

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

FORM 8-K

CURRENT REPORT

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

September 14, 2021
Date of Report (Date of earliest event reported)

Essential Properties Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

001-38530
(Commission File Number)

82-4005693
(IRS Employer Identification No.)

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

08540
(Zip Code)

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

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

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

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

| <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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 7.01 — Regulation FD Disclosure.

Investor Presentation

On September 14, 2021, Essential Properties Realty Trust, Inc. released a presentation that it intends to use from time to time in meetings with investors. A copy of the presentation is attached hereto as Exhibit 99.1.

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

Item 9.01 — Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is being filed herewith:

| Exhibit No. | Description |
|----------------------|------------------------------------------------------------------------------|
| 99.1 | Investor Presentation |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURES

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

Date: September 14, 2021

ESSENTIAL PROPERTIES REALTY TRUST, INC.

By:

/s/ Mark E. Patten

Mark E. Patten

Executive Vice President, Treasurer and Chief Financial Officer



ESSENTIAL  PROPERTIES



September 2021 Presentation

Disclaimer

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

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

Investment Highlights

New Vintage Net Lease Portfolio with Strong External Growth Potential Creates a Compelling Investment Opportunity

Newly Assembled Portfolio of Single-Tenant Net Lease Properties with Long Duration Leases and Solid Unit-Level Rent Coverage

14.0 Years
of Weighted Average Lease Term (WALT)¹

3.2x
Unit-Level Rent Coverage¹

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

60+ Years
of Collective Net Lease Experience

\$3.1B
of Undepreciated Total Gross Assets¹

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

95%
Service and Experiential Cash ABR²

\$2.2mm
Average Investment Per Property¹

Disciplined and Proven Investment Strategy Targeting Growth via Sale-Leaseback Transactions with Middle-Market Companies

85%
Internally-Originated Sale-Leasebacks^{2,3}

\$175mm
Average Quarterly Investment Activity⁴

Balance Sheet Positioned to Fund External Growth Opportunities While Maintaining Conservative Long-Term Leverage Profile

4.6x
Net Debt-to-Adjusted Annualized EBITDA¹

33%
Debt-to-Undepreciated Gross Assets¹

1. As of June 30, 2021.

2. Based on Cash ABR as of June 30, 2021.

3. Exclusive of Initial Portfolio.

4. Average quarterly investment activity represents the trailing eight quarter average as of June 30, 2021.

Executive Summary

We Continue to Execute Our External Growth Strategy with a Well Positioned Balance Sheet

| | |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3Q'21 Update | <ul style="list-style-type: none">• Investment Activity¹: Completed ~\$169mm of QTD investments at a 7.2% cash yield with another ~\$67mm under PSA and ~\$210mm under LOI• Investment Statistics²: Closed and probable³ investments are 89% sale-leaseback, 78% master leased and 94% prior relationship-based• Dispositions¹: Sold 11 properties QTD for \$9.9mm in net proceeds• ATM Activity¹: Completed \$75mm of QTD¹ gross equity issuance• Occupancy¹: Our portfolio was 99.9% leased with only one vacant property |
| Well Positioned Balance Sheet | <ul style="list-style-type: none">• Low Leverage: Net Debt / Annualized Adjusted EBITDAre was 4.6x as of 2Q'21• 100% Unsecured: Balance sheet has no secured debt, and asset base is 100% unencumbered• Strong Liquidity: Liquidity was \$530mm as of 2Q'21, which includes \$400mm of capacity on our unsecured credit facility and \$130mn of available cash• Well-Laddered Low-Cost Debt: Our weighted average debt maturity is 6.7 years, and our weighted average interest rate is 3.11% as of 2Q'21 |
| Other | <ul style="list-style-type: none">• 2021 Guidance Range: 2021 AFFO/sh guidance raised to \$1.30-\$1.32 from \$1.24-\$1.28• 3Q'21 Dividend: Declared 3Q'21 quarterly dividend of \$0.25/sh |

