

| (Dollar amounts in thousands)                | Nine months ended September 30, |                   |
|--|---------------------------------|-------------------|
|  | 2024                            | 2023              |
| Ownership type                               | Fee Interest                    | (1)               |
| Number of properties                         | 190                             | 199               |
| Purchase price allocation                    |                                 |                   |
| Land and improvements                        | \$ 259,366                      | \$ 234,260        |
| Building and improvements                    | 310,294                         | 392,777           |
| Construction in progress <sup>(2)</sup>      | 194,370                         | 63,541            |
| Intangible lease assets                      | 7,319                           | 903               |
| Total purchase price                         | 771,349                         | 691,481           |
| Intangible lease liabilities                 | (312)                           | (32)              |
| Purchase price (including acquisition costs) | <u>\$ 771,037</u>               | <u>\$ 691,449</u> |

(1) During the nine months ended September 30, 2023, the Company acquired fee interests in 198 properties and acquired one property subject to a ground lease.

(2) Represents amounts incurred at and subsequent to acquisition and includes \$3.7 million and \$1.8 million of capitalized interest expense during the nine months ended September 30, 2024 and 2023, respectively.

During the nine months ended September 30, 2024 and 2023, the Company did not make any new investments that individually represented more than 5% of the Company's total real estate investment portfolio.

**Gross Investment Activity**

During the nine months ended September 30, 2024 and 2023, the Company had the following gross investment activity:

| (Dollar amounts in thousands)  | Number of<br>Investment<br>Locations | Dollar<br>Amount of<br>Investments |
|--|--------------------------------------|------------------------------------|
| Gross investments, January 1, 2023   | 1,653                                | \$ 4,055,385                       |
| Acquisitions of and additions to real estate investments                                 | 199                                  | 691,079                            |
| Sales of investments in real estate  | (42)                                 | (93,326)                           |
| Relinquishment of properties at end of ground lease term                                 | (1)                                  | (837)                              |
| Provision for impairment of real estate <sup>(1)</sup>                                   |                                      | (1,645)                            |
| Investments in loans receivable  | 1                                    | 10,200                             |
| Principal collections on and settlements of loans and direct financing lease receivables | (17)                                 | (23,206)                           |
| Other  |                                      | (3,519)                            |
| Gross investments, September 30, 2023  |                                      | 4,634,131                          |
| Less: Accumulated depreciation and amortization <sup>(2)</sup>                           |                                      | (343,637)                          |
| Net investments, September 30, 2023  | <u>1,793</u>                         | <u>\$ 4,290,494</u>                |
| Gross investments, January 1, 2024   | 1,873                                | \$ 4,915,246                       |
| Acquisitions of and additions to real estate investments                                 | 190                                  | 782,067                            |
| Sales of investments in real estate  | (22)                                 | (35,667)                           |
| Relinquishment of property at end of ground lease term                                   | (3)                                  | (1,471)                            |
| Provision for impairment of real estate <sup>(3)</sup>                                   |                                      | (12,259)                           |
| Investments in loans and direct financing lease receivables                              | 29                                   | 120,599                            |
| Principal collections on and settlements of loans and direct financing lease receivables | (14)                                 | (7,994)                            |
| Other  |                                      | (1,697)                            |
| Gross investments, September 30, 2024  |                                      | 5,758,823                          |
| Less: Accumulated depreciation and amortization <sup>(2)</sup>                           |                                      | (450,454)                          |
| Net investments, September 30, 2024  | <u>2,053</u>                         | <u>\$ 5,308,369</u>                |

- (1) During the nine months ended September 30, 2023, the Company identified and recorded provisions for impairment at three tenanted properties and two vacant properties.
- (2) Includes \$400.4 million and \$303.6 million of accumulated depreciation as of September 30, 2024 and 2023, respectively.
- (3) During the nine months ended September 30, 2024, the Company identified and recorded provisions for impairment at 14 tenanted properties and three vacant properties.

**Loans and Direct Financing Lease Receivables**

As of September 30, 2024 and December 31, 2023, the Company had 26 and 20 loans receivable outstanding, respectively, and four and two leases accounted for as loans, respectively, with an aggregate carrying amount of \$335.8 million and \$223.1 million, respectively. The maximum amount of loss due to credit risk is the Company's current principal balance of \$335.8 million as of September 30, 2024.

The Company's loans receivable portfolio as of September 30, 2024 and December 31, 2023 is summarized below (dollars in thousands):

| Loan Type                  | Monthly Payment <sup>(1)</sup> | Number of Secured Properties | Effective Interest Rate | Stated Interest Rate | Maturity Date | Principal Balance Outstanding |                   |
|----------------------------|--------------------------------|------------------------------|-------------------------|----------------------|---------------|-------------------------------|-------------------|
|                            |                                |                              |                         |                      |               | September 30, 2024            | December 31, 2023 |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 2                            | 8.80%                   | 8.00%                | 2039          | \$ 12,000                     | \$ 12,000         |
| Mortgage <sup>(2)</sup>    | I/O                            | 2                            | 8.53%                   | 7.75%                | 2039          | 7,300                         | 7,300             |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 69                           | 7.79%                   | 7.33%                | 2034          | 51,000                        | 51,000            |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.42%                   | 7.65%                | 2040          | 5,300                         | 5,300             |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 1                            | 8.54%                   | 8.50%                | 2024          | 1,525                         | 1,785             |
| Mortgage <sup>(2)</sup>    | I/O                            | —                            | 7.00%                   | 7.00%                | 2024          | —                             | 500               |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 2                            | 8.30%                   | 8.25%                | 2024          | 994                           | 994               |
| Mortgage <sup>(2)</sup>    | I/O                            | 2                            | 6.87%                   | 6.40%                | 2036          | 2,520                         | 2,520             |
| Mortgage <sup>(2)</sup>    | I/O                            | 2                            | 8.29%                   | 8.25%                | 2024          | 2,389                         | 2,389             |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.99%                   | 8.09%                | 2051          | 29,100                        | 24,100            |
| Mortgage <sup>(2)</sup>    | I/O                            | 7                            | 7.30%                   | 6.80%                | 2036          | 35,474                        | 35,474            |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 7.73%                   | 7.20%                | 2036          | 2,470                         | 2,470             |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 1                            | 8.00%                   | 8.00%                | 2040          | 1,754                         | 1,754             |
| Mortgage <sup>(2)</sup>    | I/O                            | 14                           | 7.00%                   | 7.00%                | 2027          | 10,552                        | 17,494            |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 7.73%                   | 7.20%                | 2037          | 3,600                         | 3,600             |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.30%                   | 8.25%                | 2024          | 760                           | 760               |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 4                            | 8.64%                   | 8.05%                | 2037          | 12,250                        | 12,250            |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 9                            | 8.85%                   | 8.25%                | 2037          | 25,993                        | 25,993            |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.84%                   | 8.25%                | 2038          | 10,200                        | 10,200            |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.10%                   | 8.10%                | 2025          | 8,130                         | 2,891             |
| Mortgage <sup>(2)</sup>    | I/O                            | 5                            | 10.19%                  | 9.50%                | 2039          | 13,144                        | —                 |
| Mortgage <sup>(2)</sup>    | I/O                            | 14                           | 10.00%                  | 8.65%                | 2044          | 57,454                        | —                 |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 1                            | 9.00%                   | 9.00%                | 2024          | 1,050                         | —                 |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 1                            | 9.00%                   | 9.00%                | 2024          | 250                           | —                 |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 1                            | 10.20%                  | 9.75%                | 2034          | 3,780                         | —                 |
| Mortgage <sup>(2)(3)</sup> | I/O                            | 4                            | 10.19%                  | 9.50%                | 2039          | 13,205                        | —                 |
| Mortgage <sup>(2)</sup>    | I/O                            | 1                            | 8.00%                   | 8.00%                | 2027          | 900                           | —                 |
| Leasehold interest         | P+I                            | 1                            | 2.25%                   | (4)                  | 2034          | 879                           | 929               |
| Leasehold interest         | P+I                            | 1                            | 2.41%                   | (4)                  | 2034          | 1,308                         | 1,382             |
| Leasehold interest         | P+I                            | 1                            | 4.41%                   | (4)                  | 2039          | 11,337                        | —                 |
| Leasehold interest         | P+I                            | 1                            | 4.41%                   | (4)                  | 2039          | 9,171                         | —                 |
| Net investment             |                                |                              |                         |                      |               | \$ 335,789                    | \$ 223,085        |

(1) I/O: Interest Only; P+I: Principal and Interest

(2) Loan requires monthly payments of interest only with a balloon payment due at maturity.

(3) Loan allows for prepayments in whole or in part without penalty.

(4) These leasehold interests are accounted for as loans receivable, as the lease for each property contains an option for the lessee to repurchase the leased property in the future.

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Scheduled principal payments due to be received under the Company's loans receivable as of September 30, 2024 were as follows:

| (in thousands)                | Future Principal Payments Due |
|-------------------------------|-------------------------------|
| October 1 - December 31, 2024 | \$ 7,009                      |
| 2025                          | 8,303                         |
| 2026                          | 181                           |
| 2027                          | 11,642                        |
| 2028                          | 199                           |
| Thereafter                    | 308,455                       |
| <b>Total</b>                  | <b>\$ 335,789</b>             |

As of September 30, 2024 and December 31, 2023, the Company had \$1.3 million and \$1.4 million, respectively, of net investments accounted for as direct financing lease receivables. The components of the investments accounted for as direct financing lease receivables were as follows:

| (in thousands)   | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Minimum lease payments receivable                      | \$ 1,543           | \$ 1,709          |
| Estimated unguaranteed residual value of leased assets | 249                | 251               |
| Unearned income from leased assets                     | (457)              | (525)             |
| <b>Net investment</b>                                  | <b>\$ 1,335</b>    | <b>\$ 1,435</b>   |

Scheduled future minimum non-cancelable base rental payments due to be received under the direct financing lease receivables as of September 30, 2024 were as follows:

| (in thousands)                | Future Minimum Base Rental Payments |
|-------------------------------|-------------------------------------|
| October 1 - December 31, 2024 | \$ 44                               |
| 2025                          | 178                                 |
| 2026                          | 167                                 |
| 2027                          | 143                                 |
| 2028                          | 145                                 |
| Thereafter                    | 866                                 |
| <b>Total</b>                  | <b>\$ 1,543</b>                     |

#### **Allowance for Credit Losses**

The Company utilizes a real estate loss estimate model (i.e., a RELEM model) which estimates losses on loans and direct financing lease receivables for purposes of calculating an allowance for credit losses. As of September 30, 2024 and December 31, 2023, the Company recorded an allowance for credit losses of \$0.9 million and \$0.7 million, respectively. Changes in the Company's allowance for credit losses are presented within change in provision for credit losses in the Company's consolidated statements of operations.

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For the nine months ended September 30, 2024 and 2023, the changes to the Company's allowance for credit losses were as follows:

| (in thousands)   | Allowance for Credit Losses |
|--|-----------------------------|
| Balance at January 1, 2023   | \$ 765                      |
| Current period provision for expected credit losses <sup>(1)</sup> | (85)                        |
| Write-offs charged   | —                           |
| Recoveries   | —                           |
| Balance at September 30, 2023                                      | <u>\$ 680</u>               |
| Balance at January 1, 2024   | \$ 666                      |
| Current period provision for expected credit losses <sup>(1)</sup> | 249                         |
| Write-offs charged   | —                           |
| Recoveries   | —                           |
| Balance at September 30, 2024                                      | <u>\$ 915</u>               |

(1) Changes in expected credit loss were primarily due to overall changes in the size of our loans and direct financing lease receivables portfolio.

The Company considers the ratio of loan to value ("LTV") to be a significant credit quality indicator for its loans and direct financing lease portfolio. The following table presents information about the LTV of the Company's loans and direct financing lease receivables measured at amortized cost as of September 30, 2024:

| (in thousands) | Amortized Cost Basis by Origination Year |                  |                  |                  |                  | Total Amortized Cost Basis |
|----------------|--|------------------|------------------|------------------|------------------|----------------------------|
|                | 2024                                     | 2023             | 2022             | 2021             | Prior            |                            |
| LTV <60%       | \$ —                                     | \$ —             | \$ 23,000        | \$ —             | \$ 28,906        | \$ 51,906                  |
| LTV 60%-70%    | 3,780                                    | —                | —                | 28,234           | —                | 32,014                     |
| LTV >70%       | 106,509                                  | 18,330           | 64,669           | 34,953           | 28,743           | 253,204                    |
|                | <u>\$ 110,289</u>                        | <u>\$ 18,330</u> | <u>\$ 87,669</u> | <u>\$ 63,187</u> | <u>\$ 57,649</u> | <u>\$ 337,124</u>          |

**Real Estate Investments Held for Sale**

The Company continually evaluates its portfolio of real estate investments and may elect to dispose of investments considering criteria including, but not limited to, tenant concentration, tenant credit quality, tenant operation type (e.g., industry, sector or concept), unit-level financial performance, local market conditions and lease rates, associated indebtedness and asset location. Real estate investments held for sale are expected to be sold within twelve months.

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The following table shows the activity in real estate investments held for sale and intangible lease liabilities held for sale during the nine months ended September 30, 2024 and 2023.

| (Dollar amounts in thousands)             | Number of Properties | Real Estate Investments | Intangible Lease Liabilities | Net Carrying Value |
|---|----------------------|-------------------------|------------------------------|--------------------|
| Held for sale balance, January 1, 2023    | 4                    | \$ 4,780                | \$ —                         | \$ 4,780           |
| Transfers to held for sale classification | 6                    | 11,856                  | —                            | 11,856             |
| Sales                                     | (8)                  | (12,528)                | —                            | (12,528)           |
| Transfers to held and used classification | (1)                  | (569)                   | —                            | (569)              |
| Held for sale balance, September 30, 2023 | <u>1</u>             | <u>\$ 3,539</u>         | <u>\$ —</u>                  | <u>\$ 3,539</u>    |
| Held for sale balance, January 1, 2024    | 4                    | \$ 7,455                | \$ —                         | \$ 7,455           |
| Transfers to held for sale classification | 11                   | 15,836                  | (76)                         | 15,760             |
| Sales                                     | (10)                 | (16,409)                | 76                           | (16,333)           |
| Transfers to held and used classification | —                    | —                       | —                            | —                  |
| Held for sale balance, September 30, 2024 | <u>5</u>             | <u>\$ 6,882</u>         | <u>\$ —</u>                  | <u>\$ 6,882</u>    |

**Significant Concentrations**

The Company did not have any tenants (including for this purpose, all affiliates of such tenants) whose rental revenue for the nine months ended September 30, 2024 or 2023 represented 10% or more of total rental revenue in the Company's consolidated statements of operations.

The following table lists the state where the rental revenue from the properties in that state during the periods presented represented 10% or more of total rental revenue in the Company's consolidated statements of operations:

| State | Three months ended September 30, |       | Nine months ended September 30, |       |
|-------|----------------------------------|-------|---------------------------------|-------|
|       | 2024                             | 2023  | 2024                            | 2023  |
| Texas | 13.4%                            | 13.5% | 13.3%                           | 13.3% |

**Intangible Assets and Liabilities**

Intangible assets and liabilities consisted of the following as of the dates presented:

| (in thousands)                      | September 30, 2024    |                          |                     | December 31, 2023     |                          |                     |
|-------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                                     | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Intangible assets:                  |                       |                          |                     |                       |                          |                     |
| In-place leases                     | \$ 83,745             | \$ 39,490                | \$ 44,255           | \$ 78,080             | \$ 35,896                | \$ 42,184           |
| Intangible market lease assets      | 11,149                | 5,794                    | 5,355               | 11,129                | 5,456                    | 5,673               |
| Total intangible assets             | <u>\$ 94,894</u>      | <u>\$ 45,284</u>         | <u>\$ 49,610</u>    | <u>\$ 89,209</u>      | <u>\$ 41,352</u>         | <u>\$ 47,857</u>    |
| Intangible market lease liabilities | <u>\$ 15,586</u>      | <u>\$ 4,692</u>          | <u>\$ 10,894</u>    | <u>\$ 15,505</u>      | <u>\$ 4,299</u>          | <u>\$ 11,206</u>    |

The remaining weighted average amortization period for the Company's intangible assets and liabilities as of September 30, 2024, by category and in total, were as follows:

|                                     | Years Remaining |
|-------------------------------------|-----------------|
| In-place leases                     | 8.4             |
| Intangible market lease assets      | 9.8             |
| Total intangible assets             | 8.5             |
| Intangible market lease liabilities | 8.1             |



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The following table discloses amounts recognized within the consolidated statements of operations related to amortization of in-place leases, amortization and accretion of above- and below-market lease assets and liabilities, net and the amortization and accretion of above- and below-market ground leases for the periods presented:

| (in thousands)   | Three months ended September 30, |          | Nine months ended September 30, |          |
|--|----------------------------------|----------|---------------------------------|----------|
|  | 2024                             | 2023     | 2024                            | 2023     |
| Amortization of in-place leases <sup>(1)</sup>   | \$ 1,555                         | \$ 1,609 | \$ 4,976                        | \$ 4,839 |
| Amortization (accretion) of market lease intangibles, net <sup>(2)</sup>                         | (13)                             | 6        | (45)                            | 13       |
| Amortization (accretion) of above- and below-market ground lease intangibles, net <sup>(3)</sup> | (39)                             | (68)     | (144)                           | (224)    |

(1) Reflected within depreciation and amortization expense.

(2) Reflected within rental revenue.

(3) Reflected within property expenses.

The following table provides the estimated amortization of in-place lease assets to be recognized as a component of depreciation and amortization expense for the next five years and thereafter:

| (in thousands)                | In-Place Lease Assets |
|-------------------------------|-----------------------|
| October 1 - December 31, 2024 | \$ 1,216              |
| 2025                          | 4,523                 |
| 2026                          | 4,218                 |
| 2027                          | 3,689                 |
| 2028                          | 3,150                 |
| Thereafter                    | 27,459                |
| Total                         | \$ 44,255             |

The following table provides the estimated net amortization of above- and below-market lease intangibles to be recognized as a component of rental revenue for the next five years and thereafter:

| (in thousands)                | Above Market Lease Asset | Below Market Lease Liabilities | Net Adjustment to Rental Revenue |
|-------------------------------|--------------------------|--------------------------------|----------------------------------|
| October 1 - December 31, 2024 | \$ (165)                 | \$ 173                         | \$ 8                             |
| 2025                          | (659)                    | 686                            | 27                               |
| 2026                          | (649)                    | 689                            | 40                               |
| 2027                          | (627)                    | 714                            | 87                               |
| 2028                          | (385)                    | 669                            | 284                              |
| Thereafter                    | (2,870)                  | 7,963                          | 5,093                            |
| Total                         | \$ (5,355)               | \$ 10,894                      | \$ 5,539                         |

#### 4. Leases

##### As Lessor

The Company's investment properties are leased to tenants under long-term operating leases that typically include one or more tenant renewal options. The Company's leases provide for annual base rental payments (generally payable in monthly installments) and generally provide for increases in rent based on fixed contractual terms or as a result of increases in the Consumer Price Index.

Substantially all of the leases are triple-net, which means that the lessees are responsible for paying all property operating expenses, including maintenance, insurance, utilities, property taxes and, if applicable, ground rent expense; therefore, the Company is generally not responsible for repairs or other capital expenditures related to the properties while the triple-net leases are in effect and, at the end of the lease term, the lessees are responsible for returning the property to the Company in a substantially similar condition as when they took possession. Some of the Company's leases provide that in the event the Company wishes to sell the property

subject to that lease, it first must offer the lessee the right to purchase the property on the same terms and conditions as any offer which it intends to accept for the sale of the property.

Scheduled future minimum base rental and interest payments due to be received under the remaining non-cancelable term of operating leases and direct financing lease receivables in place as of September 30, 2024 and to be received under loans receivable through the scheduled maturity date as of September 30, 2024 were as follows:

| (in thousands)                | Future Minimum Receipts <sup>(1)</sup> |
|-------------------------------|--|
| October 1 - December 31, 2024 | \$ 109,795                             |
| 2025                          | 442,625                                |
| 2026                          | 447,959                                |
| 2027                          | 451,748                                |
| 2028                          | 454,275                                |
| Thereafter                    | 5,219,599                              |
| <b>Total</b>                  | <b>\$ 7,126,001</b>                    |

(1) Includes interest payments from loans receivable and base rental payments from direct financing lease receivables of \$6.8 million for the period of October 1, 2024 through December 31, 2024, \$27.0 million for 2025, \$26.7 million for 2026, \$26.4 million for 2027, \$26.5 million for 2028, and \$297.9 million for years thereafter.

Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum base rental payments to be received during the initial non-cancelable lease term only. In addition, the future minimum lease payments exclude contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to performance thresholds and exclude increases in annual rent based on future changes in the Consumer Price Index, among other items.

The fixed and variable components of lease revenues for the nine months ended September 30, 2024 and 2023 were as follows:

| (in thousands)                             | Three months ended September 30, |                  | Nine months ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2024                             | 2023             | 2024                            | 2023              |
| Fixed lease revenues                       | \$ 110,135                       | \$ 86,663        | \$ 311,663                      | \$ 246,072        |
| Variable lease revenues <sup>(1)</sup>     | 1,457                            | 980              | 2,952                           | 2,566             |
| <b>Total lease revenues <sup>(2)</sup></b> | <b>\$ 111,592</b>                | <b>\$ 87,643</b> | <b>\$ 314,615</b>               | <b>\$ 248,638</b> |

(1) Includes contingent rent based on a percentage of the tenant's gross sales and costs paid by the Company for which it is reimbursed by its tenants.

(2) Excludes the amortization and accretion of above- and below-market lease intangible assets and liabilities and lease incentives and the adjustment to rental revenue for tenant credit.

#### **As Lessee**

The Company has a number of ground leases, office leases and equipment leases which are classified as operating leases. As of September 30, 2024, the Company's right of use ("ROU") assets and lease liabilities were \$9.0 million and \$9.6 million, respectively. As of December 31, 2023, the Company's ROU assets and lease liabilities were \$8.9 million and \$9.8 million, respectively. These amounts are included in rent receivables, prepaid expenses and other assets, net and accrued liabilities and other payables on the Company's consolidated balance sheets.

The discount rate applied to measure each ROU asset and lease liability is based on the Company's incremental borrowing rate ("IBR"). The Company considers the general economic environment and its historical borrowing activity and factors in various financing and asset specific adjustments to ensure the IBR is appropriate to the intended use of the underlying lease. As the Company did not elect to apply hindsight, lease term assumptions determined under ASC 840 were carried forward and applied in calculating the lease liabilities recorded under ASC 842. Certain of the Company's ground leases offer renewal options which it assesses against relevant economic factors to determine whether it is reasonably certain of exercising or not exercising the option. Lease payments

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associated with renewal periods that the Company is reasonably certain will be exercised, if any, are included in the measurement of the corresponding lease liability and ROU asset.

The following table sets forth information related to the measurement of the Company's lease liabilities as of the dates presented:

|  | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Weighted average remaining lease term (in years) | 23.2               | 22.8              |
| Weighted average discount rate                   | 6.83%              | 6.75%             |

The following table sets forth the details of rent expense for the three and nine months ended September 30, 2024 and 2023:

| (in thousands)                                   | Three months ended September 30, |               | Nine months ended September 30, |                 |
|--|----------------------------------|---------------|---------------------------------|-----------------|
|  | 2024                             | 2023          | 2024                            | 2023            |
| Fixed rent expense - ground leases               | \$ 168                           | \$ 235        | \$ 591                          | \$ 728          |
| Fixed rent expense - office and equipment leases | 178                              | 127           | 492                             | 383             |
| Variable rent expense                            | —                                | —             | —                               | —               |
| Total rent expense                               | <u>\$ 346</u>                    | <u>\$ 362</u> | <u>\$ 1,083</u>                 | <u>\$ 1,111</u> |

As of September 30, 2024, future lease payments under ground, office and equipment operating leases to be paid by the Company directly and future lease payments under ground leases where the Company's tenants are directly responsible for payment over the next five years and thereafter were as follows:

| (in thousands)                | Office and Equipment Leases | Ground Leases to be Paid by the Company | Ground Leases to be Paid Directly by the Company's Tenants | Total Future Minimum Base Rental Payments |
|-------------------------------|-----------------------------|---|--|---|
| October 1 - December 31, 2024 | \$ 153                      | \$ —                                    | \$ 170   | \$ 323                                    |
| 2025                          | 732                         | —                                       | 685  | 1,417                                     |
| 2026                          | 217                         | —                                       | 686  | 903                                       |
| 2027                          | 219                         | —                                       | 695  | 914                                       |
| 2028                          | 224                         | —                                       | 718  | 942                                       |
| Thereafter                    | 57                          | —                                       | 18,189   | 18,246                                    |
| Total                         | <u>\$ 1,602</u>             | <u>\$ —</u>                             | <u>\$ 21,143</u>   | <u>22,745</u>                             |
| Present value discount        |                             |   |  | (13,125)                                  |
| Lease liabilities             |                             |   |  | <u>\$ 9,620</u>                           |

The Company has adopted the short-term lease policy election and accordingly, the table above excludes future minimum base cash rental payments by the Company or its tenants on leases that have a term of less than 12 months at lease inception. The total of such future obligations is not material.

## 5. Long-Term Debt

The following table summarizes the Company's outstanding indebtedness as of September 30, 2024 and December 31, 2023:

| (in thousands)              | Maturity Date                | Principal Outstanding |                     | Weighted Average Interest Rate <sup>(1)</sup> |                   |
|-----------------------------|------------------------------|-----------------------|---------------------|---|-------------------|
|                             |                              | September 30, 2024    | December 31, 2023   | September 30, 2024                            | December 31, 2023 |
| Unsecured term loans:       |                              |                       |                     |   |                   |
| 2027 Term Loan              | February 2027                | \$ 430,000            | \$ 430,000          | 6.2%  | 6.3%              |
| 2028 Term Loan              | January 2028                 | 400,000               | 400,000             | 6.2%  | 6.3%              |
| 2029 Term Loan              | February 2029 <sup>(2)</sup> | 450,000               | 450,000             | 6.3%  | 6.4%              |
| 2030 Term Loan              | January 2030 <sup>(2)</sup>  | 450,000               | —                   | 6.3%  | —%                |
| Senior unsecured notes      | July 2031                    | 400,000               | 400,000             | 3.0%  | 3.0%              |
| Revolving Credit Facility   | February 2026                | 80,000                | —                   | 5.7%  | —%                |
| Total principal outstanding |                              | <u>\$ 2,210,000</u>   | <u>\$ 1,680,000</u> | 5.6%  | 5.5%              |

(1) Interest rates are presented as stated in debt agreements and do not reflect the impact of the Company's interest rate swap and lock agreements, where applicable (see Note 6—Derivative and Hedging Activities).

(2) After giving effect to extension options exercisable at the Operating Partnership's election.

The following table summarizes the scheduled principal payments on the Company's outstanding indebtedness as of September 30, 2024:

| (in thousands)                | 2027 Term Loan    | 2028 Term Loan    | 2029 Term Loan <sup>(1)</sup> | 2030 Term Loan <sup>(1)</sup> | Senior Unsecured Notes | Revolving Credit Facility | Total               |
|-------------------------------|-------------------|-------------------|-------------------------------|-------------------------------|------------------------|---------------------------|---------------------|
| October 1 - December 31, 2024 | \$ —              | \$ —              | \$ —                          | \$ —                          | \$ —                   | \$ —                      | \$ —                |
| 2025                          | —                 | —                 | —                             | —                             | —                      | —                         | —                   |
| 2026                          | —                 | —                 | —                             | —                             | —                      | 80,000                    | 80,000              |
| 2027                          | 430,000           | —                 | —                             | —                             | —                      | —                         | 430,000             |
| 2028                          | —                 | 400,000           | —                             | —                             | —                      | —                         | 400,000             |
| Thereafter                    | —                 | —                 | 450,000                       | 450,000                       | 400,000                | —                         | 1,300,000           |
| Total                         | <u>\$ 430,000</u> | <u>\$ 400,000</u> | <u>\$ 450,000</u>             | <u>\$ 450,000</u>             | <u>\$ 400,000</u>      | <u>\$ 80,000</u>          | <u>\$ 2,210,000</u> |

(1) After giving effect to extension options exercisable at the Operating Partnership's election.

The Company was not in default of any provisions under any of its outstanding indebtedness as of September 30, 2024 or December 31, 2023.

### Revolving Credit Facility and Credit Facility Term Loans

**Revolving Credit Facility and 2024 Term Loan.** In April 2019, the Company, through the Operating Partnership, entered into an amended and restated credit agreement (the "Amended Credit Agreement") with a group of lenders, amending and restating the terms of the Company's previous \$300.0 million revolving credit facility to increase the maximum aggregate initial original principal amount of the revolving loans available thereunder up to \$400.0 million (the "Revolving Credit Facility") and to permit the incurrence of an additional \$200.0 million in term loans thereunder (the "2024 Term Loan"). The full amount available under the 2024 Term Loan was borrowed in May 2019.

In February 2022, the Company entered into an amendment to the Amended Credit Agreement (as so amended, the "Credit Agreement") and, pursuant to such amendment, among other things, the availability of extensions of credit under the Revolving Credit Facility was increased to \$600.0 million, the accordion feature was increased to \$600.0 million, the borrowing base limitation on borrowings thereunder was removed, the leverage-based margin applicable to borrowings under the Revolving Credit Facility was reduced, the LIBOR reference rate was replaced with reference to the Adjusted Term SOFR rate, consistent with market practice, and the composition and extent of lender participation under the Revolving Credit Facility was changed.

Prior to the February 2022 amendment, the Revolving Credit Facility had a term of four years beginning on April 12, 2019, with an extension option of up to six months exercisable by the Operating Partnership, subject to certain conditions, and the 2024 Term Loan was set to mature on April 12, 2024. The loans under each of the Revolving Credit Facility and the 2024 Term Loan initially bore interest at an annual rate of applicable LIBOR plus the applicable margin (which applicable margin varied between the Revolving Credit Facility and the 2024 Term Loan). The applicable LIBOR was the rate with a term equivalent to the interest period applicable to the relevant borrowing. The applicable margin was initially a spread set according to a leverage-based pricing grid.

The Revolving Credit Facility matures on February 10, 2026, with two extension options of six months each, exercisable by the Operating Partnership subject to the satisfaction of certain conditions. The loans under each of the Revolving Credit Facility and the 2024 Term Loan initially bear interest at an annual rate of applicable Adjusted Term SOFR (as defined in the Credit Agreement) plus an applicable margin (which applicable margin varies between the Revolving Credit Facility and the 2024 Term Loan). The Adjusted Term SOFR is a rate with a term equivalent to the interest period applicable to the relevant borrowing. In addition, the Operating Partnership is required to pay a revolving facility fee throughout the term of the Revolving Credit Facility. The applicable margin and the revolving facility fee rate are initially a spread and rate, as applicable, set according to a leverage-based pricing grid. At the Operating Partnership's election, on and after receipt of an investment grade corporate credit rating from S&P, Moody's or Fitch, the applicable margin and the revolving facility fee rate will be a spread and rate, as applicable, set according to the credit ratings provided by S&P, Moody's and/or Fitch.

*2028 Term Loan.* In July 2022, the Credit Agreement was further amended to provide for an additional \$400.0 million of second tranche term loans (the "2028 Term Loan"). Loans under the 2028 Term Loan in an aggregate principal amount of \$250.0 million were drawn in July 2022, concurrently with the closing of such amendment, and the remaining \$150 million was drawn in October 2022. Such amendment also amended the applicable margin grid such that the applicable pricing for all borrowings under the Credit Agreement is based on the credit rating of the Company's long-term senior unsecured non-credit enhanced debt for borrowed money (and, specific to borrowings under the Revolving Credit Facility and 2028 Term Loan only, subject to a single step-down in the applicable pricing if the Company achieves a consolidated leverage ratio that is less than 0.35 to 1:00 while maintaining a credit rating of BBB/Baa2 from S&P, Moody's and/or Fitch).

*2029 Term Loan.* In August 2023, the Credit Agreement was further amended to provide for an additional \$450.0 million of term loans (the "2029 Term Loan"). Concurrently with the closing of such amendment, loans under the 2029 Term Loan in an aggregate principal amount of \$250.0 million were drawn, a portion of which was used to pay off the 2024 Term Loan in full. Amounts previously borrowed and repaid under the 2024 Term Loan cannot be reborrowed. The Company accounted for the repayment of the 2024 Term Loan as a debt extinguishment and recorded a \$0.1 million loss on debt extinguishment during the year ended December 31, 2023.

Additional loans under the 2029 Term Loan were drawn in an aggregate principal amount of \$125.0 million in September 2023 and \$75.0 million in October 2023, pursuant to a delayed funding feature. The 2029 Term Loan has an original maturity of three years, which may be extended, at the Operating Partnership's election, to February 2029 by exercising two one-year extension options and a six-month extension option. The 2029 Term Loan bears interest at an annual rate of applicable Adjusted Term SOFR plus an applicable margin.

*2030 Term Loan.* In July 2024, the Credit Agreement was further amended to provide for an additional \$450.0 million of term loans (the "2030 Term Loan") and reset the accordion feature to \$500.0 million. Concurrently with the closing of such amendment, loans under the 2030 Term Loan in an aggregate principal amount of \$320.0 million were drawn, a portion of which was used to pay off the outstanding balance on the Company's revolving credit facility.

Additional loans under the 2030 Term Loan were drawn in an aggregate principal amount of \$130.0 million in August 2024, pursuant to a delayed funding feature. The 2030 Term Loan has an original maturity of three years, which may be extended, at the Operating Partnership's election, to January 2030 by exercising two one-year extension options and a six-month extension option. The 2030 Term Loan bears interest at an annual rate of applicable Adjusted Term SOFR plus an applicable margin.

Each of the Revolving Credit Facility, the 2028 Term Loan, the 2029 Term Loan and the 2030 Term Loan is freely pre-payable at any time. Outstanding credit extensions under the Revolving Credit Facility are mandatorily payable if the amount of such credit extensions exceeds the revolving facility limit. The Operating Partnership may

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re-borrow amounts paid down on the Revolving Credit Facility prior to its maturity. Loans repaid under the 2028 Term Loan, 2029 Term Loan and 2030 Term Loan cannot be reborrowed.

The Operating Partnership is the borrower under the Credit Agreement, and the Company and certain of its subsidiaries that own direct or indirect interests in an eligible real property assets are guarantors under the Credit Agreement.

Under the terms of the Credit Agreement, the Company is subject to various restrictive financial and nonfinancial covenants which, among other things, require the Company to maintain certain leverage ratios, cash flow and debt service coverage ratios and secured borrowing ratios.

The Company was in compliance with all financial covenants and was not in default on any provisions under the Credit Agreement as of September 30, 2024 and December 31, 2023.

The following table presents information about borrowings and repayments under the Revolving Credit Facility for the periods presented:

| (in thousands)           | Nine months ended September 30, |          |
|--------------------------|---------------------------------|----------|
|                          | 2024                            | 2023     |
| Balance on January 1,    | \$ —                            | \$ —     |
| Borrowings               | 360,000                         | 70,000   |
| Repayments               | (280,000)                       | (70,000) |
| Balance on September 30, | \$ 80,000                       | \$ —     |

The following table presents information about interest expense related to the Revolving Credit Facility for the periods presented:

| (in thousands)                           | Three months ended September 30, |        | Nine months ended September 30, |          |
|--|----------------------------------|--------|---------------------------------|----------|
|  | 2024                             | 2023   | 2024                            | 2023     |
| Interest expense                         | \$ 721                           | \$ 306 | \$ 2,302                        | \$ 808   |
| Amortization of deferred financing costs | 307                              | 307    | 921                             | 896      |
| Total                                    | \$ 1,028                         | \$ 613 | \$ 3,223                        | \$ 1,704 |

Total deferred financing costs, net, of \$1.6 million and \$2.5 million related to the Revolving Credit Facility are included within rent receivables, prepaid expenses and other assets, net on the Company's consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024 and December 31, 2023, the Company had \$520.0 million and \$600.0 million, respectively, of unused borrowing capacity under the Revolving Credit Facility.

### 2027 Term Loan

On November 26, 2019, the Company, through the Operating Partnership, entered into a \$430 million term loan (the "2027 Term Loan") with a group of lenders. The 2027 Term Loan provides for term loans to be drawn up to an aggregate amount of \$430 million with maturity of November 26, 2026.

In February 2022, the Company entered into an amendment to the 2027 Term Loan to, among other things, reduce the leverage-based margin applicable to borrowings, extend the maturity date of the 2027 Term Loan to February 18, 2027, replace the LIBOR reference rate with reference to the Adjusted Term SOFR rate, consistent with market practice, and change the composition and extent of lender participation under the 2027 Term Loan.

In August 2022, the Company entered into an amendment to the 2027 Term Loan to make certain changes to provisions relating to the rates and other matters to reflect changes in market standards.

Prior to its amendment in February 2022, borrowings under the 2027 Term Loan bore interest at an annual rate of applicable LIBOR plus the applicable margin. Following this amendment, the 2027 Term Loan bears interest at an annual rate of applicable Adjusted Term SOFR plus the applicable margin. The applicable LIBOR/Adjusted Term SOFR is the rate with a term equivalent to the interest period applicable to the relevant borrowing. The

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applicable margin was initially a spread set according to a leverage-based pricing grid. In May 2022, the Operating Partnership made an irrevocable election to have the applicable margin be a spread set according to the Company's corporate credit ratings provided by S&P, Moody's and/or Fitch.

The 2027 Term Loan is pre-payable at any time by the Operating Partnership without penalty. The Operating Partnership may not re-borrow amounts paid down on the 2027 Term Loan. The 2027 Term Loan has an accordion feature to increase, subject to certain conditions, the maximum availability of the facility up to an aggregate of \$500 million.

The Operating Partnership is the borrower under the 2027 Term Loan, and the Company and certain of its subsidiaries that own direct or indirect interests in eligible real property assets are guarantors under the facility. Under the terms of the 2027 Term Loan, the Company is subject to various restrictive financial and nonfinancial covenants which, among other things, require the Company to maintain certain leverage ratios, cash flow and debt service coverage ratios and secured borrowing ratios and a minimum level of tangible net worth.

The Company was in compliance with all financial covenants and was not in default of any provisions under the 2027 Term Loan as of September 30, 2024 and December 31, 2023.

The following table presents information about aggregate interest expense related to the 2024 Term Loan, 2027 Term Loan, 2028 Term Loan, 2029 Term Loan and 2030 Term Loan:

| (in thousands)                           | Three months ended September 30, |           | Nine months ended September 30, |           |
|--|----------------------------------|-----------|---------------------------------|-----------|
|  | 2024                             | 2023      | 2024                            | 2023      |
| Interest expense                         | \$ 26,268                        | \$ 16,778 | \$ 67,140                       | \$ 46,170 |
| Amortization of deferred financing costs | 937                              | 415       | 2,123                           | 975       |
| Total                                    | \$ 27,205                        | \$ 17,193 | \$ 69,263                       | \$ 47,145 |

As of September 30, 2024 and December 31, 2023, total deferred financing costs, net, of \$9.8 million and \$7.2 million, respectively, related to the term loan facilities are included as a component of unsecured term loans, net of deferred financing costs on the Company's consolidated balance sheets.

The Company fixed the interest rates on its variable-rate term loan debt through the use of interest rate swap agreements. See Note 6—Derivative and Hedging Activities for additional information.

### Senior Unsecured Notes

In June 2021, through its Operating Partnership, the Company completed a public offering of \$400.0 million aggregate principal amount of 2.950% Senior Notes due 2031 (the "2031 Notes"), resulting in net proceeds of \$396.6 million. The 2031 Notes were issued by the Operating Partnership, and the obligations of the Operating Partnership under the 2031 Notes are fully and unconditionally guaranteed on a senior basis by the Company. The 2031 Notes were issued at 99.8% of their principal amount. In connection with the offering of the 2031 Notes, the Operating Partnership incurred \$4.7 million in deferred financing costs and an offering discount of \$0.8 million.

The following is a summary of the senior unsecured notes outstanding as of September 30, 2024 and December 31, 2023:

| (dollars in thousands) | Maturity Date | Interest Payment Dates | Stated Interest Rate | Principal Outstanding |
|------------------------|---------------|------------------------|----------------------|-----------------------|
| 2031 Notes             | July 15, 2031 | January 15 and July 15 | 2.95%                | \$ 400,000            |

The Company's senior unsecured notes are redeemable in whole at any time or in part from time to time, at the Operating Partnership's option, at a redemption price equal to the sum of:

- 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, up to, but not including, the redemption date; and
- a make-whole premium calculated in accordance with the indenture governing the notes.

In addition, if any of the 2031 Notes are redeemed on or after April 15, 2031 (three months prior to the stated maturity date of such notes), the redemption price will equal 100% of the principal amount of the notes to be

redeemed plus accrued and unpaid interest, if any, up to, but not including, the redemption date, without any make-whole premium.