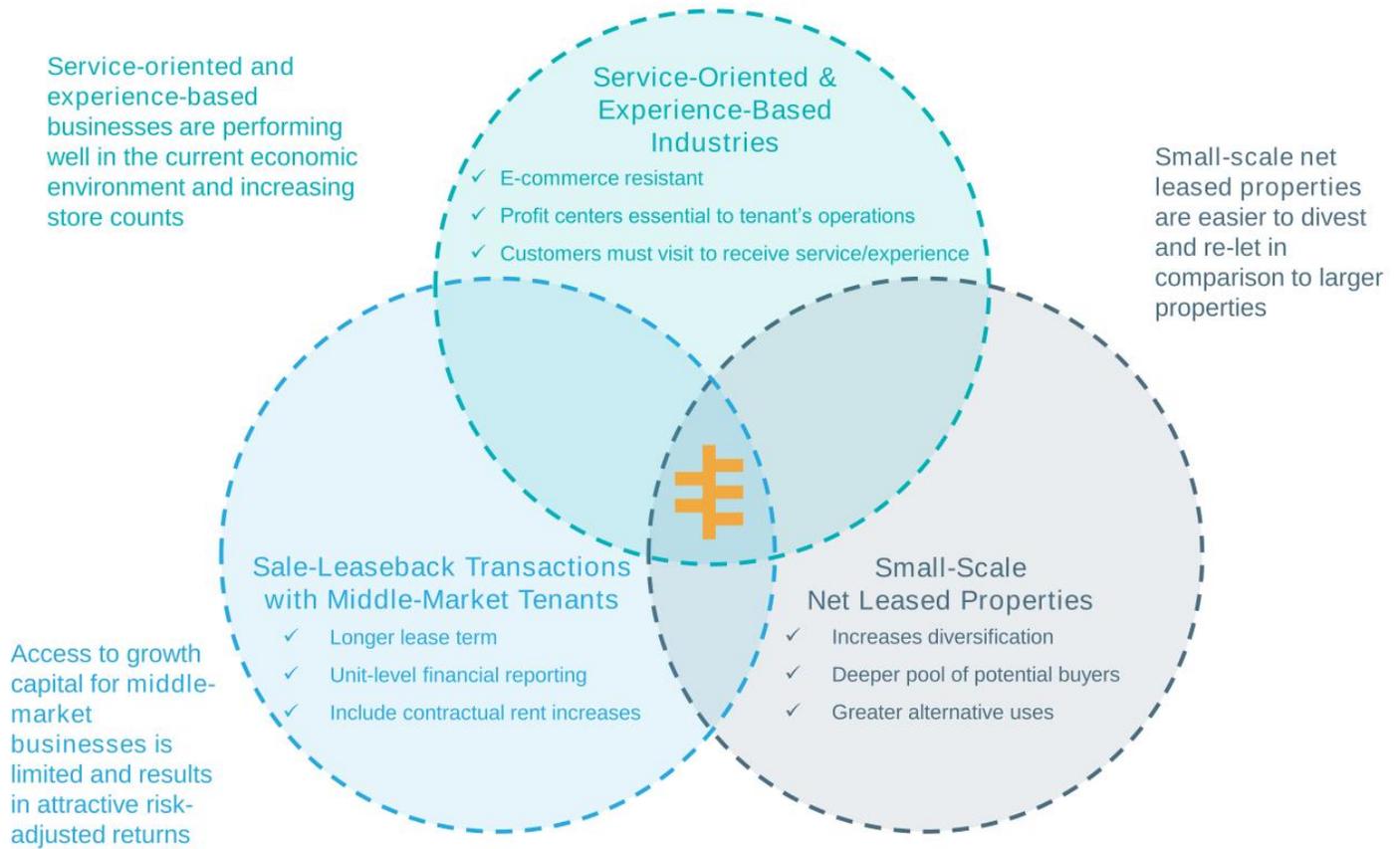
1. As of September 13, 2021.

2. Ratios are based on percentage of Cash ABR.

3. Probable references investments that are under PSA (including investments subject to sign and close agreements) and under LOI.

Targeted Investment Strategy Based on Decades of Experience

Management's Investment Discipline Has Been Refined Over Multiple Decades of Managing Assets Through Various Credit Cycles



Seek to be the Capital Provider of Choice

Maintain Direct Relationships with Our Tenants and Actively Seek to Leverage Our Relationships to Identify New Investment Opportunities

Relationship-Based Sourcing

85.6%

Repeat Business Through Existing Senior Management Relationships¹

84.7%

Internally Originated Sale-Leaseback Transactions²



41.6%

Tenant Relationships

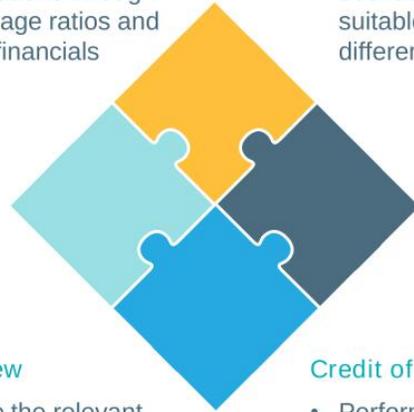
Underwriting Methodology

Unit-Level Profitability

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

Real Estate Valuation

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



Industry View

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

Credit of the Tenant

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

1. Percentage of portfolio cash ABR as of June 30, 2021 that was acquired from parties who previously engaged in one or more transaction with a senior management team member. Exclusive of Initial Portfolio.
2. Percentage of portfolio cash ABR as of June 30, 2021 that was attributable to internally originated sale-leaseback transactions. Exclusive of Initial Portfolio.

New Vintage Portfolio is Focused on Targeted Industries

Our Portfolio is the Result of a Disciplined Adherence to Investing in Properties Leased to Service-Oriented and Experience-Based Businesses with Unit-Level Reporting

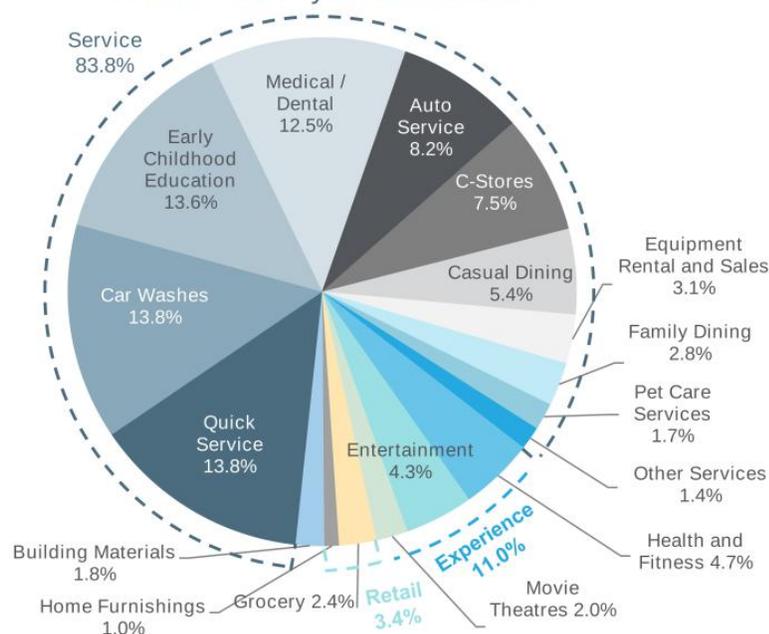
- **E-Commerce Resistant:** 95% of cash ABR comes from service-oriented and experience-based tenants
- **Focus on 17 Industries:** Results in greater sector expertise and more efficient underwriting and asset management
- **Long WALT Limits Near-Term Cash Flow Erosion:** <1% and <4% of our ABR expires through 2023 and 2025, respectively
- **Highly Transparent with No Legacy Issues:** 98.3% unit-level reporting; investment program started in June 2016

Portfolio Highlights

| | June 30, 2021 |
|------------------------------------------------|---------------|
| Investment Properties (#) ¹ | 1,325 |
| Square Footage (mm) | 11.6 |
| Tenants (#) | 281 |
| Industries (#) | 17 |
| States (#) | 44 |
| Weighted Average Remaining Lease Term (Years) | 14.0 |
| Master Leases (% of Cash ABR) | 59.5% |
| Sale-Leaseback (% of Cash ABR) ^{2,3} | 84.7% |
| Unit-Level Rent Coverage | 3.2x |
| Unit-Level Financial Reporting (% of Cash ABR) | 98.3% |
| Leased (%) | 99.8% |
| Top 10 Tenants (% of Cash ABR) | 19.5% |
| Average Investment Per Property (\$mm) | \$2.2 |

1. Includes 159 properties that secure mortgage loans receivable.
 2. Exclusive of Initial Portfolio.
 3. Includes investments in mortgage loans receivable made in support of sale-leaseback transactions.