The following table presents information about interest expense related to the Company's senior unsecured notes for the periods presented:

| (in thousands)   | Three months ended September 30, |                 | Nine months ended September 30, |                 |
|--|----------------------------------|-----------------|---------------------------------|-----------------|
|  | 2024                             | 2023            | 2024                            | 2023            |
| Interest expense   | \$ 2,929                         | \$ 2,928        | \$ 8,787                        | \$ 8,785        |
| Amortization of deferred financing costs and original issue discount | 139                              | 140             | 418                             | 420             |
| <b>Total</b>   | <b>\$ 3,068</b>                  | <b>\$ 3,068</b> | <b>\$ 9,205</b>                 | <b>\$ 9,205</b> |

Total deferred financing costs, net, of \$3.2 million and \$3.6 million related to the Company's senior unsecured notes were included within senior unsecured notes, net on the Company's consolidated balance sheet as of September 30, 2024 and December 31, 2023, respectively.

The Company was in compliance with all financial covenants and was not in default of any provisions under the 2031 Notes as of September 30, 2024 and December 31, 2023.

## 6. Derivative and Hedging Activities

The Company does not enter into derivative financial instruments for speculative or trading purposes. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

These derivatives are considered cash flow hedges and are recorded on a gross basis at fair value. Assessments of hedge effectiveness are performed quarterly using either a qualitative or quantitative approach. The Company recognizes the entire change in the fair value in accumulated other comprehensive income (loss) and the change is reflected as derivative changes in fair value in the supplemental disclosures of non-cash financing activities in the consolidated statements of cash flows. The amounts recorded in accumulated other comprehensive income (loss) will subsequently be reclassified to interest expense as interest payments are made on the Company's borrowings under its variable-rate term loan facilities. During the next twelve months, the Company estimates that \$9.7 million will be reclassified from accumulated other comprehensive income as a decrease to interest expense. The Company does not have netting arrangements related to its derivatives.

The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company and its affiliates may also have other financial relationships. The Company does not anticipate that any of the counterparties will fail to meet their obligations. As of September 30, 2024, there were no events of default related to the Company's derivative financial instruments.

The following table summarizes the notional amount at inception and fair value of these instruments on the Company's balance sheet, all of which are interest rate swaps designated as hedges, as of September 30, 2024 and December 31, 2023 (dollar amounts in thousands):

| Number of Swap Agreements | Associated Debt Instrument | Fixed Rate Paid by Company | Maturity Date | Aggregate Notional Value <sup>(1)</sup> | Fair Value of Asset/(Liability) <sup>(2)</sup> |                   |
|---------------------------|----------------------------|----------------------------|---------------|---|--|-------------------|
|                           |                            |                            |               |   | September 30, 2024                             | December 31, 2023 |
| 5                         | 2027 Term Loan             | 1.41%                      | November 2026 | \$ 430,000                              | \$ 17,692                                      | \$ 27,489         |
| 11                        | 2028 Term Loan             | 3.66%                      | January 2028  | 400,000                                 | (5,127)  | (1,622)           |
| 8                         | 2029 Term Loan             | 4.40%                      | February 2029 | 450,000                                 | (21,940)                                       | (17,892)          |
| 15                        | 2030 Term Loan             | 3.82%                      | December 2029 | 450,000                                 | (13,205)                                       | —                 |
|                           |                            |                            |               | <b>\$ 1,730,000</b>                     | <b>\$ (22,580)</b>                             | <b>\$ 7,975</b>   |



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- (1) Aggregate notional value indicates the extent of the Company's involvement in these instruments, but does not represent exposure to credit, interest rate or market risks.
- (2) Derivatives in an asset position are included within derivative assets and derivatives in a liability position are included within derivative liabilities in the Company's consolidated balance sheets.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

The following table presents amounts recorded to accumulated other comprehensive income (loss) related to derivative and hedging activities for the periods presented:

| (in thousands)                    | Three months ended September 30, |          | Nine months ended September 30, |          |
|-----------------------------------|----------------------------------|----------|---------------------------------|----------|
|                                   | 2024                             | 2023     | 2024                            | 2023     |
| Other comprehensive (loss) income | \$ (51,330)                      | \$ 6,661 | \$ (29,951)                     | \$ 8,698 |

As of September 30, 2024, the fair value of derivatives in a net asset position, including accrued interest but excluding any adjustment for nonperformance risk related to these agreements, was \$17.8 million and the fair value of derivatives in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk related to these agreements, was \$40.9 million.

As of December 31, 2023, the fair value of derivatives in a net asset position, including accrued interest but excluding any adjustment for nonperformance risk related to these agreements, was \$31.1 million and the fair value of derivatives in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk related to these agreements, was \$23.4 million.

During the three and nine months ended September 30, 2024, the Company realized a gain on the change in fair value of its interest rate swaps of \$8.2 million and \$23.4 million, respectively, which was included as a reduction of interest expense in the Company's consolidated statements of operations. During the three and nine months ended September 30, 2023, the Company realized a gain on the change in fair value of its interest rate swaps of \$7.5 million and \$19.5 million, respectively, which was included as a reduction of interest expense in the Company's consolidated statements of operations.

As of September 30, 2024 and December 31, 2023, the Company had not posted any collateral related to these agreements and was not in breach of any provisions of such agreements. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at their aggregate termination value, which were a \$23.1 million net liability and a \$7.7 million net asset as of September 30, 2024 and December 31, 2023, respectively.

## 7. Equity

### Stockholders' Equity

In February 2023, the Company completed a follow-on primary offering of 8,855,000 shares of its common stock, including the full exercise of the underwriters' option to purchase 1,155,000 additional shares of common stock, at a public offering price of \$24.60 per share, and entered into forward sale agreements relating to all such shares. All shares were physically settled as of May 2023 and the Company realized net proceeds from this offering, after deducting underwriting discounts and commissions and other expenses, of \$209.3 million.

In September 2023, the Company completed a follow-on primary offering of 12,006,000 shares of its common stock, including the full exercise of the underwriters' option to purchase up to 1,566,000 additional shares of common stock, at a public offering price of \$23.00 per share, and entered into forward sale agreements relating to all such shares. All shares were physically settled as of March 2024 and the Company realized net proceeds from this offering, after deducting underwriting discounts and commissions and other expenses, of \$263.4 million.

In March 2024, the Company completed a follow-on primary offering of 10,350,000 shares of its common stock, including the full exercise of the underwriters' option to purchase up to 1,350,000 additional shares of common stock, at a public offering price of \$24.75 per share, and entered into forward sale agreements relating to all such shares. Through September 30, 2024, the Company physically settled 2,521,148 shares under the forward

sale agreements relating to this offering, realizing net proceeds of \$60.0 million. Including shares physically settled to date and assuming full physical settlement of the remaining forward sale agreements, net proceeds from this offering, after deducting underwriting discounts and commissions and other expenses and making certain other adjustments as provided in the forward sale agreements, are expected to be \$243.8 million. The Company is required to settle the balance of these forward sale agreements by March 2025.

### **At the Market Program**

In June 2024, the Company established a new at the market common equity offering program, pursuant to which it can publicly offer and sell, from time to time, shares of its common stock with an aggregate gross sales price of up to \$500 million (the "2024 ATM Program") through the identified sales agents, as its sales agents or, if applicable, as forward sellers, or directly to such agents as principals. In addition to the issuance and sale by the Company of shares to or through the agents, the 2024 ATM Program also permits the Company to enter into separate forward sale agreements with the identified forward purchasers. In connection with establishing the 2024 ATM Program, the Company terminated its prior at the market program, established in May 2022 (the "2022 ATM Program") and no additional stock can be issued thereunder. As context requires, the 2024 ATM Program, the 2022 ATM Program and prior ATM programs are referred herein as the "ATM Programs."

The following table presents information about the ATM Programs:

| Program Name     | Date Established | Date Terminated | Maximum Sales Authorization | Gross Sales through September 30, 2024 |
|------------------|------------------|-----------------|-----------------------------|--|
| 2022 ATM Program | May 2022         | June 2024       | \$ 500,000                  | \$ 383,426                             |
| 2024 ATM Program | June 2024        |                 | \$ 500,000                  | \$ 339,992                             |

The following table details activity under the ATM Program for each period presented:

| (in thousands, except share and per share data) | Three months ended September 30, |           | Nine months ended September 30, |           |
|---|----------------------------------|-----------|---------------------------------|-----------|
|   | 2024                             | 2023      | 2024                            | 2023      |
| Shares of common stock sold <sup>(1)</sup>      | 10,061,462                       | 441,580   | 17,317,495                      | 3,992,159 |
| Weighted average sale price per share           | \$ 31.04                         | \$ 24.17  | \$ 29.03                        | \$ 24.37  |
| Gross proceeds                                  | \$ 312,353                       | \$ 10,673 | \$ 502,775                      | \$ 97,288 |
| Net proceeds                                    | \$ 307,375                       | \$ 10,463 | \$ 494,904                      | \$ 35,978 |

- (1) During the nine months ended September 30, 2024 and 2023, the Company issued 1,937,450 and 957,453 shares of common stock, respectively, which were previously sold on a forward basis under the ATM Program and were unsettled as of December 31, 2023 and 2022, respectively.

### **Dividends on Common Stock**

During the nine months ended September 30, 2024 and 2023, the Company's board of directors declared the following quarterly cash dividends on common stock:

| Date Declared     | Record Date        | Date Paid        | Dividend per Share of Common Stock | Total Dividend (in thousands) |
|-------------------|--------------------|------------------|------------------------------------|-------------------------------|
| September 5, 2024 | September 30, 2024 | October 11, 2024 | \$ 0.29                            | \$ 50,964                     |
| May 31, 2024      | June 28, 2024      | July 12, 2024    | \$ 0.29                            | \$ 50,965                     |
| March 7, 2024     | March 29, 2024     | April 12, 2024   | \$ 0.285                           | \$ 50,079                     |
| September 7, 2023 | September 29, 2023 | October 13, 2023 | \$ 0.28                            | \$ 43,788                     |
| June 9, 2023      | June 30, 2023      | July 14, 2023    | \$ 0.28                            | \$ 43,551                     |
| March 7, 2023     | March 31, 2023     | April 14, 2023   | \$ 0.275                           | \$ 41,031                     |

### **8. Non-controlling Interests**

Essential Properties OP G.P., LLC, a wholly owned subsidiary of the Company, is the sole general partner of the Operating Partnership and holds a 1.0% general partner interest in the Operating Partnership. The Company contributes the net proceeds from issuing shares of common stock to the Operating Partnership in exchange for a

number of OP Units equal to the number of shares of common stock issued. OP Units (“OP Units”) are limited partnership interests in the Operating Partnership.

As of September 30, 2024, the Company held 175,331,836 OP Units, representing a 99.7% limited partner interest in the Operating Partnership. As of the same date, external parties (the “Non-controlling OP Unit Holders”) held 553,847 OP Units in the aggregate, representing a 0.3% limited partner interest in the Operating Partnership. As of December 31, 2023, the Company held 164,635,150 OP Units, representing a 99.7% limited partner interest in the Operating Partnership and the Non-controlling OP Unit Holders held 553,847 OP Units in the aggregate, representing a 0.3% limited partner interest in the Operating Partnership. The OP Units held by the Non-controlling OP Unit Holders are presented as non-controlling interests in the Company’s consolidated financial statements.

A holder of OP Units has the right to distributions per unit equal to dividends per share paid on the Company’s common stock and has the right to redeem OP Units for cash or, at the Company’s election, shares of the Company’s common stock on a one-for-one basis, provided, however, that such OP Units must have been outstanding for at least one year. Distributions to OP Unit holders are declared and paid concurrently with the Company’s cash dividends to common stockholders. See Note 7—Equity for details.

## 9. Equity Based Compensation

### Equity Incentive Plans

In May 2023, the Company’s stockholders approved the Essential Properties Realty Trust, Inc. 2023 Incentive Plan (the “2023 Equity Incentive Plan”), which replaced the Essential Properties Realty Trust, Inc. 2018 Incentive Plan (the “2018 Equity Incentive Plan” and, collectively with the 2023 Equity Incentive Plan, the “Equity Incentive Plans”). The 2023 Equity Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, RSAs, RSUs, other stock awards, performance awards and LTIP units up to an aggregate of 4,300,808 shares of the Company’s common stock, subject to certain conditions. Officers, employees, non-employee directors, consultants, independent contractors and agents who provide services to the Company or to any subsidiary of the Company are eligible to receive such awards. All subsequent awards of equity will be granted under the 2023 Equity Incentive Plan, and no further awards will be made under the 2018 Equity Incentive Plan.

The following table presents information about the Company’s RSAs and RSUs during the nine months ended September 30, 2024 and 2023:

|                              | Restricted Stock Awards |                                 | Restricted Stock Units |                                 |
|------------------------------|-------------------------|---------------------------------|------------------------|---------------------------------|
|                              | Shares                  | Wtd. Avg. Grant Date Fair Value | Units                  | Wtd. Avg. Grant Date Fair Value |
| Unvested, January 1, 2023    | 9,039                   | \$ 14.12                        | 817,380                | \$ 30.26                        |
| Granted                      | —                       | —                               | 455,896                | 31.42                           |
| Vested                       | (9,039)                 | 14.12                           | (433,682)              | 27.03                           |
| Forfeited                    | —                       | —                               | (94,419)               | 32.79                           |
| Unvested, September 30, 2023 | —                       | \$ —                            | 745,175                | \$ 32.53                        |
| Unvested, January 1, 2024    | —                       | \$ —                            | 743,853                | \$ 32.56                        |
| Granted                      | —                       | —                               | 528,555                | 33.05                           |
| Vested                       | —                       | —                               | (322,372)              | 32.46                           |
| Forfeited                    | —                       | —                               | —                      | —                               |
| Unvested, September 30, 2024 | —                       | \$ —                            | 950,036                | \$ 32.87                        |

### Restricted Stock Awards

In January 2019, RSAs relating to an aggregate of 46,368 shares of unvested restricted common stock were granted to the Company’s executive officers, other employees and an external consultant under the Equity Incentive Plans. These RSAs vested over periods ranging from one year to four years from the date of grant, subject to the individual recipient’s continued provision of service to the Company through the applicable vesting dates. The Company estimates the grant date fair value of RSAs granted under the Equity Incentive Plans using the

average market price of the Company's common stock on the date of grant. The final vesting of these RSAs occurred in January 2023.

During the nine months ended September 30, 2023, the Company recorded approximately \$2,000 of compensation cost related to these RSAs as a component of general and administrative expense in its consolidated statements of operations. The fair value of RSAs vested during the nine months ended September 30, 2023 was \$0.1 million.

#### **Restricted Stock Units**

In 2020, 2021, 2022, 2023 and 2024, the Company issued grants of 84,684, 126,353, 149,699, 147,587 and 149,936 performance-based RSUs at target, respectively, to the Company's senior management team under the Equity Incentive Plans. Of these awards, 75%, in the case of awards issued in 2020, 2021, 2022, and 2023, and 100%, in the case of awards issued in 2024, are non-vested RSUs for which vesting percentages and the ultimate number of units vesting is calculated based on the total stockholder return ("TSR") of the Company's common stock as compared to the TSR of peer companies identified in the grant agreements over the relevant performance period. The payout schedule can produce vesting percentages ranging from 0% to 250% of target. TSR is calculated over the performance period for each award based upon the average closing price for the 20-trading day period ending December 31st of the year prior to grant divided by the average closing price for the 20-trading day period ending December 31st of the third year following the grant. The target number of units is based on achieving a TSR equal to the 50th percentile of the peer group. The Company records expense on these TSR RSUs based on achieving the target.

The grant date fair value of the TSR RSUs was measured using a Monte Carlo simulation model based on the following assumptions:

|                | Grant Year |       |
|----------------|------------|-------|
|                | 2024       | 2023  |
| Volatility     | 24%        | 37%   |
| Risk free rate | 4.46%      | 4.36% |

The remaining 25% of the performance-based RSUs issued in 2020, 2021, 2022, and 2023 vest based on the Compensation Committee's subjective evaluation of the individual recipient's achievement of certain strategic objectives over the relevant performance period of the award. In February 2023 and 2024, the Compensation Committee identified specific performance targets and completed its subjective evaluation in relation to the performance-based RSUs issued in 2020 and 2021 and concluded that 50,598 and 63,448 RSUs, respectively, should be awarded. 50% of these RSUs vested immediately upon the Compensation Committee's certification and the remaining 50% vested or will vest on the December 31st following the Compensation Committee's certification, subject to the recipient's continued provision of service to the Company through such date. The Company began recording compensation expense with respect to these subjective performance-based RSUs granted in 2020 and 2021 after the completion of the Compensation Committee's subjective evaluation.

In April 2023, the Compensation Committee evaluated and awarded 11,334 subjective performance-based RSUs to a former member of the Company's senior management team, which vested immediately. During the year ended December 31, 2023, the Company recorded \$0.3 million of compensation expense related to the subjective RSUs awarded to this former employee.

As of September 30, 2024, the Compensation Committee had not identified specific performance targets relating to the individual recipients' achievement of strategic objectives for the remainder of the subjective awards granted in 2022 and 2023. As such, these awards do not have either a service inception or a grant date for GAAP accounting purposes and the Company recorded no compensation expense with respect to these portions of the performance-based RSUs during the three and nine months ended September 30, 2024 and 2023.

In 2020, 2021, 2022, 2023 and 2024, the Company issued an aggregate of 184,760, 135,686, 199,793, 210,406 and 175,431 RSUs, respectively, to the Company's executive officers, other employees and directors under the Equity Incentive Plans. These awards vest over a period of up to five years from the date of grant, subject to the individual recipient's continued provision of service to the Company through the applicable vesting dates.

In January 2022, the Company issued 69,372 performance-based RSUs (at target) to an executive officer under the Equity Incentive Plans. These RSUs vest based on the compound annual growth rate of the Company's

adjusted funds from operations ("AFFO CAGR") over a four year performance period, and the payout schedule can produce vesting percentages ranging from 0% to 200% of target. To the extent the performance goal is achieved, these performance-based RSUs will vest in 50% increments on each of the four-year and five-year anniversary of the grant date, subject to the recipient's continued provision of service to the Company through the applicable vesting dates. As of September 30, 2024 and 2023, based on its AFFO CAGR forecasts, the Company believes it is probable that the maximum performance level will be achieved and recorded compensation expense based off of this estimate during the three and nine months ended September 30, 2024 and 2023.

A portion of the RSUs that vested in 2024 and 2023 were net share settled such that the Company withheld shares with a value equal to the relevant employee's income and employment tax obligations with respect to the vesting and remitted a cash payment to the appropriate taxing authority.

The following table presents information about the Company's RSUs for the periods presented:

| (in thousands)   | Three months ended September 30, |          | Nine months ended September 30, |          |
|--|----------------------------------|----------|---------------------------------|----------|
|  | 2024                             | 2023     | 2024                            | 2023     |
| Compensation cost recognized in general and administrative expense                                   | \$ 2,618                         | \$ 2,142 | \$ 8,205                        | \$ 6,831 |
| Dividend equivalents declared and charged directly to distributions in excess of cumulative earnings | 118                              | 101      | 352                             | 304      |
| Fair value of units vested during the period   | 61                               | 481      | 10,465                          | 11,722   |

The following table presents information about the Company's RSUs as of the dates presented:

| (Dollars in thousands)   | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Total unrecognized compensation cost   | \$ 16,463          | \$ 13,131         |
| Weighted average period over which compensation cost will be recognized (in years) | 2.2                | 2.2               |

#### 10. Net Income Per Share

The Company computes net income per share pursuant to the guidance in FASB ASC Topic 260, *Earnings Per Share*. The guidance requires the classification of the Company's unvested restricted common stock and units, which contain rights to receive non-forfeitable dividends or dividend equivalents, as participating securities requiring the two-class method of computing net income per share. Diluted net income per share of common stock further considers the effect of potentially dilutive shares of common stock outstanding during the period, including the assumed vesting of RSUs with a market-based or service-based vesting condition, where dilutive. The OP Units held by non-controlling interests represent potentially dilutive securities as the OP Units may be redeemed for cash or, at the Company's election, exchanged for shares of the Company's common stock on a one-for-one basis.