Tenant Industry Diversification



Portfolio Summary

Our Top 10 Tenants Operate 222 Properties and Represent 19.5% of Cash ABR

Top 10 Tenants

| Top 10 Tenants ¹ | Properties | % of Cash ABR |
|-----------------------------------------------------------------------------------|--------------|---------------|
|  | 74 | 2.5% |
|  | 17 | 2.4% |
|  | 23 | 2.3% |
|  | 13 | 2.1% |
|  | 34 | 1.8% |
|  | 5 | 1.8% |
|  | 19 | 1.7% |
|  | 5 | 1.7% |
|  | 19 | 1.6% |
|  | 13 | 1.6% |
| Top 10 Tenants | 222 | 19.5% |
| Total | 1,325 | 100.0% |

Diversification by Industry

| Tenant Industry | Type of Business | Cash ABR (\$'000s) | % of Cash ABR | # of Properties ² | Building SqFt | Rent Per SqFt ³ |
|----------------------------|------------------|--------------------|---------------|------------------------------|-------------------|----------------------------|
| Quick Service | Service | \$ 28,975 | 13.8% | 350 | 958,092 | \$ 30.11 |
| Car Washes | Service | 28,802 | 13.8% | 119 | 559,428 | 50.61 |
| Early Childhood Education | Service | 28,426 | 13.6% | 122 | 1,288,886 | 21.71 |
| Medical / Dental | Service | 26,083 | 12.5% | 158 | 1,089,845 | 23.97 |
| Automotive Service | Service | 17,075 | 8.2% | 125 | 876,015 | 20.57 |
| Convenience Stores | Service | 15,800 | 7.5% | 144 | 570,876 | 27.68 |
| Casual Dining | Service | 11,368 | 5.4% | 82 | 466,641 | 24.93 |
| Equipment Rental and Sales | Service | 6,503 | 3.1% | 27 | 540,352 | 12.04 |
| Family Dining | Service | 5,768 | 2.8% | 39 | 227,894 | 25.31 |
| Pet Care Services | Service | 3,622 | 1.7% | 36 | 262,371 | 17.35 |
| Other Services | Service | 3,055 | 1.4% | 18 | 199,983 | 16.06 |
| Service Subtotal | | \$ 175,477 | 83.8% | 1,220 | 7,040,383 | \$ 25.21 |
| Health and Fitness | Experience | 9,885 | 4.7% | 25 | 1,004,189 | 9.84 |
| Entertainment | Experience | 9,097 | 4.3% | 22 | 735,738 | 12.36 |
| Movie Theatres | Experience | 4,171 | 2.0% | 6 | 293,206 | 14.22 |
| Experience Subtotal | | \$ 23,153 | 11.0% | 53 | 2,033,133 | \$ 11.39 |
| Grocery | Retail | 4,966 | 2.4% | 23 | 961,560 | 5.16 |
| Home Furnishings | Retail | 1,998 | 1.0% | 4 | 217,339 | 9.19 |
| Retail Subtotal | | \$ 6,964 | 3.4% | 27 | 1,178,899 | \$ 5.91 |
| Building Materials | Industrial | 3,748 | 1.8% | 23 | 1,257,017 | 2.98 |
| Total | | \$ 209,342 | 100.0% | 1,323 | 11,509,433 | \$ 18.28 |

1. Represents tenant, guarantor or parent company.

2. Property count includes 159 properties that secure mortgage loans receivable, but excludes two vacant properties as of June 30, 2021.

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

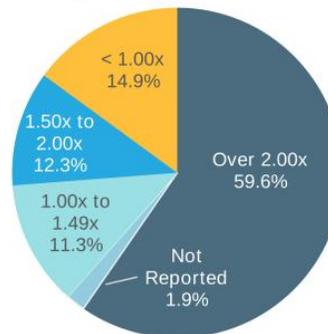
Disciplined Underwriting Leading to Healthy Portfolio Metrics

98.2% of Unit-Level Reporting Provides (Near) Real-Time Tenant Visibility

Tenant Financial Reporting Requirements

| Reporting Requirements | % of Cash ABR |
|-----------------------------------------------------------|---------------|
| Unit-Level Financial Information | 98.3% |
| Corporate-Level Financial Reporting | 98.3% |
| Both Unit-Level and Corporate-Level Financial Information | 97.8% |
| No Financial Information | 1.5% |

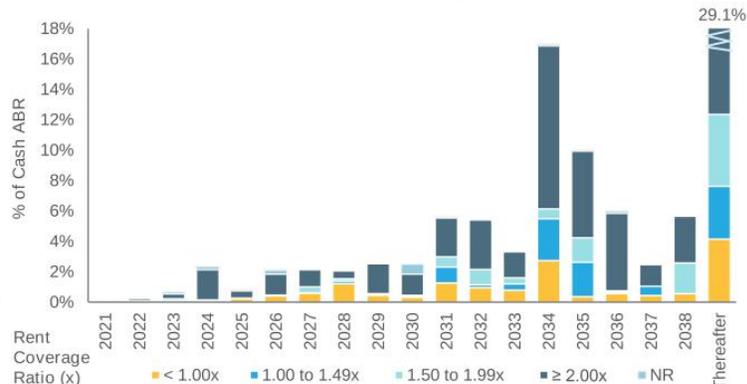
% of Cash ABR by Unit-Level Coverage Tranche¹



Unit-Level Coverage by Tenant Credit²



Unit-Level Coverage by Lease Expiration



Note: 'NR' means not reported.

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

2. The chart illustrates the portions of annualized base rent as of June 30, 2021 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores. Moody's equates the EDF scores generated using RiskCalc with a corresponding credit rating.

Established and Proven Investment Infrastructure

Scalable Platform Allows for Consistent Sourcing of Investment Activity at Attractive Yields without Sacrificing Underwriting Standards and Investment Focus



| Investments ¹ | 3Q'19 | 4Q'19 | 1Q'20 | 2Q'20 | 3Q'20 | 4Q'20 | 1Q'21 | 2Q'21 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of Transactions | 28 | 41 | 32 | 11 | 19 | 33 | 22 | 34 |
| Property Count | 139 | 94 | 63 | 13 | 50 | 108 | 74 | 94 |
| Avg. Investment per Unit (in 000s) | \$1,174 | \$2,049 | \$2,551 | \$2,870 | \$2,866 | \$2,218 | \$2,650 | \$2,354 |
| Cash Cap Rates ² | 7.5% | 7.3% | 7.1% | 7.4% | 7.1% | 7.1% | 7.0% | 7.1% |
| GAAP Cap Rates ³ | 8.3% | 8.0% | 8.0% | 8.1% | 7.9% | 7.7% | 7.9% | 7.8% |
| Master Lease % ^{4,5} | 73% | 41% | 54% | 68% | 79% | 89% | 79% | 83% |
| Sale-Leaseback % ^{4,6} | 93% | 81% | 88% | 100% | 92% | 88% | 85% | 88% |
| % of Financial Reporting ⁴ | 100% | 99% | 100% | 100% | 100% | 100% | 100% | 100% |
| Rent Coverage Ratio | 3.2x | 3.1x | 2.7x | 4.3x | 2.8x | 3.6x | 3.0x | 2.7x |
| Lease Term Years | 16.6 | 16.3 | 16.1 | 16.7 | 17.6 | 16.3 | 16.1 | 13.5 |

1. Includes investments in mortgage loans receivable.

2. Cash ABR for the first full month after the investment divided by the gross purchase price for the property plus transaction costs.

3. GAAP rent for the first twelve months after the investment divided by the gross purchase price for the property plus transaction costs.

4. As a percentage of cash ABR for the quarter.

5. Includes investments in mortgage loan receivables collateralized by more than one property.

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

Active Asset Management

Proactive Asset Management Mitigates Risk and Maximizes Risk-Adjusted Returns

Dispositions Have Traded at Attractive Cap Rates: Since our inception in 2016 through 2Q'21, we have sold 220 properties for net proceeds of \$329 million. Excluding vacant properties, we have sold 175 leased properties at a weighted average cash cap rate of 6.9%, which had a weighted average coverage ratio of 1.8x.



| Dispositions | 3Q'19 | 4Q'19 | 1Q'20 | 2Q'20 | 3Q'20 | 4Q'20 | 1Q'21 | 2Q'21 |
|---------------------------------------------|-------|-------|-------|-------|--------|---------|-------|--------|
| Realized Gain/(Loss) ^{1,2} | 17.8% | 8.5% | 3.2% | 29.5% | (4.5%) | (10.2%) | 4.5% | (7.3%) |
| Cash Cap Rate on Leased Assets ³ | 6.7% | 6.9% | 7.1% | 6.8% | 7.0% | 7.4% | 7.1% | 7.1% |
| Leased Properties Sold ⁴ | 9 | 7 | 10 | 3 | 11 | 21 | 15 | 6 |
| Vacant Properties Sold ⁴ | 1 | 1 | -- | -- | 3 | 2 | 1 | 1 |
| Rent Coverage Ratio | 1.1x | 1.7x | 0.7x | 1.3x | 2.2x | 2.3x | 1.8x | 1.8x |