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The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted net income per share (dollars in thousands):

| (dollar amounts in thousands)  | Three months ended September 30, |             | Nine months ended September 30, |             |
|--|----------------------------------|-------------|---------------------------------|-------------|
|  | 2024                             | 2023        | 2024                            | 2023        |
| <b>Numerator for basic and diluted net income per share:</b>             |                                  |             |                                 |             |
| Net income   | \$ 49,293                        | \$ 46,088   | \$ 148,089                      | \$ 142,144  |
| Less: net income attributable to non-controlling interests               | (153)                            | (174)       | (460)                           | (532)       |
| Less: net income allocated to unvested RSAs and RSUs                     | (118)                            | (101)       | (352)                           | (304)       |
| Net income available for common stockholders: basic                      | 49,022                           | 45,813      | 147,277                         | 141,308     |
| Net income attributable to non-controlling interests                     | 153                              | 174         | 460                             | 532         |
| Net income available for common stockholders: diluted                    | \$ 49,175                        | \$ 45,987   | \$ 147,737                      | \$ 141,840  |
| <b>Denominator for basic and diluted net income per share:</b>           |                                  |             |                                 |             |
| Weighted average common shares outstanding                               | 175,330,976                      | 155,917,176 | 172,656,778                     | 150,314,288 |
| Less: weighted average number of shares of unvested RSAs                 | —                                | —           | —                               | (215)       |
| Weighted average shares outstanding used in basic net income per share   | 175,330,976                      | 155,917,176 | 172,656,778                     | 150,314,073 |
| Effects of dilutive securities: <sup>(1)</sup>                           |                                  |             |                                 |             |
| OP Units   | 553,847                          | 553,847     | 553,847                         | 553,847     |
| Unvested RSAs and RSUs   | 985,129                          | 400,296     | 779,852                         | 399,547     |
| Forward sales  | 2,740,647                        | 311,665     | 1,374,803                       | 341,959     |
| Weighted average shares outstanding used in diluted net income per share | 179,610,599                      | 157,182,984 | 175,365,280                     | 151,609,426 |

(1) The three months ended September 30, 2024 and 2023, respectively, exclude the impact of 47 and 563,473 unvested RSUs and unsettled forward equity sales, as the effect would have been antidilutive. The nine months ended September 30, 2024 and 2023, respectively, exclude the impact of 2,672 and 144,875 unvested RSUs and unsettled forward equity sales, as the effect would have been antidilutive.

**11. Commitments and Contingencies**

As of September 30, 2024, the Company had remaining future commitments under mortgage notes, reimbursement obligations or similar arrangements to fund \$206.6 million to its tenants for development, construction and renovation costs related to properties leased from the Company.

**Litigation and Regulatory Matters**

In the ordinary course of business, the Company may become subject to litigation, claims and regulatory matters. As of September 30, 2024, there are no material legal or regulatory proceedings pending or known to be contemplated against the Company or its properties.

**Environmental Matters**

In connection with the ownership of real estate, the Company may be liable for costs and damages related to environmental matters. As of September 30, 2024, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the Company's business, financial condition, results of operations or liquidity.

### **Defined Contribution Retirement Plan**

The Company has a defined contribution retirement savings plan qualified under Section 401(a) of the Code (the “401(k) Plan”). The 401(k) Plan is available to all of the Company’s full-time employees. The Company provides a matching contribution in cash equal to 100% of the first 6% of eligible compensation contributed by participants, which vests immediately.

The following table presents the matching contributions made by the Company for the three and nine months ended September 30, 2024 and 2023:

| (in thousands)                | Three months ended September 30, |       | Nine months ended September 30, |        |
|-------------------------------|----------------------------------|-------|---------------------------------|--------|
|                               | 2024                             | 2023  | 2024                            | 2023   |
| 401(k) matching contributions | \$ 64                            | \$ 40 | \$ 279                          | \$ 235 |

### **Employment Agreements**

The Company has employment agreements with certain of its executive officers. These employment agreements have an initial term of approximately four years, with automatic one year extensions unless notice of non-renewal is provided by either party. These agreements provide for initial annual base salaries and an annual performance bonus. If an executive officer’s employment terminates under certain circumstances, the Company would be liable for any annual performance bonus awarded for the year prior to termination, to the extent unpaid, continued payments equal to 12 months of base salary, monthly reimbursement for 12 months of COBRA premiums, and under certain situations, a pro rata bonus for the year of termination.

## **12. Fair Value Measurements**

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs used in measuring financial instruments at fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures regularly and, depending on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects that changes in classifications between levels will be rare.

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not presented at their fair value on the consolidated balance sheet. The fair values of financial instruments are estimates based upon market conditions and perceived risks as of September 30, 2024 and December 31, 2023. These estimates require management’s judgment and may not be indicative of the future fair values of the assets and liabilities.

Financial assets and liabilities for which the carrying values approximate their fair values include cash and cash equivalents, restricted cash, accounts receivable included within rent receivables, prepaid expenses and other assets, net, dividends payable and accrued liabilities and other payables. Generally, these assets and liabilities are short term in duration and their carrying value approximates fair value on the consolidated balance sheets.

The estimated fair values of the Company’s fixed-rate loans receivable have been derived based on primarily unobservable market inputs such as interest rates and discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. These measurements are classified as Level 3 within the fair value hierarchy. The Company believes the carrying value of its fixed-rate loans receivable approximates fair value as of September 30, 2024 and December 31, 2023.

The estimated fair values of the Company’s borrowings under the Revolving Credit Facility, the 2027 Term Loan, the 2028 Term Loan, the 2029 Term Loan and the 2030 Term Loan have been derived based on primarily unobservable market inputs such as interest rates and discounted cash flow analyses using estimates of the

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amount and timing of future cash flows, market rates and credit spreads. These measurements are classified as Level 3 within the fair value hierarchy. The Company believes the carrying value of its borrowings under the Revolving Credit Facility, the 2027 Term Loan, the 2028 Term Loan, and the 2029 Term Loan as of September 30, 2024 and December 31, 2023, and the carrying value of its borrowings under the 2030 Term Loan as of September 30, 2024, approximate fair value.

The Company measures the fair value of its senior unsecured notes and derivative financial instruments on a recurring basis. The fair values of these financial assets and liabilities were determined using the following input levels as of the dates presented:

| (in thousands)                        | Net Carrying Value | Fair Value   | Fair Value Measurements Using Fair Value Hierarchy |          |         |
|---------------------------------------|--------------------|--------------|--|----------|---------|
|                                       |                    |              | Level 1  | Level 2  | Level 3 |
| <b>September 30, 2024</b>             |                    |              |  |          |         |
| Financial (liabilities) assets:       |                    |              |  |          |         |
| Senior unsecured notes <sup>(1)</sup> | \$ (396,264)       | \$ (347,696) | \$ (347,696)                                       | \$ —     | \$ —    |
| Interest rate swaps                   | (22,580)           | (22,580)     | —  | (22,580) | —       |
| <b>December 31, 2023</b>              |                    |              |  |          |         |
| Financial (liabilities) assets:       |                    |              |  |          |         |
| Senior unsecured notes <sup>(1)</sup> | \$ (395,846)       | \$ (315,336) | \$ (315,336)                                       | \$ —     | \$ —    |
| Interest rate swaps                   | 7,975              | 7,975        | —  | 7,975    | —       |

(1) Carrying value is net of \$3.2 million and \$3.6 million of net deferred financing costs and \$0.5 million and \$0.6 million of net discount as of September 30, 2024 and December 31, 2023, respectively.

The Company measures its real estate investments at fair value on a nonrecurring basis. The fair values of real estate investments that were impaired as of the dates presented were determined using the following input levels.

| (in thousands)            | Net Carrying Value | Fair Value | Fair Value Measurements Using Fair Value Hierarchy |         |          |
|---------------------------|--------------------|------------|--|---------|----------|
|                           |                    |            | Level 1  | Level 2 | Level 3  |
| <b>September 30, 2024</b> |                    |            |  |         |          |
| Non-financial assets:     |                    |            |  |         |          |
| Long-lived assets         | \$ 9,104           | \$ 9,104   | \$ —   | \$ —    | \$ 9,104 |
| <b>December 31, 2023</b>  |                    |            |  |         |          |
| Non-financial assets:     |                    |            |  |         |          |
| Long-lived assets         | \$ 4,510           | \$ 4,510   | \$ —   | \$ —    | \$ 4,510 |

**Long Lived Assets**

The Company reviews its investments in real estate when events or circumstances change indicating that the carrying amount of an asset may not be recoverable. In the evaluation of an investment in real estate for impairment, many factors are considered, including estimated current and expected operating cash flows from the asset during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected stabilized net operating income, selling costs, and the ability to hold and dispose of the asset in the ordinary course of business.



Quantitative information about Level 3 fair value measurements as of September 30, 2024 is as follows:

| (dollar amounts in thousands) | Fair Value | Valuation Techniques          | Significant Unobservable Inputs                     |
|-------------------------------|------------|-------------------------------|---|
| <b>Non-financial assets:</b>  |            |                               |   |
| Long-lived assets             |            |                               |   |
| Casual Dining                 | \$ 1,550   | Sales comparison approach     | Non-binding sales agreement \$ 1,550                |
| Family Dining                 | 1,900      | Sales comparison approach     | Non-binding sales agreement 1,900                   |
| Quick Service                 | 1,284      | Discounted cash flow approach | Terminal Value: 8.00%<br>Discount Rate: 8.50% 1,284 |
| Quick Service                 | 1,467      | Discounted cash flow approach | Terminal Value: 8.00%<br>Discount Rate: 8.50% 1,467 |
| Quick Service                 | 478        | Discounted cash flow approach | Terminal Value: 8.00%<br>Discount Rate: 8.50% 478   |
| Quick Service                 | 621        | Discounted cash flow approach | Terminal Value: 8.00%<br>Discount Rate: 8.50% 621   |
| Casual Dining                 | 1,804      | Discounted cash flow approach | Terminal Value: 8.00%<br>Discount Rate: 8.50% 1,804 |

The fair values of impaired real estate were determined by using the following information, depending on availability, in order of preference: (i) signed purchase and sale agreements or letters of intent; (ii) recently quoted bid or ask prices; (iii) estimates of future cash flows, which consider, among other things, contractual and forecasted rental revenues, leasing assumptions, terminal capitalization rates, discount rates and expenses based upon market conditions; or (iv) expectations for the use of the real estate. Based on these inputs, the Company determined that its valuation of the impaired real estate falls within Level 3 of the fair value hierarchy.

### 13. Subsequent Events

The Company has evaluated all events and transactions that occurred after September 30, 2024 through the filing of this Quarterly Report on Form 10-Q and determined that there have been no events that have occurred that would require adjustment to disclosures in the consolidated financial statements except as disclosed below.

#### *Investment Activity*

Subsequent to September 30, 2024, the Company invested in 10 real estate properties for an aggregate investment amount (including acquisition-related costs) of \$29.3 million and invested \$11.8 million in new and ongoing construction in progress and reimbursements to tenants for development, construction and renovation costs related to properties leased from the Company. In addition, the Company invested \$9.7 million in mortgage loans receivable subsequent to September 30, 2024.

Subsequent to September 30, 2024, the Company sold its investment in one real estate property for a gross sales price of \$4.0 million and incurred \$0.1 million of disposition costs related to this transaction.]

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In this Quarterly Report on Form 10-Q, we refer to Essential Properties Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including its operating partnership, Essential Properties, L.P., as "we," "us," "our" or the "Company," unless we specifically state otherwise or the context otherwise requires.

### Special Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, many statements pertaining to our business and growth strategies, investment, financing and leasing activities, and trends in our business, including trends in the market for long-term, net leases of freestanding, single-tenant properties, contain forward-looking statements. When used in this quarterly report, the words "estimate," "anticipate," "expect," "believe," "intend," "may," "will," "should," "seek," "approximately," and "plan," and variations of such words, and similar words or phrases, that are predictions of 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, beliefs or intentions of management.

Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements; accordingly, you should not rely on forward-looking statements as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise, and may not be realized. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general business and economic conditions;
- risks inherent in the real estate business, including tenant defaults or bankruptcies, illiquidity of real estate investments, fluctuations in real estate values and the general economic climate in local markets, competition for tenants in such markets, potential liability relating to environmental matters and potential damages from natural disasters;
- the performance and financial condition of our tenants;
- the availability of suitable properties to invest in and our ability to acquire and lease those properties on favorable terms;
- our ability to renew leases, lease vacant space or re-lease space as existing leases expire or are terminated;
- volatility and uncertainty in the credit markets and broader financial markets, including potential fluctuations in the Consumer Price Index;
- the degree and nature of our competition;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- our ability to access debt and equity capital on attractive terms;
- fluctuating interest rates;
- availability of qualified personnel and our ability to retain our key management personnel;
- changes in, or the failure or inability to comply with, applicable law or regulation;
- our failure to continue to qualify for taxation as a REIT;
- changes in the U.S. tax law and other U.S. laws, whether or not specific to REITs;
- any adverse impact of the COVID-19 or other pandemic on the Company and its tenants; and
- additional factors discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this quarterly report and in our Annual Report on Form 10-K for the year ended December 31, 2023.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this quarterly report. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future events or of our performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by law.

Because we operate in a highly competitive and rapidly changing environment, new risks emerge from time to time, and it is not possible for management to predict all such risks, nor can management assess the impact of all such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual events or results.

## Overview

We are an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. We generally invest in and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of the tenant's sales and profits. As of September 30, 2024, 93.2% of our \$438.0 million of annualized base rent was attributable to properties operated by tenants in service-oriented and experience-based businesses. "Annualized base rent" means annualized contractually specified cash base rent in effect on September 30, 2024 for all of our leases (including those accounted for as loans or direct financing leases) commenced as of that date and annualized cash interest on our mortgage loans receivable as of that date.

We were organized on January 12, 2018 as a Maryland corporation. We elected to be taxed as a REIT for federal income tax purposes beginning with the year ended December 31, 2018, and we believe that our current organization, operations and intended distributions will allow us to continue to so qualify. Our common stock is listed on the New York Stock Exchange under the symbol "EPRT".

Our primary business objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. As of September 30, 2024, we had a portfolio of 2,053 properties (inclusive of 149 properties which secure our investments in mortgage loans receivable) that was diversified by tenant, industry, concept and geography, had annualized base rent of \$438.0 million and was 99.9% occupied. Our portfolio is built based on the following core investment attributes:

**Diversification.** As of September 30, 2024, our portfolio was 99.9% occupied by 407 tenants operating 583 different brands, or concepts, in 16 industries across 49 states, with none of our tenants contributing more than 4.3% of our annualized base rent. Our goal is that, over time, no more than 5% of our annualized base rent will be derived from any single tenant or more than 1% from any single property.

**Long Lease Term.** As of September 30, 2024, our leases had a weighted average remaining lease term of 14.1 years (based on annualized base rent), with 3.9% of our annualized base rent attributable to leases expiring prior to January 1, 2029. Our properties generally are subject to long-term net leases that we believe provide us a stable base of revenue from which to grow our portfolio.

**Significant Use of Sale-Leaseback Investments.** We seek to acquire properties owned and operated by middle-market businesses and lease the properties back to the operators pursuant to our standard lease form. During the three months ended September 30, 2024, 89% of our investments were sale-leaseback transactions.

**Significant Use of Master Leases.** As of September 30, 2024, 65.6% of our annualized base rent was attributable to master leases.

**Contractual Base Rent Escalation.** As of September 30, 2024, 98.6% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average rate of 1.7% per year.

**Smaller, Low Basis Single-Tenant Properties.** We generally invest in freestanding "small-box" single-tenant properties. As of September 30, 2024, our average investment per property was \$2.7 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for

construction in progress) divided by the number of properties owned at such date), and we believe investments of similar size allow us to grow our portfolio without concentrating a large amount of capital in individual properties and limit our exposure to events that may adversely affect a particular property. Additionally, we believe that many of our properties are generally fungible and appropriate for multiple commercial uses, which reduces the risk that a particular property may become obsolete and enhances our ability to sell a property if we choose to do so.

**Healthy Rent Coverage Ratio and Tenant Financial Reporting.** As of September 30, 2024, our portfolio's weighted average rent coverage ratio was 3.6x, and 99.0% of our leases (based on annualized base rent) obligate the tenant to periodically provide us with specified unit-level financial reporting. "Rent coverage ratio" means, as of a specified date, the ratio of (x) tenant-reported or, when unavailable, management's estimate (based on tenant-reported financial information) of annual earnings before interest, taxes, depreciation, amortization and cash rent attributable to the leased property (or properties, in the case of a master lease) to (y) the annualized base rental obligation.

### ***Our Competitive Strengths***

We believe the following competitive strengths distinguish us from our competitors and allow us to compete effectively in the single-tenant, net-lease market:

**Carefully Constructed Portfolio of Recently Acquired Properties Leased to Service-Oriented or Experience-Based Tenants.** We have strategically constructed a portfolio that is diversified by tenant, industry, concept and geography and generally avoids exposure to businesses that we believe are subject to pressure from e-commerce. Our properties are generally subject to long-term net leases that we believe provide us with a stable and predictable base of revenue from which to grow our portfolio. As of September 30, 2024, we had a portfolio of 2,053 properties, with annualized base rent of \$438.0 million, which was purposefully selected by our management team in accordance with our focused and disciplined investment strategy. Our portfolio is diversified with 407 tenants operating 583 different concepts across 49 states and in 16 distinct industries. None of our tenants contributed more than 4.3% of our annualized base rent as of September 30, 2024, and our strategy targets a scaled portfolio that, over time, derives no more than 5% of our annualized base rent from any single tenant or more than 1% from any single property.

- We focus on investing in properties leased to tenants operating in service-oriented or experience-based businesses such as car washes, restaurants (primarily quick service restaurants), early childhood education, medical and dental services, convenience stores, automotive services, equipment rental, entertainment and health and fitness, which we believe are generally more insulated from e-commerce pressure than many others. As of September 30, 2024, 93.2% of our annualized base rent was attributable to tenants operating service-oriented and experience-based businesses.
- We believe that our portfolio's diversity and our rigorous underwriting decrease the impact on us of an adverse event affecting a specific tenant, industry or region, and our focus on leasing to tenants in industries that we believe are well-positioned to withstand competition from e-commerce businesses increases the stability and predictability of our rental revenue.

**Differentiated Investment Strategy.** We seek to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities at the property that are essential to the generation of its sales and profits. We primarily seek to invest in properties leased to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We believe middle-market companies are underserved from a capital perspective and that we can offer them attractive real estate financing solutions while allowing us to enter into lease agreements that provide us with attractive risk-adjusted returns. Furthermore, many net-lease transactions with middle-market companies involve properties that are individually relatively small, which allows us to avoid concentrating a large amount of capital in individual properties. We maintain close relationships with our tenants, which we believe allows us to source additional investments and become the capital provider of choice as our tenants' businesses grow and their real estate needs increase.

**Disciplined Underwriting Leading to Strong Portfolio Characteristics.** We generally seek to invest in single assets or portfolios of assets through transactions which range in aggregate purchase price from \$2 million to \$100 million. Our size allows us to focus on investing in a segment of the market that we believe is underserved from a capital perspective and where we can originate or acquire relatively smaller assets on attractive terms that provide meaningful growth to our portfolio. In addition, we seek to invest in commercially desirable properties that are suitable for use by different tenants, offer attractive risk-adjusted returns and possess characteristics that reduce our real estate investment risks.

**Experienced and Proven Management Team.** Our senior management has significant experience in the net-lease industry and a track record of growing net-lease businesses to significant scale.

- Our senior management team has been responsible for our focused and disciplined investment strategy and for developing and implementing our investment sourcing, underwriting, closing and asset management infrastructure, which we believe can support significant investment growth without a proportionate increase in our operating expenses. As of September 30, 2024, exclusive of our initial investment in a portfolio of 262 net leased properties, consisting primarily of restaurants, that we acquired on June 16, 2016 as part of the liquidation of General Electric Capital Corporation for an aggregate purchase price of \$279.8 million (including transaction costs) (the "Initial Portfolio"), 91.8% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions. The substantial experience, knowledge and relationships of our senior leadership team provide us with an extensive network of contacts that we believe allows us to originate attractive investment opportunities and effectively grow our business.

**Scalable Platform Allows for Significant Growth.** Building on our senior leadership team's experience in net-lease real estate investing, we have developed leading origination, underwriting, financing and property management capabilities. Our platform is scalable, and we seek to leverage our capabilities to improve our efficiency and processes to continue to seek attractive risk-adjusted growth. While we expect that our general and administrative expenses could increase as our portfolio grows, we expect that such expenses as a percentage of our portfolio and our revenues will decrease over time due to efficiencies and economies of scale.

**Extensive Tenant Financial Reporting Supports Active Asset Management.** We seek to enter into lease agreements that obligate our tenants to periodically provide us with corporate and/or unit-level financial reporting, which we believe enhances our ability to actively monitor our investments, manage credit risk, negotiate lease renewals and proactively manage our portfolio to protect stockholder value. As of September 30, 2024, leases contributing 99.0% of our annualized base rent required tenants to provide us with specified unit-level financial information, and leases contributing 99.0% of our annualized base rent required tenants to provide us with corporate-level financial reporting.

#### ***Our Business and Growth Strategies***

Our primary business objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. We intend to pursue our objective through the following business and growth strategies.

**Structure and Manage Our Diverse Portfolio with Focused and Disciplined Underwriting and Risk Management.** We seek to maintain the stability of our rental revenue and maximize the long-term return on our investments while continuing our growth by using our focused and disciplined underwriting and risk management expertise. When underwriting assets, we focus on commercially desirable properties, with strong operating performance, healthy rent coverage ratios and tenants with attractive credit characteristics.

- **Leasing.** In general, we seek to enter into leases with (i) relatively long terms (typically with initial terms of 15 years or more and tenant renewal options); (ii) attractive rent escalation provisions; (iii) healthy rent coverage ratios; and (iv) tenant obligations to periodically provide us with financial information, which provides us with information about the operating performance of the leased property and/or tenant and allows us to actively monitor the security of payments under the lease on an ongoing basis. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on a unitary (i.e., "all or none") basis. In addition, in the context of our sale-leaseback investments, we generally seek to establish contract rents that are at or below prevailing market rents, which we believe enhances tenant retention and reduces our releasing risk if a lease is rejected in a bankruptcy proceeding or expires.

- **Diversification.** We monitor and manage the diversification of our portfolio in order to reduce the risks associated with adverse developments affecting a particular tenant, property, industry or region. Our strategy targets a portfolio that, over time, will (1) derive no more than 5% of its annualized base rent from any single tenant or more than 1% of its annualized base rent from any single property, (2) be primarily leased to tenants operating in service-oriented or experience-based businesses and (3) avoid significant industry, concept or geographic concentration. While we consider these criteria when making investments, we may be opportunistic in managing our business and make investments that do not meet one or more of these criteria if we believe the opportunity presents an attractive risk-adjusted return.
- **Asset Management.** We are an active asset manager and regularly review each of our properties to evaluate various factors, including, but not limited to, changes in the business performance at the property, credit of the tenant and local real estate market conditions. Among other things, we use Moody's Analytics RiskCalc, which is a model for predicting private company defaults based on Moody's Analytics Credit Research Database, to proactively detect credit deterioration. Additionally, we monitor market rents relative to in-place rents and the amount of tenant capital expenditures in order to refine our tenant retention and alternative use assumptions. Our management team utilizes our internal credit diligence to monitor the credit profile of each of our tenants on an ongoing basis. We believe that this proactive approach enables us to identify and address issues in a timely manner and to determine whether there are properties in our portfolio that are appropriate for disposition.
- In addition, as part of our active portfolio management, we may selectively dispose of assets that we conclude do not offer a return commensurate with the investment risk, contribute to unwanted geographic, industry or tenant concentrations, or may be sold at a price we determine is attractive. We believe that our underwriting processes and active asset management enhance the stability of our rental revenue by reducing default losses and increasing the likelihood of lease renewals.

**Focus on Relationship-Based Sourcing to Grow Our Portfolio by Originating Sale-Leaseback Transactions.** We plan to continue our disciplined growth by originating sale-leaseback transactions and opportunistically making acquisitions of properties subject to net leases that contribute to our portfolio's tenant, industry and geographic diversification. As of September 30, 2024, exclusive of the Initial Portfolio, 91.8% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions. In addition, we seek to leverage our relationships with our tenants to facilitate investment opportunities, including selectively agreeing to reimburse certain of our tenants for development costs at our properties in exchange for contractually specified rent that generally increases proportionally with our funding. We believe our senior management team's reputation, in-depth market knowledge and extensive network of longstanding relationships in the net lease industry provide us access to an ongoing pipeline of attractive investment opportunities.

**Focus on Middle-Market Companies in Service-Oriented or Experience-Based Businesses.** We primarily focus on investing in properties that we lease on a long-term, triple-net basis to middle-market companies that we determine have attractive credit characteristics and stable operating histories. Properties leased to middle-market companies may offer us the opportunity to achieve superior risk-adjusted returns as a result of our extensive and disciplined credit and real estate analysis, lease structuring and portfolio composition. We believe our capital solutions are attractive to middle-market companies, as such companies often have limited financing options as compared to larger, credit rated organizations. We also believe that, in many cases, smaller transactions with middle-market companies will allow us to maintain and grow our portfolio's diversification. Middle-market companies are often willing to enter into leases with structures and terms that we consider attractive (such as master leases and leases that require ongoing tenant financial reporting) and believe contribute to the stability of our rental revenue.

In addition, we emphasize investments in properties leased to tenants engaged in service-oriented or experience-based businesses, such as car washes, restaurants (primarily quick service restaurants), early childhood education, medical and dental services, convenience stores, automotive services, equipment rental, entertainment and health and fitness, as we believe these businesses are generally more insulated from e-commerce pressure than many others.

**Internal Growth Through Long-Term Triple-Net Leases That Provide for Periodic Rent Escalations.** We seek to enter into long-term (typically with initial terms of 15 years or more and tenant renewal options), triple-net leases that provide for periodic contractual rent escalations. As of September 30, 2024, our leases had a weighted average remaining lease term of 14.1 years (based on annualized base rent), with only 3.9% of our

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annualized base rent attributable to leases expiring prior to January 1, 2029, and 98.6% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average of 1.7% per year.

**Actively Manage Our Balance Sheet to Maximize Capital Efficiency.** We seek to maintain a prudent balance between debt and equity financing and to maintain funding sources that lock in long-term investment spreads and limit interest rate sensitivity. We target a level of net debt that, over time, is generally less than six times our annualized adjusted EBITDA (as defined in "Non-GAAP Financial Measures" below). We seek to maintain access to multiple sources of debt capital, including the investment grade-rated unsecured bond market and bank debt, through our revolving credit facility and our unsecured term loan facilities.

**Historical Investment and Disposition Activity**

The following table sets forth select information about our investment activity for the previous eight quarters beginning with the quarter ended December 31, 2022 through the quarter ended September 30, 2024 (dollars in thousands):

|  | Three Months Ended |                |               |                    |
|--|--------------------|----------------|---------------|--------------------|
|  | December 31, 2023  | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| Investment activity                            | \$ 314,865         | \$ 248,770     | \$ 333,910    | \$ 307,615         |
| Number of transactions                         | 43                 | 36             | 35            | 37                 |
| Property count                                 | 93                 | 79             | 83            | 57                 |
| Avg. investment per unit                       | \$ 3,008           | \$ 2,767       | \$ 3,393      | \$ 4,102           |
| Cash cap rate <sup>1</sup>                     | 7.9%               | 8.1%           | 8.0%          | 8.1%               |
| GAAP cap rate <sup>2</sup>                     | 9.1%               | 9.3%           | 9.1%          | 9.1%               |
| Master lease percentage <sup>3,4</sup>         | 72%                | 82%            | 76%           | 57%                |
| Sale-leaseback percentage <sup>3,5</sup>       | 97%                | 100%           | 100%          | 89%                |
| Existing relationship percentage               | 96%                | 87%            | 82%           | 79%                |
| Percentage of financial reporting <sup>3</sup> | 100%               | 100%           | 100%          | 100%               |
| Rent coverage ratio                            | 3.3x               | 2.7x           | 3.0x          | 4.7x               |
| Lease term (years)                             | 17.6               | 17.2           | 17.8          | 17.2               |

|  | Three Months Ended |                |               |                    |
|--|--------------------|----------------|---------------|--------------------|
|  | December 31, 2022  | March 31, 2023 | June 30, 2023 | September 30, 2023 |
| Investment activity                            | \$ 328,370         | \$ 207,147     | \$ 277,361    | \$ 213,327         |
| Number of transactions                         | 39                 | 24             | 29            | 30                 |
| Property count                                 | 115                | 57             | 78            | 65                 |
| Avg. investment per unit                       | \$ 2,782           | \$ 3,401       | \$ 3,350      | \$ 2,812           |
| Cash cap rate <sup>1</sup>                     | 7.5%               | 7.6%           | 7.4%          | 7.6%               |
| GAAP cap rate <sup>2</sup>                     | 8.8%               | 9.0%           | 8.7%          | 8.7%               |
| Master lease percentage <sup>3,4</sup>         | 90%                | 86%            | 57%           | 60%                |
| Sale-leaseback percentage <sup>3,5</sup>       | 99%                | 100%           | 99%           | 100%               |
| Existing relationship percentage               | 95%                | 94%            | 66%           | 86%                |
| Percentage of financial reporting <sup>3</sup> | 100%               | 100%           | 100%          | 100%               |
| Rent coverage ratio                            | 3.2x               | 3.3x           | 3.9x          | 3.3x               |
| Lease term (years)                             | 18.7               | 19.0           | 19.3          | 17.6               |

- (1) Cash annualized base rent for the first full month after the investment divided by the gross investment in the property plus transaction costs.
- (2) GAAP rent and interest income for the first twelve months after the investment divided by the gross investment in the property plus transaction costs.
- (3) As a percentage of annualized base rent.
- (4) Includes investments in mortgage loans receivable collateralized by more than one property.
- (5) Includes investments in mortgage loans receivable made in support of sale-leaseback transactions.

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The following table sets forth select information about our disposition activity for the previous eight quarters beginning with the quarter ended December 31, 2022 through the quarter ended September 30, 2024 (dollars in thousands):

|   | Three Months Ended |                |               |                    |
|---|--------------------|----------------|---------------|--------------------|
|   | December 31, 2023  | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| Disposition volume <sup>1</sup>             | \$ 30,602          | \$ 11,949      | \$ 4,783      | \$ 16,973          |
| Cash cap rate on leased assets <sup>2</sup> | 6.6%               | 6.5%           | 7.3%          | 6.8%               |
| Leased properties sold <sup>3</sup>         | 9                  | 6              | 4             | 7                  |
| Vacant properties sold <sup>3</sup>         | —                  | 1              | 2             | 2                  |

|   | Three Months Ended |                |               |                    |
|---|--------------------|----------------|---------------|--------------------|
|   | December 31, 2022  | March 31, 2023 | June 30, 2023 | September 30, 2023 |
| Disposition volume <sup>1</sup>             | \$ 75,522          | \$ 37,161      | \$ 41,736     | \$ 28,496          |
| Cash cap rate on leased assets <sup>2</sup> | 6.9%               | 6.1%           | 6.2%          | 6.5%               |
| Leased properties sold <sup>3</sup>         | 25                 | 17             | 14            | 9                  |
| Vacant properties sold <sup>3</sup>         | 1                  | —              | 2             | 1                  |

(1) Net of transaction costs.

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

(3) Property count excludes dispositions of undeveloped land parcels or dispositions where only a portion of the owned parcel was sold.

### Liquidity and Capital Resources

As of September 30, 2024, the net investment value of our income property portfolio totaled \$5.3 billion, consisting of investments in 2,053 properties (inclusive of 149 properties which secure our investments in mortgage loans receivable), with annualized base rent of \$438.0 million. Substantially all of our cash from operations is generated by our investment portfolio.

The liquidity requirements for operating our Company consist primarily of funding our investment activities, servicing our outstanding indebtedness and paying our general and administrative expenses and dividends as declared by our board of directors. The occupancy level of our portfolio is high (99.9% as of September 30, 2024) and, because substantially all of our leases are triple-net (whereby our tenants are generally responsible for all maintenance costs for operating the property, and insurance and property taxes associated with the leased properties), our liquidity requirements are not significantly impacted by property costs. When a property becomes vacant, we are required to pay the property costs not paid by a tenant, as well as those property costs accruing during the time it takes to locate a new tenant or to sell the property. As of September 30, 2024, three of our investment properties were vacant, significantly less than 1% of our portfolio, and all remaining properties were subject to a lease or mortgage loan receivable. We expect to incur property costs from time to time in periods during which properties that become vacant are being marketed for lease or sale. In addition, we may recognize an expense for certain property costs, such as real estate taxes billed in arrears, if we believe the tenant is likely to vacate the property before making payment on those obligations. The amount of such property costs can vary quarter-to-quarter based on the timing of property vacancies and the level of underperforming properties; however, we do not expect that such costs will be significant to our operations.

We intend to continue to grow through additional investments in stand-alone single tenant properties. To accomplish this objective, we seek to invest in real estate utilizing a combination of debt and equity capital and with cash from operations that we do not distribute to our stockholders. When we sell properties, we generally reinvest the cash proceeds from our sales in new single tenant properties. Our short-term liquidity requirements also include the funding needs associated with 103 properties where we have agreed to reimburse the tenant for certain development, construction, or renovation costs or to provide construction financing in exchange for contractual payments of interest or increased rent that generally increases in proportion with our level of funding. As of September 30, 2024, we agreed to provide construction financing or reimburse the tenant for certain development, construction and renovation costs in an aggregate amount of \$621.7 million, and, as of such date, we have funded \$415.1 million of this commitment. We expect to fund the remaining commitment totaling approximately \$206.6 million by September 30, 2025.



Additionally, as of October 18, 2024, we were under contract to acquire 13 properties with an aggregate purchase price of \$31.5 million, subject to completion of our due diligence procedures and satisfaction of customary closing conditions. We expect to meet our short-term liquidity requirements, including our construction financing and tenant reimbursement obligations and potential investment in future single tenant properties, primarily with our cash and cash equivalents, net cash from operating activities, issuance of common stock subject to outstanding forward purchase commitments, borrowings under the Revolving Credit Facility and potentially through proceeds generated from asset sales and our 2024 ATM Program, under which we may issue common stock with an aggregate gross sales price of up to \$160.0 million as of October 18, 2024.

Our long-term liquidity requirements consist primarily of the funds necessary to make additional investments and repay indebtedness. We expect to meet our long-term liquidity requirements through various sources of capital, including net cash from operating activities, borrowings under our Revolving Credit Facility, future debt financings, proceeds from the sale of our common stock and proceeds from the sale of selected properties in our portfolio. However, at any point in time, there may be a number of factors that could have a material and adverse effect on our ability to access these capital sources, including unfavorable conditions in the overall equity and credit markets, our level of leverage, the portion of our portfolio that is unencumbered, our credit ratings, borrowing restrictions imposed by our existing debt agreements, general market conditions for real estate and potentially REITs specifically, our operating performance, our liquidity and general market perceptions about us. The success of our business strategy will depend, to a significant degree, on our ability to access these various capital sources to fund our future investments and thereby grow our cash flows.

An additional liquidity need is funding the required level of distributions, generally 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding any net capital gain), that are among the requirements for us to continue to qualify for taxation as a REIT. Holders of OP Units are entitled to distributions per unit equivalent to those paid by us per share of common stock. During the nine months ended September 30, 2024, our Board declared total cash distributions of \$0.865 per share of common stock/OP Unit totaling \$152.5 million and \$51.1 million is payable as of September 30, 2024. To continue to qualify for taxation as a REIT, we must make distributions to our stockholders aggregating annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. As a result of this requirement, we cannot rely on retained earnings to fund our business needs to the same extent as other entities that are not REITs. If we do not have sufficient funds available to us from our operations to fund our business needs, we will need to find alternative ways to fund those needs. Such alternatives may include, among other things, selling properties (whether or not the sales price is optimal or otherwise meets our strategic long-term objectives), incurring additional indebtedness or issuing equity securities in public or private transactions. The availability and attractiveness of the terms of these potential sources of financing cannot be assured.

Generally, our short-term debt capital needs are provided through the use of our Revolving Credit Facility. We manage our long-term leverage position through the issuance of long-term fixed-rate debt on an unsecured or secured basis. Generally, we will seek to issue long-term debt on an unsecured basis as we believe this facilitates greater flexibility in the management of our portfolio and our ability to retain optionality in our overall financing and growth strategy. By seeking to match the expected cash inflows from our long-term income producing investments with the expected cash outflows for our long-term debt, we seek to "lock in," for as long as is economically feasible, the expected positive spread between our scheduled cash inflows from our investments and the cash outflows on our debt obligations. In this way, we seek to reduce the risk that increases in interest rates would adversely impact our cash flows and results of operations. Our ability to execute leases that contain annual rent escalations also contributes to our ability to manage the risk of a rising interest rate environment. We use various financial instruments designed to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies such as interest rate swaps and caps, depending on our analysis of the interest rate environment and the costs and risks of such strategies. Although we are not required to maintain a particular leverage ratio and may not be able to do so, we generally consider that, over time, a level of net debt (which includes recourse and non-recourse borrowings and any outstanding preferred stock less cash and cash equivalents and restricted cash available for future investment) that is less than six times our annualized adjusted EBITDA is prudent for a real estate company like ours.

As of September 30, 2024, all of our long-term debt was fixed-rate debt or was effectively converted to a fixed-rate for the term of the debt through hedging strategies, and our weighted average debt maturity was 4.3 years. As we continue to invest in real estate properties and grow our real estate portfolio, we intend to manage our long-term debt maturities to reduce the risk that a significant amount of our debt will mature in any single year in the future.

Future sources of debt capital may include public issuances of senior unsecured notes, term loan borrowings, mortgage financing of a single-asset or a portfolio of assets and CMBS borrowings. These sources of debt capital may offer us the opportunity to lower our cost of funding and further diversify our sources of debt capital. Over time, we may choose to issue preferred equity as a part of our overall strategy for funding our business. As our outstanding debt matures, we may refinance it as it comes due or choose to repay it using cash and cash equivalents or borrowings under our Revolving Credit Facility. We believe that the cash generated by our operations, together with our cash and cash equivalents at September 30, 2024, our borrowing availability under the Revolving Credit Facility, issuance of common stock subject to outstanding forward purchase commitments, and our potential access to additional sources of capital, will be sufficient to fund our operations for the foreseeable future and allow us to invest in the real estate for which we currently have made commitments.

### Supplemental Guarantor Information

The Company and the Operating Partnership have filed a registration statement on Form S-3 with the SEC registering, among other securities, debt securities of the Operating Partnership, which, unless otherwise specified, will be fully and unconditionally guaranteed by the Company. At September 30, 2024, the Operating Partnership had issued and outstanding \$400.0 million of senior notes. The obligations of the Operating Partnership under the senior notes are guaranteed on a senior basis by the Company. The guarantee is full and unconditional, and the Operating Partnership is a consolidated subsidiary of the Company.

Pursuant to Rule 3-10 of Regulation S-X, subsidiary issuers of obligations guaranteed by the parent are not required to provide separate financial statements, provided that the subsidiary obligor is consolidated into the parent company's consolidated financial statements, the parent guarantee is "full and unconditional" and, subject to certain exceptions as set forth below, the alternative disclosure required by Rule 13-01 is provided, which includes narrative disclosure and summarized financial information. Accordingly, separate consolidated financial statements of the Operating Partnership have not been presented. Furthermore, as permitted under Rule 13-01(a)(4)(vi), the Company has excluded the summarized financial information for the Operating Partnership as the assets, liabilities and results of operations of the Company and the Operating Partnership are not materially different than the corresponding amounts presented in the consolidated financial statements of the Company, and management believes such summarized financial information would be repetitive and not provide incremental value to investors.

### Description of Certain Debt

The following table summarizes our outstanding indebtedness as of September 30, 2024 and December 31, 2023:

| (in thousands)              | Maturity Date                | Principal Outstanding |                     | Weighted Average Interest Rate <sup>(1)</sup> |                   |
|-----------------------------|------------------------------|-----------------------|---------------------|---|-------------------|
|                             |                              | September 30, 2024    | December 31, 2023   | September 30, 2024                            | December 31, 2023 |
| Unsecured term loans:       |                              |                       |                     |   |                   |
| 2027 Term Loan              | February 2027                | \$ 430,000            | \$ 430,000          | 2.4%  | 2.4%              |
| 2028 Term Loan              | January 2028                 | 400,000               | 400,000             | 4.6%  | 4.6%              |
| 2029 Term Loan              | February 2029 <sup>(2)</sup> | 450,000               | 450,000             | 5.4%  | 4.3%              |
| 2030 Term Loan              | January 2030 <sup>(2)</sup>  | 450,000               | —                   | 4.9%  | —%                |
| Senior unsecured notes      | July 2031                    | 400,000               | 400,000             | 3.1%  | 3.1%              |
| Revolving Credit Facility   | February 2026                | 80,000                | —                   | 5.7%  | —%                |
| Total principal outstanding |                              | <u>\$ 2,210,000</u>   | <u>\$ 1,680,000</u> | 4.2%  | 3.6%              |

(1) Interest rates are presented after giving effect to our interest rate swap and lock agreements, where applicable.