1. Includes transaction costs.

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

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

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

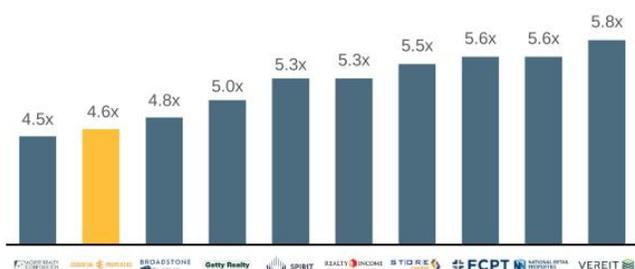
Low Leverage and Ample Liquidity to Drive Robust AFFO/sh Growth

Ample Liquidity and Balance Sheet Capacity to Support External Growth

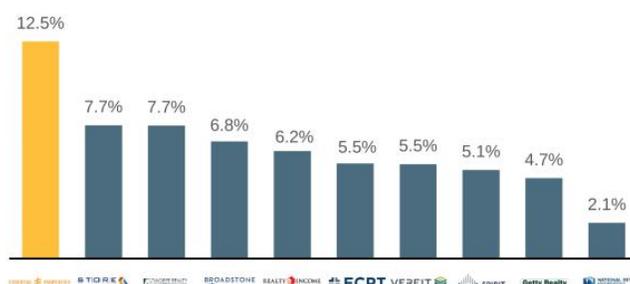
- **100% Unsecured Balance Sheet:** Balance sheet has no secured debt, and asset base is 100% unencumbered
- **Flexible Debt Structure:** We have no debt maturities until 2024²
- **Low Leverage:** 2Q'21 Net Debt / Annualized Adjusted EBITDAre was 4.6x
- **Strong Liquidity:** We have \$530mm in immediate liquidity as of 2Q'21, which consists of \$130mm in cash and full availability of our \$400mm unsecured revolving credit facility
- **Accordions:** We have \$270mm of aggregate accordions through the \$200mm accordion feature on our \$400mm unsecured credit facility and the \$70mm accordion feature on our term loan expiring in 2026

Net Debt + Preferred / EBITDAre

(Net Debt plus Preferred-to-Adjusted Annualized EBITDAre²)



2022E AFFO per Share Growth³



Source: Public filings, Factset, and SNL.

Note: Market data as of September 13, 2021. Financial data as of June 30, 2021.

1. Our unsecured credit facility expires in 2023, but has a one-year extension option at the Company's election.

2. Companies may define adjusted annualized EBITDAre differently; accordingly, such data for these companies and EPRT may not be comparable.

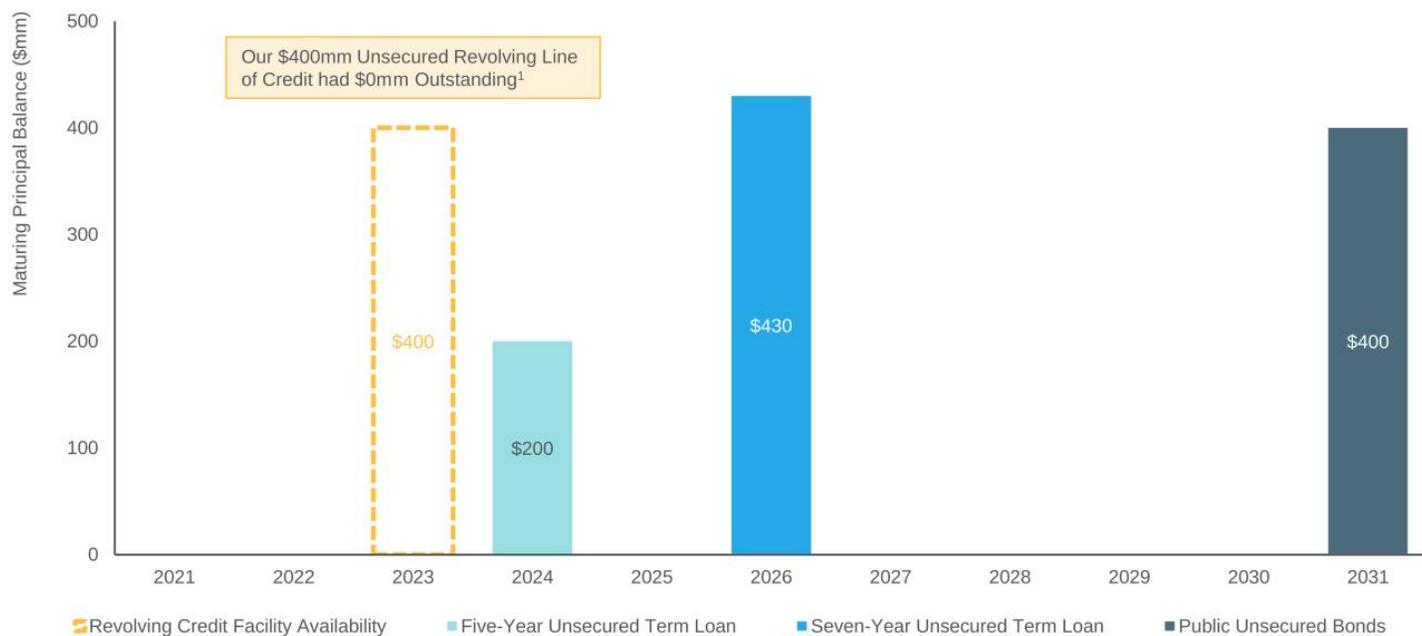
3. 2022E AFFO per share growth is calculated using FactSet mean 2022E AFFO per share estimates and FactSet mean 2021E AFFO per share estimates.