(2) After giving effect to extension options exercisable at the Operating Partnership's election.

### Revolving Credit Facility and Credit Facility Term Loans

Through our Operating Partnership, we are party to an Amended and Restated Credit Agreement with a group of lenders, which was amended on July 11, 2024 (the "Credit Agreement") and provides for revolving loans of up to \$600.0 million (the "Revolving Credit Facility") and an additional \$1.3 billion of term loans, consisting of a \$400.0 million term loan (the "2028 Term Loan"), a \$450.0 million term loan (the "2029 Term Loan") and a \$450.0

million term loan (the "2030 Term Loan" and, together with the 2028 Term Loan and 2029 Term Loan, the "CF Term Loans"). All principal amounts available under the 2028 Term Loan were drawn in the third and fourth quarters of 2022. All principal amounts available under the 2029 Term Loan were drawn in the third and fourth quarters of 2023. All principal amounts available under the 2030 Term Loan were drawn in the third quarter of 2024.

The Revolving Credit Facility matures on February 10, 2026, with two extension options of six months each, exercisable by the Operating Partnership, subject to the satisfaction of certain conditions. The 2028 Term Loan matures on January 25, 2028, the 2029 Term Loan has an original maturity of three years, plus extension options at the Operating Partnership's election, which can extend the maturity to February 24, 2029 and the 2030 Term Loan has an original maturity of three years, plus extension options at the Operating Partnership's election, which can extend the maturity to January 11, 2030. The loans under each of the Revolving Credit Facility and the CF Term Loans initially bear interest at an annual rate of applicable Adjusted Term SOFR (as defined in the Credit Agreement) plus an applicable margin (which applicable margin varies between the Revolving Credit Facility and the CF Term Loans). The Adjusted Term SOFR is a rate with a term equivalent to the interest period applicable to the relevant borrowing. In addition, the Operating Partnership is required to pay a revolving facility fee throughout the term of the Revolving Credit Facility. The applicable margin and the revolving facility fee rate are a spread and rate, as applicable, set according to the credit ratings provided by S&P, Moody's and/or Fitch.

Each of the Revolving Credit Facility and the CF Term Loans is freely pre-payable at any time. Outstanding credit extensions under the Revolving Credit Facility are mandatorily payable if the amount of such credit extensions exceeds the revolving facility limit. The Operating Partnership may re-borrow amounts paid down on the Revolving Credit Facility prior to its maturity. Loans repaid under the CF Term Loans cannot be reborrowed. The Credit Agreement has an accordion feature to increase, subject to certain conditions, the maximum availability of credit (either through increased revolving commitments or additional term loans) by up to \$500.0 million.

The Operating Partnership is the borrower under the Credit Agreement, and we and certain of the subsidiaries of the Operating Partnership that own a direct or indirect interest in an eligible real property asset are guarantors under the Credit Agreement. Under the terms of the Credit Agreement, we are subject to customary restrictive financial and nonfinancial covenants which, among other things, require us to maintain certain leverage ratios, cash flow and debt service coverage ratios, secured borrowing ratios. As of September 30, 2024, we were in compliance with these covenants.

The Credit Agreement also restricts our ability to pay distributions to our stockholders under certain circumstances. However, we may make distributions to the extent necessary to maintain our qualification as a REIT under the Code. In addition to the financial covenants described above, the Credit Agreement contains customary affirmative and negative covenants that, among other things and subject to exceptions, limit or restrict our ability to incur indebtedness and liens, consummate mergers or other fundamental changes, dispose of assets, make certain restricted payments, make certain investments, modify our organizational documents, transact with affiliates, change our fiscal periods, provide negative pledge clauses, make subsidiary distributions, enter into certain new lines of business or engage in certain activities, and fail to meet the requirements for taxation as a REIT.

### **2027 Term Loan**

On February 18, 2022, we, through our Operating Partnership, amended our existing \$430.0 million term loan credit facility (the "2027 Term Loan") to, among other things, reduce the Applicable Margin, extend the maturity date to February 18, 2027 and make certain other changes consistent with market terms and conditions. In August 2022, the 2027 Term Loan was further amended to revise the applicable margin grid such that the applicable pricing is based on the credit rating of the Company's long-term senior unsecured non-credit enhanced debt for borrowed money (subject to a single step-down in the applicable pricing if the Company achieves a consolidated leverage ratio that is less than 0.35 to 1:00 while maintaining a credit rating of BBB/Baa2 provided by S&P, Moody's and/or Fitch).

The borrowings under the 2027 Term Loan, as amended, bear interest at an annual rate of applicable Adjusted Term SOFR (as defined in the Credit Agreement) plus an applicable margin. The Adjusted Term SOFR is a rate with a term equivalent to the interest period applicable to the relevant borrowing. The applicable margin was initially a spread set according to a leverage-based pricing grid. In May 2022, the Operating Partnership made an irrevocable election to have the applicable margin be a spread set according to the Company's corporate credit ratings provided by S&P, Moody's and/or Fitch. The 2027 Term Loan is pre-payable at any time by the Operating

Partnership without penalty. The 2027 Term Loan has an accordion feature to increase, subject to certain conditions, the maximum availability of the facility up to an aggregate of \$500 million.

The Operating Partnership is the borrower under the 2027 Term Loan, and we and certain of the subsidiaries of the Operating Partnership that own a direct or indirect interest in an eligible real property asset are guarantors under the facility. Under the terms of the 2027 Term Loan, we are subject to customary restrictive financial and nonfinancial covenants which, among other things, require us to maintain certain leverage ratios, cash flow and debt service coverage ratios, and secured borrowing ratios. As of September 30, 2024, we were in compliance with these covenants.

The 2027 Term Loan restricts our ability to pay distributions to our stockholders under certain circumstances. However, we may make distributions to the extent necessary to maintain our qualification as a REIT under the Code. The 2027 Term Loan contains certain additional covenants that, subject to exceptions, limit or restrict our incurrence of indebtedness and liens, disposition of assets, transactions with affiliates, mergers and fundamental changes, modification of organizational documents, changes to fiscal periods, making of investments, negative pledge clauses and lines of business and REIT qualification.

#### **Senior Unsecured Notes**

On June 22, 2021, the Operating Partnership issued \$400 million aggregate principal amount of 2.950% Senior Notes due 2031 (the "2031 Notes"), resulting in net proceeds of \$396.6 million. The 2031 Notes were issued by the Operating Partnership and the obligations of the Operating Partnership under the 2031 Notes are fully and unconditionally guaranteed on a senior basis by the Company.

The indenture and supplemental indenture creating the 2031 Notes contain customary restrictive covenants, including limitations on our ability to incur additional secured and unsecured indebtedness. As of September 30, 2024, we were in compliance with these covenants.

#### **Cash Flows**

##### **Comparison of the nine months ended September 30, 2024 and 2023**

As of September 30, 2024, we had \$32.7 million of cash and cash equivalents and \$6.1 million of restricted cash, as compared to \$36.1 million of cash and cash equivalents and \$5.9 million of restricted cash as of September 30, 2023.

##### **Cash Flows for the nine months ended September 30, 2024**

During the nine months ended September 30, 2024, net cash provided by operating activities was \$221.4 million and our net income was \$148.1 million. Our cash flows from operating activities are primarily dependent upon the occupancy level of our portfolio, the rental rates specified in our leases, the interest on our loans and direct financing lease receivables, the collectability of rent and interest and the level of our operating expenses and general and administrative costs. Our cash inflows from operating activities reflect adjustments to net income for non-cash items of \$82.1 million, including i) depreciation and amortization of tangible, intangible and right-of-use real estate assets and amortization of deferred financing costs and other non-cash interest expense of \$93.9 million, ii) our provision for impairment of real estate of \$12.3 million and iii) non-cash equity-based compensation expense of \$8.2 million, reduced by i) our \$1.4 million gain on dispositions of real estate, net, and ii) \$31.5 million related to the recognition of straight-line rent receivables. Additional outflows were from our decrease in accrued liabilities and other payables of \$2.5 million and the increase in our rent receivables, prepaid expenses and other assets, net of \$6.2 million.

Net cash used in investing activities during the nine months ended September 30, 2024 was \$848.5 million. Our net cash used in investing activities generally reflects our investment in real estate, including capital expenditures and construction in progress, in lease incentives and in loans receivable, which totaled \$892.7 million in the aggregate for the quarter. These cash outflows were partially offset by \$36.2 million of proceeds from sales of investments, net of disposition costs, and \$8.0 million of principal collections on our loans and direct financing lease receivables.

Net cash provided by financing activities of \$616.8 million during the nine months ended September 30, 2024 reflected net cash inflows of \$244.7 million from the issuance of common stock, \$360.0 million of borrowings

under the Revolving Credit Facility, and \$174.6 million of borrowings under the 2030 Term Loan. These cash inflows were partially offset by the payment of \$148.5 million in dividends, repayment of \$10.0 million of borrowings under the Revolving Credit Facility and the payment of \$3.3 million in taxes related to the net settlement of equity awards upon vesting.

### Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2024.

### Contractual Obligations

The following table provides information with respect to our contractual obligations as of September 30, 2024:

| (in thousands)   | Payment due by period |                                  |                  |                   |                     |
|--|-----------------------|----------------------------------|------------------|-------------------|---------------------|
|  | Total                 | October 1 -<br>December 31, 2024 | 2025-2026        | 2027-2028         | Thereafter          |
| Unsecured term loans   | \$ 1,730,000          | \$ —                             | \$ —             | \$ 830,000        | \$ 900,000          |
| Senior unsecured notes   | 400,000               | —                                | —                | —                 | 400,000             |
| Revolving Credit Facility  | 80,000                | —                                | 80,000           | —                 | —                   |
| Tenant construction financing and reimbursement obligations <sup>(1)</sup> | 206,553               | 206,553                          | —                | —                 | —                   |
| Operating lease obligations <sup>(2)</sup>                                 | 22,745                | 323                              | 2,320            | 1,856             | 18,246              |
| <b>Total</b>   | <b>\$ 2,439,298</b>   | <b>\$ 206,876</b>                | <b>\$ 82,320</b> | <b>\$ 831,856</b> | <b>\$ 1,318,246</b> |

(1) Includes obligations to reimburse certain of our tenants for development, construction and renovation costs that they incur related to properties leased from the Company in exchange for contractual payments of interest or increased rent that generally increases proportionally with our funding.

(2) Includes \$21.1 million of rental payments due under ground lease arrangements where our tenants are directly responsible for payment.

Additionally, we may enter into commitments to purchase goods and services in connection with the operation of our business. These commitments generally have terms of one-year or less and reflect expenditure levels comparable to our historical expenditures as adjusted for growth.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires our management to use judgment in the application of accounting policies, including making estimates and assumptions. Estimates and assumptions include, among other things, subjective judgments regarding the fair values and useful lives of our properties for depreciation and lease classification purposes, the collectability of receivables and asset impairment analysis. We base estimates on the best information available to us at the time, our experience and on various other assumptions believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our consolidated financial statements. From time to time, we reevaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have not made any material changes to these policies during the periods covered by this quarterly report.

### Our Real Estate Investment Portfolio

As of September 30, 2024, we had a portfolio of 2,053 properties, including 149 properties that secure our investments in mortgage loans receivable, that was diversified by tenant, concept, industry and geography and had annualized base rent of \$438.0 million. Our 407 tenants operate 583 different concepts in 16 industries across 49 states. None of our tenants represented more than 4.3% of our portfolio at September 30, 2024, and our top ten largest tenants represented 17.7% of our annualized base rent as of that date.

#### Diversification by Tenant

As of September 30, 2024, our top ten tenants included ten different concepts. The following table details information about our tenants and the related concepts as of September 30, 2024 (dollars in thousands):

| Tenant <sup>(1)</sup>                            | Concept                           | Number of Properties <sup>(2)</sup> | Annualized Base Rent | % of Annualized Base Rent |
|--|-----------------------------------|-------------------------------------|----------------------|---------------------------|
| EquipmentShare.com Inc.                          | EquipmentShare                    | 60                                  | \$ 19,005            | 4.3 %                     |
| CNP Holdings, LLC                                | Chicken N Pickle                  | 8                                   | 8,346                | 1.9 %                     |
| Busy Bees US Holdings Limited                    | Various                           | 32                                  | 7,215                | 1.6 %                     |
| New Potato Creek Holdings, LLC                   | Tidal Wave Auto Spa               | 16                                  | 6,546                | 1.5 %                     |
| Denali Midco 2, LLC                              | Super Star Car Wash               | 20                                  | 6,420                | 1.5 %                     |
| Pops Mart Holdings, LLC and Pops Mart Fuels, LLC | Various                           | 25                                  | 6,270                | 1.4 %                     |
| BW Ultimate Parent, LLC                          | YesWay                            | 13                                  | 6,115                | 1.4 %                     |
| Mdsfest, Inc.                                    | Festival Foods                    | 7                                   | 6,082                | 1.4 %                     |
| Red Robin International, Inc.                    | Red Robin Gourmet Burgers & Brews | 28                                  | 5,984                | 1.4 %                     |
| Undefeated Tribe Operating Company, LLC          | Crunch Fitness                    | 11                                  | 5,906                | 1.3 %                     |
| <b>Top 10 Subtotal</b>                           |                                   | <b>220</b>                          | <b>77,889</b>        | <b>17.7 %</b>             |
| Other  |                                   | 1,830                               | 360,062              | 82.3 %                    |
| <b>Total</b>                                     |                                   | <b>2,050</b>                        | <b>\$ 437,951</b>    | <b>100.0 %</b>            |

(1) Represents tenant, guarantor or parent company.

(2) Excludes three vacant properties.

As of September 30, 2024, our five largest tenants, who contributed 10.8% of our annualized base rent, had a rent coverage ratio of 6.5x while our ten largest tenants, who contributed 17.7% of our annualized base rent, had a rent coverage ratio of 5.1x.

As of September 30, 2024, 96.4% of our leases (based on annualized base rent) were triple-net, and the tenant is typically responsible for all improvements and is contractually obligated to pay all operating expenses, such as maintenance, insurance, utility and tax expense, related to the leased property. Due to the triple-net structure of our leases, we do not expect to incur significant capital expenditures relating to our triple-net leased properties, and the potential impact of inflation on our operating expenses is reduced.

**Diversification by Concept**

Our tenants operate their businesses across 583 concepts. (i.e., generally brands). The following table provides information about the top ten concepts in our portfolio as of September 30, 2024 (dollars in thousands):

| Concept                           | Type of Business | Annualized Base Rent | % of Annualized Base Rent | Number of Properties <sup>(1)</sup> |
|-----------------------------------|------------------|----------------------|---------------------------|-------------------------------------|
| EquipmentShare                    | Service          | \$ 19,005            | 4.3 %                     | 60                                  |
| Crunch Fitness                    | Experience       | 11,898               | 2.7 %                     | 23                                  |
| Chicken N Pickle                  | Experience       | 8,346                | 1.9 %                     | 8                                   |
| Captain D's                       | Service          | 6,762                | 1.5 %                     | 87                                  |
| Tidal Wave Auto Spa               | Service          | 6,546                | 1.5 %                     | 16                                  |
| Pops Mart                         | Service          | 6,269                | 1.4 %                     | 25                                  |
| YesWay                            | Service          | 6,115                | 1.4 %                     | 13                                  |
| Festival Foods                    | Retail           | 6,082                | 1.4 %                     | 7                                   |
| Red Robin Gourmet Burgers & Brews | Service          | 5,984                | 1.4 %                     | 28                                  |
| Five Star                         | Experience       | 5,793                | 1.3 %                     | 10                                  |
| <b>Top 10 Subtotal</b>            |                  | <b>82,800</b>        | <b>18.8 %</b>             | <b>277</b>                          |
| Other                             |                  | 355,151              | 81.2 %                    | 1,773                               |
| <b>Total</b>                      |                  | <b>\$ 437,951</b>    | <b>100.0 %</b>            | <b>2,050</b>                        |

(1) Excludes three vacant properties.

### Diversification by Industry

Our tenants' business concepts are diversified across various industries. The following table summarizes those industries as of September 30, 2024 (dollars in thousands except per sq. ft amounts):

| Tenant Industry               | Type of Business | Annualized Base Rent | % of Annualized Base Rent | Number of Properties <sup>(1)</sup> | Building (Sq. Ft.) <sup>(1)</sup> | Rent Per Sq. Ft. <sup>(2)</sup> |
|-------------------------------|------------------|----------------------|---------------------------|-------------------------------------|-----------------------------------|---------------------------------|
| Car Washes                    | Service          | \$ 67,515            | 15.4 %                    | 204                                 | 1,008,703                         | \$ 67.52                        |
| Early Childhood Education     | Service          | 51,605               | 11.8 %                    | 219                                 | 2,297,820                         | 22.46                           |
| Medical / Dental              | Service          | 50,268               | 11.5 %                    | 230                                 | 1,884,925                         | 26.67                           |
| Quick Service                 | Service          | 42,096               | 9.6 %                     | 433                                 | 1,146,441                         | 36.90                           |
| Automotive Service            | Service          | 34,426               | 7.9 %                     | 254                                 | 1,824,894                         | 18.86                           |
| Casual Dining                 | Service          | 29,394               | 6.7 %                     | 127                                 | 874,540                           | 33.61                           |
| Convenience Stores            | Service          | 27,288               | 6.2 %                     | 167                                 | 621,512                           | 43.91                           |
| Equipment Rental and Sales    | Service          | 24,464               | 5.6 %                     | 87                                  | 1,658,501                         | 14.75                           |
| Other Services                | Service          | 10,001               | 2.3 %                     | 50                                  | 651,588                           | 15.35                           |
| Family Dining                 | Service          | 7,103                | 1.6 %                     | 34                                  | 237,610                           | 29.89                           |
| Pet Care Services             | Service          | 6,715                | 1.5 %                     | 39                                  | 320,372                           | 21.89                           |
| <b>Service Subtotal</b>       |                  | <b>350,875</b>       | <b>80.1 %</b>             | <b>1,844</b>                        | <b>12,526,906</b>                 | <b>28.07</b>                    |
| Entertainment                 | Experience       | 32,670               | 7.5 %                     | 59                                  | 1,913,275                         | 17.08                           |
| Health and Fitness            | Experience       | 20,318               | 4.6 %                     | 44                                  | 1,527,069                         | 13.75                           |
| Movie Theatres                | Experience       | 4,404                | 1.0 %                     | 6                                   | 293,206                           | 15.02                           |
| <b>Experience Subtotal</b>    |                  | <b>57,392</b>        | <b>13.1 %</b>             | <b>109</b>                          | <b>3,733,550</b>                  | <b>15.58</b>                    |
| Grocery                       | Retail           | 12,923               | 3.0 %                     | 34                                  | 1,582,830                         | 8.16                            |
| Home Furnishings              | Retail           | 1,530                | 0.3 %                     | 3                                   | 176,809                           | 8.65                            |
| <b>Retail Subtotal</b>        |                  | <b>14,453</b>        | <b>3.3 %</b>              | <b>37</b>                           | <b>1,759,639</b>                  | <b>8.21</b>                     |
| Other Industrial              | Industrial       | 11,265               | 2.6 %                     | 37                                  | 1,739,221                         | 6.48                            |
| Building Materials            | Industrial       | 3,966                | 0.9 %                     | 23                                  | 1,257,015                         | 3.16                            |
| <b>Industrial Subtotal</b>    |                  | <b>15,231</b>        | <b>3.5 %</b>              | <b>60</b>                           | <b>2,996,236</b>                  | <b>5.08</b>                     |
| <b>Total/Weighted Average</b> |                  | <b>\$ 437,951</b>    | <b>100.0 %</b>            | <b>2,050</b>                        | <b>21,016,331</b>                 | <b>\$ 20.92</b>                 |

(1) Excludes three vacant properties.

(2) Excludes properties with no annualized base rent and properties under construction.

As of September 30, 2024, our tenants operating service-oriented businesses had a weighted average rent coverage ratio of 3.5x, our tenants operating experience-based businesses had a weighted average rent coverage ratio of 2.7x, our tenants operating retail businesses had a weighted average rent coverage ratio of 4.1x and our tenants operating other types of businesses had a weighted average rent coverage ratio of 9.0x.



**Diversification by Geography**

Our 2,053 properties are located in 49 states. The following table details the geographical locations of our properties as of September 30, 2024 (dollars in thousands):

| State          | Annualized Base Rent | % of Annualized Base Rent | Number of Properties | Building (Sq. Ft.) |
|----------------|----------------------|---------------------------|----------------------|--------------------|
| Texas          | \$ 56,750            | 13.0 %                    | 236                  | 2,467,725          |
| Georgia        | 32,873               | 7.5 %                     | 159                  | 1,160,057          |
| Florida        | 27,316               | 6.2 %                     | 97                   | 932,481            |
| Ohio           | 25,480               | 5.8 %                     | 141                  | 1,531,908          |
| Wisconsin      | 20,561               | 4.7 %                     | 78                   | 1,089,956          |
| North Carolina | 16,722               | 3.8 %                     | 81                   | 774,938            |
| Arizona        | 15,296               | 3.5 %                     | 62                   | 663,402            |
| Missouri       | 14,711               | 3.4 %                     | 72                   | 867,825            |
| Oklahoma       | 14,521               | 3.3 %                     | 65                   | 855,168            |
| Illinois       | 12,875               | 2.9 %                     | 61                   | 563,500            |
| South Carolina | 12,521               | 2.9 %                     | 66                   | 523,958            |
| Michigan       | 11,963               | 2.7 %                     | 61                   | 1,091,493          |
| Minnesota      | 11,023               | 2.5 %                     | 44                   | 628,174            |
| Alabama        | 10,334               | 2.4 %                     | 57                   | 548,645            |
| New Jersey     | 10,238               | 2.3 %                     | 31                   | 379,474            |
| Virginia       | 9,829                | 2.2 %                     | 31                   | 345,861            |
| Arkansas       | 9,686                | 2.2 %                     | 64                   | 516,642            |
| Indiana        | 9,638                | 2.2 %                     | 55                   | 524,772            |
| New York       | 9,489                | 2.2 %                     | 61                   | 381,342            |
| Tennessee      | 8,777                | 2.0 %                     | 51                   | 344,261            |
| Pennsylvania   | 8,012                | 1.8 %                     | 42                   | 419,149            |
| Colorado       | 7,841                | 1.8 %                     | 33                   | 367,937            |
| Mississippi    | 7,501                | 1.7 %                     | 57                   | 366,556            |
| Connecticut    | 7,143                | 1.6 %                     | 23                   | 579,458            |
| Massachusetts  | 6,237                | 1.4 %                     | 32                   | 434,201            |
| New Mexico     | 6,036                | 1.4 %                     | 27                   | 128,455            |
| California     | 5,799                | 1.3 %                     | 20                   | 155,254            |
| Iowa           | 5,590                | 1.3 %                     | 32                   | 363,483            |
| Kentucky       | 5,534                | 1.3 %                     | 46                   | 284,172            |
| Nevada         | 5,004                | 1.1 %                     | 15                   | 104,860            |
| Louisiana      | 4,546                | 1.0 %                     | 23                   | 154,321            |
| Kansas         | 4,526                | 1.0 %                     | 18                   | 201,900            |
| New Hampshire  | 3,627                | 0.8 %                     | 14                   | 279,182            |
| South Dakota   | 2,727                | 0.6 %                     | 9                    | 130,152            |
| Washington     | 2,657                | 0.7 %                     | 13                   | 104,376            |
| Maryland       | 2,410                | 0.6 %                     | 9                    | 75,410             |
| Oregon         | 2,220                | 0.5 %                     | 8                    | 131,957            |
| West Virginia  | 2,045                | 0.5 %                     | 24                   | 84,684             |
| Utah           | 1,750                | 0.4 %                     | 3                    | 155,900            |
| Nebraska       | 1,473                | 0.3 %                     | 10                   | 45,827             |
| Maine          | 1,136                | 0.3 %                     | 4                    | 71,000             |
| North Dakota   | 873                  | 0.2 %                     | 5                    | 72,400             |
| Idaho          | 659                  | 0.2 %                     | 2                    | 41,146             |
| Rhode Island   | 468                  | 0.1 %                     | 2                    | 22,865             |
| Wyoming        | 411                  | 0.1 %                     | 2                    | 14,001             |
| Delaware       | 408                  | 0.1 %                     | 1                    | 4,186              |
| Vermont        | 283                  | 0.1 %                     | 3                    | 43,132             |
| Alaska         | 253                  | 0.1 %                     | 2                    | 6,630              |
| Montana        | 179                  | 0.0 %                     | 1                    | 3,400              |
| <b>Total</b>   | <b>\$ 437,951</b>    | <b>100.0 %</b>            | <b>2,053</b>         | <b>21,037,576</b>  |

### Lease Expirations

As of September 30, 2024, the weighted average remaining term of our leases was 14.1 years (based on annualized base rent), with only 3.9% of our annualized base rent attributable to leases expiring prior to January 1, 2029. The following table sets forth our lease expirations for leases in place as of September 30, 2024 (dollars in thousands):

| Lease Expiration Year <sup>(1)</sup> | Annualized Base Rent | % of Annualized Base Rent | Number of Properties <sup>(2)</sup> | Weighted Average Rent Coverage Ratio <sup>(3)</sup> |
|--------------------------------------|----------------------|---------------------------|-------------------------------------|---|
| 2024                                 | \$ 723               | 0.2 %                     | 10                                  | 2.5x  |
| 2025                                 | 3,008                | 0.7 %                     | 17                                  | 2.9x  |
| 2026                                 | 3,038                | 0.7 %                     | 19                                  | 3.4x  |
| 2027                                 | 5,754                | 1.3 %                     | 44                                  | 3.5x  |
| 2028                                 | 4,372                | 1.0 %                     | 16                                  | 2.5x  |
| 2029                                 | 10,160               | 2.3 %                     | 117                                 | 4.6x  |
| 2030                                 | 4,122                | 0.9 %                     | 44                                  | 4.6x  |
| 2031                                 | 12,432               | 2.8 %                     | 67                                  | 3.0x  |
| 2032                                 | 12,677               | 2.9 %                     | 45                                  | 4.3x  |
| 2033                                 | 8,293                | 1.9 %                     | 31                                  | 2.7x  |
| 2034                                 | 30,374               | 6.9 %                     | 212                                 | 6.3x  |
| 2035                                 | 15,738               | 3.6 %                     | 100                                 | 4.4x  |
| 2036                                 | 40,202               | 9.2 %                     | 162                                 | 4.0x  |
| 2037                                 | 24,319               | 5.6 %                     | 128                                 | 4.3x  |
| 2038                                 | 52,134               | 11.9 %                    | 202                                 | 3.5x  |
| 2039                                 | 31,221               | 7.1 %                     | 128                                 | 3.7x  |
| 2040                                 | 25,126               | 5.7 %                     | 113                                 | 2.5x  |
| 2041                                 | 20,175               | 4.6 %                     | 94                                  | 3.1x  |
| 2042                                 | 33,090               | 7.6 %                     | 150                                 | 2.9x  |
| 2043                                 | 49,299               | 11.3 %                    | 182                                 | 2.7x  |
| Thereafter                           | 51,694               | 11.8 %                    | 169                                 | 3.2x  |
| <b>Total/Weighted Average</b>        | <b>\$ 437,951</b>    | <b>100.0 %</b>            | <b>2,050</b>                        | <b>3.6x</b>   |

(1) Expiration year of contracts in place as of September 30, 2024, excluding any tenant option renewal periods that have not been exercised.

(2) Excludes three vacant properties.

(3) Weighted by annualized base rent.

### Unit-Level Rent Coverage

Generally, we seek to acquire investments with healthy rent coverage ratios, and as of September 30, 2024, the weighted average rent coverage ratio of our portfolio was 3.6x. Our portfolio's unit-level rent coverage ratios (by annualized base rent and excluding leases that do not report unit-level financial information) as of September 30, 2024 are displayed below:

| Unit-Level Coverage Ratio | % of Total     |
|---------------------------|----------------|
| ≥ 2.00x                   | 71.1 %         |
| 1.50x to 1.99x            | 14.3 %         |
| 1.00x to 1.49x            | 10.4 %         |
| < 1.00x                   | 3.0 %          |
| Not reported              | 1.2 %          |
|                           | <b>100.0 %</b> |

**Implied Tenant Credit Ratings**

Tenant financial distress is typically caused by consistently poor or deteriorating operating performance, near-term liquidity issues or unexpected liabilities. To assess the probability of tenant insolvency, we utilize Moody's Analytics RiskCalc, which is a model for predicting private company defaults based on Moody's Analytics Credit Research Database, which incorporates both market and company-specific risk factors. The following table illustrates the portions of our annualized base rent as of September 30, 2024 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores:

| Credit Rating | NR    | < 1.00x | 1.00 to 1.49x | 1.50 to 1.99x | ≥ 2.00x |
|---------------|-------|---------|---------------|---------------|---------|
| CCC+          | — %   | 0.2 %   | 0.6 %         | 0.7 %         | 1.9 %   |
| B-            | — %   | — %     | 0.4 %         | 2.0 %         | 5.1 %   |
| B             | 0.1 % | 0.3 %   | 3.5 %         | 0.8 %         | 9.0 %   |
| B+            | 0.1 % | 1.0 %   | 2.0 %         | 3.4 %         | 14.7 %  |
| BB-           | — %   | 0.2 %   | 1.6 %         | 1.2 %         | 8.1 %   |
| BB            | — %   | 0.8 %   | 1.3 %         | 2.5 %         | 7.4 %   |
| BB+           | — %   | 0.1 %   | 0.2 %         | 1.7 %         | 7.1 %   |
| BBB-          | 0.2 % | 0.1 %   | 0.8 %         | 0.9 %         | 7.1 %   |
| BBB           | 0.1 % | — %     | — %           | 0.9 %         | 3.2 %   |
| BBB+          | — %   | 0.1 %   | — %           | 0.1 %         | 2.8 %   |
| A-            | — %   | — %     | — %           | 0.1 %         | 0.9 %   |
| A             | — %   | — %     | — %           | — %           | 0.4 %   |
| A+            | — %   | — %     | — %           | — %           | 0.7 %   |
| AA-           | — %   | — %     | — %           | — %           | — %     |

NR Not reported

## Results of Operations

The following discussion includes the results of our operations for the periods presented.

### Comparison of the three months ended September 30, 2024 and 2023

| (dollar amounts in thousands)                            | Three months ended September 30, |                  | Change          | %         |
|--|----------------------------------|------------------|-----------------|-----------|
|  | 2024                             | 2023             |                 |           |
| <b>Revenues:</b>   |                                  |                  |                 |           |
| Rental revenue   | \$ 110,512                       | \$ 86,969        | \$ 23,543       | 27.1 %    |
| Interest on loans and direct financing lease receivables | 6,477                            | 4,568            | 1,909           | 41.8 %    |
| Other revenue, net                                       | 143                              | 120              | 23              | 19.2 %    |
| <b>Total revenues</b>                                    | <b>117,132</b>                   | <b>91,657</b>    | <b>25,475</b>   |           |
| <b>Expenses:</b>   |                                  |                  |                 |           |
| General and administrative                               | 8,623                            | 7,174            | 1,449           | 20.2 %    |
| Property expenses  | 1,536                            | 1,359            | 177             | 13.0 %    |
| Depreciation and amortization                            | 30,879                           | 26,212           | 4,667           | 17.8 %    |
| Provision for impairment of real estate                  | 5,695                            | 165              | 5,530           | 3,351.5 % |
| Change in provision for credit losses                    | 246                              | (63)             | 309             | (490.5)%  |
| <b>Total expenses</b>                                    | <b>46,979</b>                    | <b>34,847</b>    | <b>12,132</b>   |           |
| <b>Other operating income:</b>                           |                                  |                  |                 |           |
| (Loss) gain on dispositions of real estate, net          | (243)                            | 1,859            | (2,102)         | (113.1)%  |
| <b>Income from operations</b>                            | <b>69,910</b>                    | <b>58,669</b>    | <b>11,241</b>   |           |
| <b>Other (expense)/income:</b>                           |                                  |                  |                 |           |
| Loss on debt extinguishment                              | —                                | (116)            | 116             | (100.0)%  |
| Interest expense   | (21,627)                         | (12,633)         | (8,994)         | 71.2 %    |
| Interest income  | 1,169                            | 330              | 839             | 254.2 %   |
| <b>Income before income tax expense</b>                  | <b>49,452</b>                    | <b>46,250</b>    | <b>3,202</b>    |           |
| Income tax expense                                       | 159                              | 162              | (3)             | (1.9)%    |
| <b>Net income</b>  | <b>49,293</b>                    | <b>46,088</b>    | <b>3,205</b>    |           |
| Net income attributable to non-controlling interests     | (153)                            | (174)            | 21              | (12.1)%   |
| <b>Net income attributable to stockholders</b>           | <b>\$ 49,140</b>                 | <b>\$ 45,914</b> | <b>\$ 3,226</b> |           |

### Revenues:

**Rental revenue.** Rental revenue increased by \$23.5 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in rental revenue was driven primarily by the growth in our real estate investment portfolio which grew by 249 rental properties, or 15%, since September 30, 2023. A portion of our real estate investments were acquired throughout the periods presented and were not all owned by us for the entirety of the applicable periods; accordingly, a significant portion of the increase in rental revenue between periods is related to recognizing revenue in 2024 from acquisitions that were made during 2023 and early 2024.

**Interest on loans and direct financing lease receivables.** Interest on loans and direct financing lease receivables increased by \$1.9 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, primarily due to the increase in our mortgage loans receivable portfolio during 2024, which led to a higher average daily balance of loans receivable outstanding during the three months ended September 30, 2024.

**Other revenue, net.** Other revenue increased by approximately \$23,000 during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, primarily due to the receipt of loan termination fees during the three months ended September 30, 2024.

**Expenses:**

*General and administrative.* General and administrative expense increased by \$1.4 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, primarily due to an increase in salary expense and professional fees during the three months ended September 30, 2024.

*Property expenses.* Property expenses increased by \$0.2 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in property expenses was primarily due to increased reimbursable property taxes and property-related operational costs during the three months ended September 30, 2024.

*Depreciation and amortization.* Depreciation and amortization expense increased by \$4.7 million during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Depreciation and amortization expense increased in proportion to the increase in the size of our real estate portfolio during the three months ended September 30, 2024.

*Provision for impairment of real estate.* Impairment charges on real estate investments were \$5.7 million and \$0.2 million for the three months ended September 30, 2024 and 2023, respectively. During the three months ended September 30, 2024 and 2023, we recorded a provision for impairment of real estate on seven and one of our real estate investments, respectively. We strategically seek to identify non-performing properties that we may re-lease or dispose of in an effort to improve our returns and manage risk exposure. An increase in vacancy associated with our disposition or re-leasing strategies may trigger impairment charges when the expected future cash flows from the properties from sale or re-lease are less than their net book value.

*Change in provision for credit losses.* The change in our provision for credit losses in our loan portfolio increased by \$0.3 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Under ASC 326, we are required to re-evaluate the expected loss on our portfolio of loans and direct financing lease receivables at each balance sheet date. Changes in our provision for credit losses are driven by revisions to global and asset-specific assumptions in our credit loss model and by changes in the size of our loan and direct financing lease portfolio.

**Other operating income:**

*(Loss) gain on dispositions of real estate, net.* (Loss) gain on dispositions of real estate, net, decreased by \$2.1 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. We disposed of nine and 10 real estate properties during the three months ended September 30, 2024 and 2023, respectively.

**Other (expense)/income:**

*Interest expense.* Interest expense increased by \$9.0 million during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in interest expense was primarily due to an increase in our outstanding debt balance and increased interest rates during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

*Interest income.* Interest income increased by \$0.8 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in interest income was primarily due to an increase in our short term investments during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

*Income tax expense.* Income tax expense decreased by approximately \$3,000 for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. We are organized and operate as a REIT and are generally not subject to U.S. federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. However, the Operating Partnership is subject to taxation in certain state and local jurisdictions that impose income taxes on a partnership.

**Comparison of the nine months ended September 30, 2024 and 2023**

| (dollar amounts in thousands)                                   | Nine months ended September 30, |                   | Change          | %        |
|---|---------------------------------|-------------------|-----------------|----------|
|   | 2024                            | 2023              |                 |          |
| <b>Revenues:</b>  |                                 |                   |                 |          |
| Rental revenue  | \$ 313,392                      | \$ 246,960        | \$ 66,432       | 26.9 %   |
| Interest income on loans and direct financing lease receivables | 16,075                          | 13,548            | 2,527           | 18.7 %   |
| Other revenue, net  | 434                             | 1,353             | (919)           | (67.9)%  |
| <b>Total revenues</b>   | <b>329,901</b>                  | <b>261,861</b>    | <b>68,040</b>   |          |
| <b>Expenses:</b>  |                                 |                   |                 |          |
| General and administrative                                      | 26,691                          | 23,343            | 3,348           | 14.3 %   |
| Property expenses   | 3,685                           | 3,346             | 339             | 10.1 %   |
| Depreciation and amortization                                   | 89,332                          | 74,779            | 14,553          | 19.5 %   |
| Provision for impairment of real estate                         | 12,259                          | 1,645             | 10,614          | 645.2 %  |
| Change in provision for credit losses                           | 249                             | (85)              | 334             | (392.9)% |
| <b>Total expenses</b>   | <b>132,216</b>                  | <b>103,028</b>    | <b>29,188</b>   |          |
| <b>Other operating income:</b>                                  |                                 |                   |                 |          |
| (Loss) Gain on dispositions of real estate, net                 | 1,402                           | 19,320            | (17,918)        | (92.7)%  |
| <b>Income from operations</b>                                   | <b>199,087</b>                  | <b>178,153</b>    | <b>20,934</b>   |          |
| <b>Other (expense)/income:</b>                                  |                                 |                   |                 |          |
| Loss on debt extinguishment                                     | —                               | (116)             | 116             | (100.0)% |
| Interest expense  | (54,586)                        | (36,837)          | (17,749)        | 48.2 %   |
| Interest income   | 2,510                           | 1,416             | 1,094           | 77.3 %   |
| Other income  | 1,548                           | —                 | 1,548           | 100.0 %  |
| <b>Income before income tax expense</b>                         | <b>148,559</b>                  | <b>142,616</b>    | <b>5,943</b>    |          |
| Income tax expense  | 470                             | 472               | (2)             | (0.4)%   |
| <b>Net income</b>   | <b>148,089</b>                  | <b>142,144</b>    | <b>5,945</b>    |          |
| Net income attributable to non-controlling interests            | (460)                           | (532)             | 72              | (13.5)%  |
| <b>Net income attributable to stockholders</b>                  | <b>\$ 147,629</b>               | <b>\$ 141,612</b> | <b>\$ 6,017</b> |          |

**Revenues:**

**Rental revenue.** Rental revenue increased by \$66.4 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase in rental revenue was driven primarily by the growth in the size of our real estate investment portfolio, which generated additional revenues. Our real estate investment portfolio grew from 1,648 rental properties, representing \$4.3 billion in net investments in real estate, as of September 30, 2023 to 1,899 rental properties, representing \$5.3 billion in net investments in real estate, as of September 30, 2024. Our real estate investments were acquired throughout the periods presented and were not all owned by us for the entirety of the applicable periods; accordingly, a significant portion of the increase in rental revenue between periods is related to recognizing revenue in 2024 from acquisitions that were made during 2023 and early 2024.

**Interest on loans and direct financing lease receivables.** Interest on loans and direct financing lease receivables increased by \$2.5 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, due to an increase in investments in loans receivable during 2024, leading to a higher average daily balance of loans receivable outstanding during the nine months ended September 30, 2024.

**Other revenue, net.** Other revenue decreased by \$0.9 million during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to the receipt of insurance claim proceeds during the nine months ended September 30, 2023.

**Expenses:**

*General and administrative expenses.* General and administrative expenses increased by \$3.3 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase was primarily related to an increase in non-cash share-based compensation, salary expense, and professional fees incurred during the nine months ended September 30, 2024.

*Property expenses.* Property expenses increased by \$0.3 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase in property expenses was primarily due to increased reimbursable property taxes and property-related operational costs during the nine months ended September 30, 2024.

*Depreciation and amortization expense.* Depreciation and amortization expense increased by \$14.6 million during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. Depreciation and amortization expense increased in proportion to the increase in the size of our real estate portfolio during the nine months ended September 30, 2024.

*Provision for impairment of real estate.* Impairment charges on real estate investments were \$12.3 million and \$1.6 million for the nine months ended September 30, 2024 and 2023, respectively. During the nine months ended September 30, 2024 and 2023, we recorded a provision for impairment of real estate on 17 and five of our real estate investments, respectively. We strategically seek to identify non-performing properties that we may re-lease or dispose of in an effort to improve our returns and manage risk exposure. An increase in vacancy associated with our disposition or re-leasing strategies may trigger impairment charges when the expected future cash flows from the properties from sale or re-lease are less than their net book value.