Flexible Debt Structure

No Significant Debt Maturities Until 2024

- **Well-Laddered Low-Cost Debt:** Our weighted average debt maturity is 6.7 years, and our weighted average interest rate is 3.11% as of 2Q'21

Debt Maturity Schedule¹

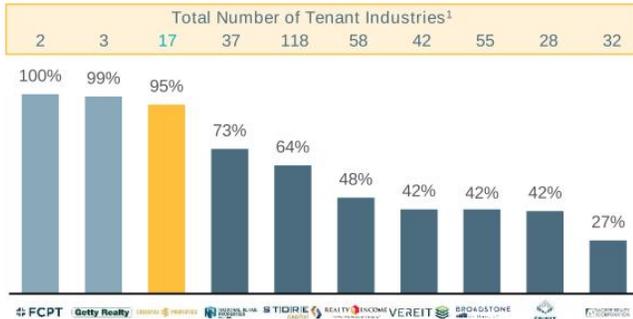


1. As of June 30, 2021.

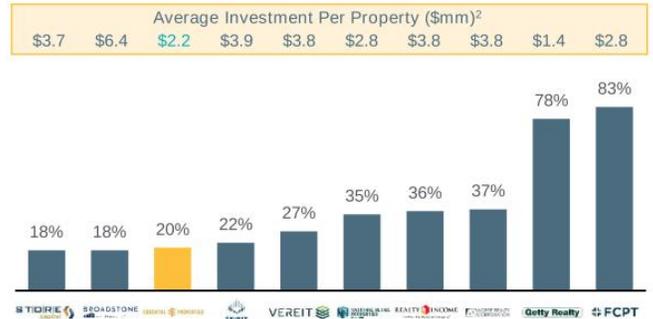
Differentiated Net Lease Portfolio

Portfolio Mix and Underlying Fundamentals are Favorable Relative to Peers

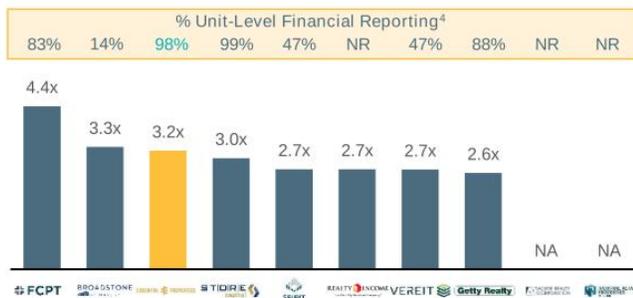
Service-Oriented & Experience-Based Industries (% of ABR)



Less Reliance on Top 10 Tenancy with Smaller Scale Properties (% of ABR)



Strong Unit-Level Coverage³ & Transparency



Limited Intermediate-Term Lease Maturities (% of Rent Expiring through 2025)



Source: Public filings and press releases.

Note: Company data based on most recent reported filings for period ending June 30, 2021. 'NR' means not reported. Companies may define service-oriented and experience-based tenants differently, may calculate weighted average remaining lease term differently, may calculate unit-level coverage differently (including peers on a mean or median basis with EPRT representing a weighted average) and may calculate the percentage of their tenants reporting differently than EPRT. Accordingly, such data for these companies and EPRT may not be comparable.