*Change in provision for loan losses.* The change in our provision for credit losses in our loan portfolio increased by \$0.3 million during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. Under ASC 326, we are required to re-evaluate the expected loss on our portfolio of loans and direct financing lease receivables at each balance sheet date. Changes in our provision for loan losses are driven by revisions to global and loan-specific assumptions in our loan loss model and by changes in the size of our loan and direct financing lease portfolio.

**Other operating income:**

*(Loss) gain on dispositions of real estate, net.* (Loss) gain on dispositions of real estate, net, decreased by \$17.9 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. We disposed of 22 and 43 real estate properties during the nine months ended September 30, 2024 and 2023, respectively.

**Other (expense)/income:**

*Interest expense.* Interest expense increased by \$17.7 million during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase in interest expense was primarily due to an increase in our outstanding debt balance and increased interest rates during the nine months ended September 30, 2024.

*Interest income.* Interest income increased by \$1.1 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase in interest income was primarily due to an increase in our short term investments during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

*Other income.* During the nine months ended September 30, 2024, we recorded \$1.5 million of other income related to the settlement of litigation with a former tenant. Substantially all of this amount relates to proceeds received to recoup legal fees and other related expenses previously incurred associated with enforcing our rights under the leases with the former tenant.

*Income tax expense.* Income tax expense decreased by approximately \$2,000 for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. We are organized and operate as a REIT and are not subject to U.S. federal corporate income taxes on our REIT taxable income that is currently

distributed to our stockholders. However, the Operating Partnership is subject to taxation in certain state and local jurisdictions that impose income taxes on a partnership.

### **Non-GAAP Financial Measures**

Our reported results are presented in accordance with GAAP. We also disclose the following non-GAAP financial measures: funds from operations ("FFO"), core funds from operations ("Core FFO"), adjusted funds from operations ("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"). 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 certain transaction related gains, losses, income or expense or other non-core amounts as they occur.

To derive AFFO, we modify our computation of Core 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, non-cash compensation expense, other amortization expense, other non-cash charges and capitalized interest expense. 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 when assessing our 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.



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The following table reconciles net income (which is the most comparable GAAP measure) to FFO, Core FFO and AFFO attributable to stockholders and non-controlling interests:

| (in thousands)   | Three months ended September 30, |                  | Nine months ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2024                             | 2023             | 2024                            | 2023              |
| <b>Net income</b>  | \$ 49,293                        | \$ 46,088        | \$ 148,089                      | \$ 142,144        |
| Depreciation and amortization of real estate                               | 30,839                           | 26,186           | 89,211                          | 74,701            |
| Provision for impairment of real estate                                    | 5,695                            | 165              | 12,259                          | 1,645             |
| (Loss) gain on dispositions of real estate, net                            | 243                              | (1,859)          | (1,402)                         | (19,320)          |
| <b>FFO attributable to stockholders and non-controlling interests</b>      | <b>86,070</b>                    | <b>70,580</b>    | <b>248,157</b>                  | <b>199,170</b>    |
| Non-core expense (income) <sup>(1)</sup>                                   | —                                | 116              | —                               | (588)             |
| <b>Core FFO attributable to stockholders and non-controlling interests</b> | <b>86,070</b>                    | <b>70,696</b>    | <b>248,157</b>                  | <b>198,582</b>    |
| Adjustments:   |                                  |                  |                                 |                   |
| Straight-line rental revenue, net  | (11,099)                         | (7,191)          | (31,259)                        | (20,739)          |
| Non-cash interest  | 1,115                            | 762              | 2,999                           | 2,195             |
| Non-cash compensation expense  | 2,618                            | 2,144            | 8,205                           | 7,022             |
| Other amortization expense   | 261                              | 708              | 736                             | 1,244             |
| Other non-cash adjustments   | 413                              | (68)             | 974                             | (101)             |
| Capitalized interest expense   | (1,486)                          | (750)            | (3,690)                         | (1,765)           |
| <b>AFFO attributable to stockholders and non-controlling interests</b>     | <b>\$ 77,892</b>                 | <b>\$ 66,301</b> | <b>\$ 226,122</b>               | <b>\$ 186,438</b> |

(1) Includes the following during the: i) three months ended September 30, 2023 — \$0.1 million loss on debt extinguishment; ii) nine months ended September 30, 2023 — \$0.1 million loss on debt extinguishment, \$0.9 million of insurance recovery income and \$0.2 million of severance expense and non-cash compensation expense.

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. We believe that these measures are useful to investors and analysts because they provide supplemental information concerning our operating performance, exclusive of certain non-cash items 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.

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The following table reconciles net income (which is the most comparable GAAP measure) to EBITDA and EBITDAre attributable to stockholders and non-controlling interests:

| (in thousands)   | Three months ended September 30, |                  | Nine months ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2024                             | 2023             | 2024                            | 2023              |
| <b>Net income</b>  | \$ 49,293                        | \$ 46,088        | \$ 148,089                      | \$ 142,144        |
| Depreciation and amortization  | 30,879                           | 26,212           | 89,332                          | 74,779            |
| Interest expense   | 21,627                           | 12,633           | 54,586                          | 36,837            |
| Interest income  | (1,169)                          | (330)            | (2,510)                         | (1,416)           |
| Income tax expense   | 159                              | 162              | 470                             | 472               |
| <b>EBITDA attributable to stockholders and non-controlling interests</b>   | 100,789                          | 84,765           | 289,967                         | 252,816           |
| Provision for impairment of real estate                                    | 5,695                            | 165              | 12,259                          | 1,645             |
| (Loss) gain on dispositions of real estate, net                            | 243                              | (1,859)          | (1,402)                         | (19,320)          |
| <b>EBITDAre attributable to stockholders and non-controlling interests</b> | <u>\$ 106,727</u>                | <u>\$ 83,071</u> | <u>\$ 300,824</u>               | <u>\$ 235,141</u> |

We further adjust EBITDAre for the most recently completed quarter (i) based on an estimate calculated as if all re-leasing, 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 certain of our tenants, which is subject to sales thresholds specified in the applicable leases ("Adjusted EBITDAre"). We then annualize quarterly Adjusted EBITDAre by multiplying it by four ("Annualized Adjusted EBITDAre"), which we believe provides a meaningful estimate of our current run rate for all of our investments as of the end of the most recently completed quarter. You should not unduly rely on this measure, as it is based on assumptions and estimates that may prove to be inaccurate. Our actual reported EBITDAre for future periods may be significantly less than our current Annualized Adjusted EBITDAre.

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The following table reconciles net income (which is the most comparable GAAP measure) to Annualized Adjusted EBITDA attributable to stockholders and non-controlling interests for the three months ended September 30, 2024:

| (in thousands)   | Three months ended<br>September 30, 2024 |                |
|--|--|----------------|
| <b>Net income</b>  | \$                                       | 49,293         |
| Depreciation and amortization  |  | 30,879         |
| Interest expense   |  | 21,627         |
| Interest income  |  | (1,169)        |
| Income tax expense   |  | 159            |
| <b>EBITDA attributable to stockholders and non-controlling interests</b>                       |  | <b>100,789</b> |
| Provision for impairment of real estate  |  | 5,695          |
| (Loss) gain on dispositions of real estate, net  |  | 243            |
| <b>EBITDA attributable to stockholders and non-controlling interests</b>                       |  | <b>106,727</b> |
| Adjustment for current quarter re-leasing, acquisition and disposition activity <sup>(1)</sup> |  | 5,052          |
| Adjustment to exclude other non-core or non-recurring activity <sup>(2)</sup>                  |  | 319            |
| Adjustment to exclude termination/prepayment fees and certain percentage rent <sup>(3)</sup>   |  | (172)          |
| <b>Adjusted EBITDA attributable to stockholders and non-controlling interests</b>              | \$                                       | <b>111,926</b> |
| <b>Annualized Adjusted EBITDA attributable to stockholders and non-controlling interests</b>   | \$                                       | <b>447,704</b> |

- (1) Adjustment assumes all re-leasing activity, investments in and dispositions of real estate and loan repayments completed during the three months ended September 30, 2024 had occurred on July 1, 2024.
- (2) Adjustment is made to i) exclude non-core adjustments made in computing Core FFO, ii) exclude changes in our provision for credit losses and iii) eliminate the impact of seasonal fluctuation in certain non-cash compensation expense recorded in the period.
- (3) Adjustment excludes lease termination or loan prepayment fees and 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, if any.

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 available for future investment. We believe excluding cash and cash equivalents and restricted cash available for future investment 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.

The following table reconciles total debt (which is the most comparable GAAP measure) to net debt:

| (in thousands)  | September 30, 2024  | December 31, 2023   |
|---|---------------------|---------------------|
| Unsecured term loans, net of deferred financing costs     | \$ 1,720,158        | \$ 1,272,772        |
| Revolving credit facility                                 | 80,000              | —                   |
| Senior unsecured notes, net                               | 396,264             | 395,846             |
| <b>Total debt</b>   | <b>2,196,422</b>    | <b>1,668,618</b>    |
| Deferred financing costs and original issue discount, net | 13,578              | 11,382              |
| <b>Gross debt</b>   | <b>2,210,000</b>    | <b>1,680,000</b>    |
| Cash and cash equivalents                                 | (32,656)            | (39,807)            |
| Restricted cash available for future investment           | (6,055)             | (9,156)             |
| <b>Net debt</b>   | <b>\$ 2,171,289</b> | <b>\$ 1,631,037</b> |

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, in accordance with GAAP. Cash NOI further excludes non-cash items included in total revenues and property expenses, such as straight-line rental

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revenue and other amortization and non-cash charges. We believe 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 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.

The following table reconciles net income (which is the most comparable GAAP measure) to NOI and Cash NOI attributable to stockholders and non-controlling interests:

| (in thousands)   | Three months ended September 30, |                  | Nine months ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2024                             | 2023             | 2024                            | 2023              |
| <b>Net income</b>  | \$ 49,293                        | \$ 46,088        | \$ 148,089                      | \$ 142,144        |
| General and administrative expense   | 8,623                            | 7,174            | 26,691                          | 23,343            |
| Depreciation and amortization  | 30,879                           | 26,212           | 89,332                          | 74,779            |
| Provision for impairment of real estate                                    | 5,695                            | 165              | 12,259                          | 1,645             |
| Provision for loan losses  | 246                              | (63)             | 249                             | (85)              |
| Gain on dispositions of real estate, net                                   | 243                              | (1,859)          | (1,402)                         | (19,320)          |
| Loss on debt extinguishment  | —                                | 116              | —                               | 116               |
| Interest expense   | 21,627                           | 12,633           | 54,586                          | 36,837            |
| Interest income  | (1,169)                          | (330)            | (2,510)                         | (1,416)           |
| Other  | —                                | —                | (1,548)                         | —                 |
| Income tax expense   | 159                              | 162              | 470                             | 472               |
| <b>NOI attributable to stockholders and non-controlling interests</b>      | <b>115,596</b>                   | <b>90,298</b>    | <b>326,216</b>                  | <b>258,515</b>    |
| Straight-line rental revenue, net  | (11,099)                         | (7,191)          | (31,259)                        | (20,739)          |
| Other amortization expense   | 674                              | 708              | 1,710                           | 1,241             |
| <b>Cash NOI attributable to stockholders and non-controlling interests</b> | <b>\$ 105,171</b>                | <b>\$ 83,815</b> | <b>\$ 296,667</b>               | <b>\$ 239,017</b> |

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Over time, we generally seek to match the expected cash inflows from our long-term leases and loans receivable with the expected cash outflows for our long-term debt. To seek to achieve this objective, we issue senior unsecured notes and borrow under our Revolving Credit Facility and through term loans.

| (in thousands)              | Maturity Date                | Principal Outstanding |                     | Weighted Average Interest Rate <sup>(1)</sup> |                   |
|-----------------------------|------------------------------|-----------------------|---------------------|---|-------------------|
|                             |                              | September 30, 2024    | December 31, 2023   | September 30, 2024                            | December 31, 2023 |
| Unsecured term loans:       |                              |                       |                     |   |                   |
| 2027 Term Loan              | February 2027                | \$ 430,000            | \$ 430,000          | 2.4%  | 2.4%              |
| 2028 Term Loan              | January 2028                 | 400,000               | 400,000             | 4.6%  | 4.6%              |
| 2029 Term Loan              | February 2029 <sup>(2)</sup> | 450,000               | 450,000             | 5.4%  | 4.3%              |
| 2030 Term Loan              | January 2030 <sup>(2)</sup>  | 450,000               | —                   | 4.9%  | —%                |
| Senior unsecured notes      | July 2031                    | 400,000               | 400,000             | 3.1%  | 3.1%              |
| Revolving Credit Facility   | February 2026                | 80,000                | —                   | 5.7%  | —%                |
| Total principal outstanding |                              | <u>\$ 2,210,000</u>   | <u>\$ 1,680,000</u> | 4.2%  | 3.6%              |

(1) Interest rates are presented after giving effect to our interest rate swap and lock agreements, where applicable.

(2) After giving effect to extension options exercisable at the Operating Partnership's election.

While our borrowings under the the 2027 Term Loan, 2028 Term Loan, 2029 Term Loan and 2030 Term Loan are variable-rate, we have effectively fixed the interest rate under these term loans by entering into interest rate swap agreements where we pay a fixed interest rate and receive a floating interest rate equal to the rate we pay on the respective loan. At September 30, 2024, our aggregate liability in the event of the early termination of our swaps was \$23.1 million.

Borrowings outstanding under the Revolving Credit Facility from time to time bear interest at a variable rate equal to 1-month SOFR plus a leverage-based credit spread. Therefore, an increase or decrease in interest rates would result in an increase or decrease to our interest expense related to the Revolving Credit Facility. We monitor our market interest rate risk exposures using a sensitivity analysis. Our sensitivity analysis estimates the exposure to market risk sensitive instruments assuming a hypothetical adverse change in interest rates. Based on the results of a sensitivity analysis, which assumes a 100-basis point adverse change in interest rates, the estimated market risk exposure for our variable-rate borrowings under the Revolving Credit Facility was \$0.8 million as of September 30, 2024.

We are exposed to interest rate risk between the time we enter into a sale-leaseback transaction, acquire a leased property or invest in a loan receivable and the time we finance the related asset with long-term fixed-rate debt. In addition, when our long-term debt matures, we may have to refinance the debt at a higher interest rate. Market interest rates are sensitive to many factors that are beyond our control. Our interest rate risk management objective is to limit the impact of future interest rate changes on our earnings and cash flows.

In addition to amounts that we borrow under the Revolving Credit Facility, we may incur variable-rate debt in the future that we do not choose to hedge. Additionally, decreases in interest rates may lead to increased competition for the acquisition of real estate due to a reduction in desirable alternative income-producing investments. Increased competition for the acquisition of real estate may lead to a decrease in the yields on real estate we have targeted for acquisition. In such circumstances, if we are not able to offset the decrease in yields by obtaining lower interest costs on our borrowings, our results of operations will be adversely affected. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire real estate with rental rates high enough to offset the increase in interest rates on our borrowings

#### ***Fair Value of Fixed-Rate Indebtedness***

The estimated fair value of our fixed-rate indebtedness under our senior unsecured notes is calculated based on quoted prices in active markets for identical assets. The following table discloses fair value information related to our fixed-rate indebtedness as of September 30, 2024:

| <u>(in thousands)</u>  | <u>Carrying Value <sup>(1)</sup></u> | <u>Estimated Fair Value</u> |
|------------------------|--------------------------------------|-----------------------------|
| Senior unsecured notes | \$ 400,000                           | \$ 347,696                  |

(1) Excludes net deferred financing costs of \$3.2 million and net discount of \$0.5 million.

#### **Item 4. Controls and Procedures.**

##### ***Disclosure Controls and Procedures***

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective in providing reasonable assurance of compliance.

***Changes in Internal Control***

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are subject to various lawsuits, claims and other legal proceedings. Management does not believe that the resolution of any of these matters either individually or in the aggregate will have a material adverse effect on our business, financial condition, results of operations or liquidity. Further, from time to time, we are party to various lawsuits, claims and other legal proceedings for which third parties, such as our tenants, are contractually obligated to indemnify, defend and hold us harmless. In some of these matters, the indemnitors may have insurance for the potential damages. In other matters, we may be being defended by tenants who may not have sufficient insurance, assets, income or resources to satisfy their defense and indemnification obligations to us. The unfavorable resolution of such legal proceedings could, individually or in the aggregate, materially adversely affect the indemnitors' ability to satisfy their respective obligations to us, which, in turn, could have a material adverse effect on our business, financial condition, results of operations or liquidity. It is management's opinion that there are currently no such legal proceedings pending that will, individually or in the aggregate, have such a material adverse effect. Despite management's view of the ultimate resolution of these legal proceedings, we may have significant legal expenses and costs associated with the defense of such matters. Further, management cannot predict the outcome of these legal proceedings and if management's expectation regarding such matters is not correct, such proceedings could have a material adverse effect on our business, financial condition, results of operations or liquidity.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors as disclosed in the section entitled "Risk Factors" beginning on page 15 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and filed with the SEC on February 14, 2024. These risk factors may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None of our directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement during the quarter ended September 30, 2024.

**Item 6. Exhibits.**

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| <a href="#">3.1</a>       | Articles of Amendment and Restatement of Essential Properties Realty Trust, Inc., dated as of June 19, 2018 (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed on February 28, 2019)   |
| <a href="#">3.2</a>       | Certificate of Correction to the Articles of Amendment and Restatement of Essential Properties Realty Trust, Inc., dated as of February 27, 2019 (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed on February 28, 2019)  |
| <a href="#">3.3</a>       | Certificate of Notice, dated August 8, 2019 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 8, 2019)  |
| <a href="#">3.4</a>       | Certificate of Notice, dated February 28, 2020 (Incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K filed on March 2, 2020)  |
| <a href="#">3.5</a>       | Amended and Restated Bylaws of Essential Properties Realty Trust, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 16, 2020)  |
| <a href="#">10.1</a>      | Fifth Amendment to Amended and Restated Credit Agreement, dated as of July 11, 2024, by and among the Company, the Operating Partnership, as borrower, certain subsidiaries of the Company, as subsidiary guarantors, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto, as lenders (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 17, 2024) |
| <a href="#">10.2</a>      | Amended & Restated Employment Agreement between Essential Properties Realty Trust, Inc. and Mark E. Patten, effective as of October 3, 2024 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 7, 2024)  |
| <a href="#">22*</a>       | List of Guarantors and Subsidiary Issuers of Guaranteed Securities  |
| <a href="#">31.1*</a>     | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <a href="#">31.2*</a>     | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <a href="#">32.1**</a>    | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| <a href="#">32.2**</a>    | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 101.INS                   | Inline XBRL Instance Document - the instance does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document  |
| 101.SCH                   | Inline XBRL Taxonomy Extension Schema Document  |
| 101.CAL                   | Inline XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF                   | Inline XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB                   | Inline XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE                   | Inline XBRL Taxonomy Extension Presentation Linkbase Document   |
| 104                       | Cover Page Interactive Data File (embedded within the Inline XBRL document)   |

\* Filed herewith.

\*\* Furnished herewith.





**List of Guarantors and Subsidiary Issuers of Guaranteed Securities**

As of September 30, 2024, Essential Properties Realty Trust, Inc., a Maryland corporation, is the guarantor of the following outstanding guaranteed debt securities issued by its subsidiary Essential Properties, L.P., a Delaware limited partnership:

2.950% Senior Notes due 2031

**CERTIFICATION**

I, Peter M. Mavoides, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Essential Properties Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 23, 2024

By: \_\_\_\_\_ /s/ Peter M. Mavoides

**Peter M. Mavoides**  
**Director, President and Chief Executive Officer**  
**(Principal Executive Officer)**

## CERTIFICATION

I, Mark E. Patten, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Essential Properties Realty Trust, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 23, 2024

By: \_\_\_\_\_ /s/ Mark E. Patten

**Mark E. Patten**  
**Executive Vice President, Chief Financial Officer, Treasurer and**  
**Corporate Secretary**  
**(Principal Financial Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Essential Properties Realty Trust, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Peter M. Mavoides, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 23, 2024

By: \_\_\_\_\_ /s/ Peter M. Mavoides  
**Peter M. Mavoides**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

The foregoing certification is being furnished with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Essential Properties Realty Trust, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Mark E. Patten, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 23, 2024

By: \_\_\_\_\_ /s/ Mark E. Patten

**Mark E. Patten**  
**Executive Vice President, Chief Financial Officer, Treasurer and**  
**Corporate Secretary**  
**(Principal Financial Officer)**

The foregoing certification is being furnished with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.