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

2. Investment value includes land and improvements, building and improvements, lease incentives, construction in progress, intangible lease assets, loans and direct financing lease receivables and real estate investments held for sale, all at cost.

3. EPRT, GTY, O, SRC and STOR coverage based on four-wall.

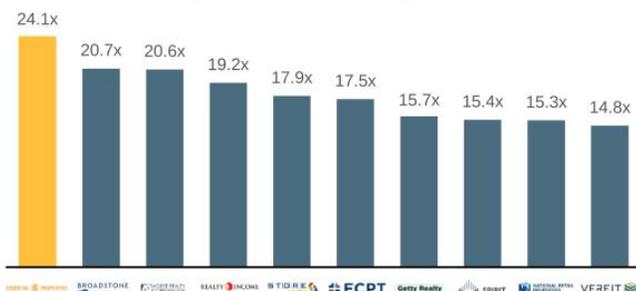
4. VER property level sales data was collected for 88.4% of retail and restaurant properties required to provide unit level sales reports, representing 46.6% of retail and restaurant properties owned.

5. GTY discontinued reporting lease maturity by year in 2Q21.

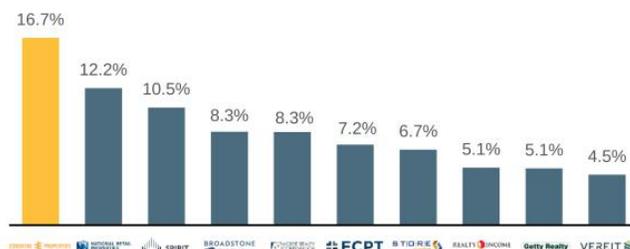
Relative Valuation and Growth

EPRT's Projected AFFO/sh Growth is Sector Leading

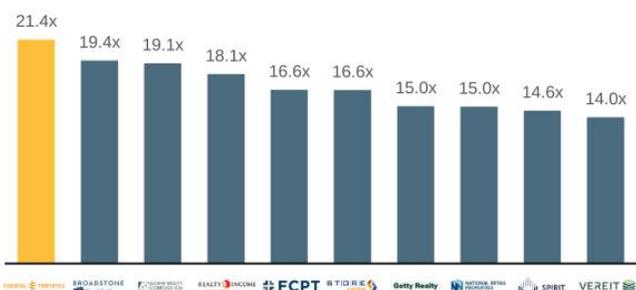
2021E AFFO per Share Multiple¹



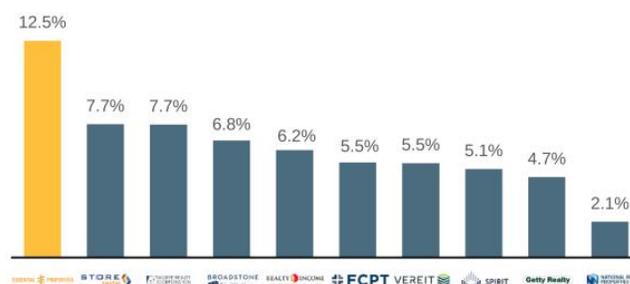
2021E AFFO per Share Growth²



2022E AFFO per Share Multiple³



2022E AFFO per Share Growth⁴



Source: Public filings, FactSet and SNL.

Note: Market data as of September 13, 2021.

1. 2021E AFFO per share multiple calculated using current price per share and FactSet mean 2021E AFFO per share estimates.

2. 2021E AFFO per share growth is calculated using FactSet mean 2021E AFFO per share estimates and 2020A AFFO per share. BNL 2020A AFFO calculated using 4Q20 AFFO, annualized, to adjust for timing of IPO. NNN 2020A AFFO of \$2.68 excludes the net straight-line accrued rent impact of the rent deferrals (repayments) from the COVID-19 rent deferral lease amendment of \$30mm for the year ended December 31, 2020.

3. 2022E AFFO per share multiple calculated using current price per share and FactSet mean 2022E AFFO per share estimates.

4. 2022E AFFO per share growth is calculated using FactSet mean 2022E AFFO per share estimates and FactSet mean 2021E AFFO per share estimates.



Appendix



Financial Summary – 2Q'21

Consolidated Statements of Operations

| (in thousands, except share and per share data) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
| | 2021 (unaudited) | 2020 (unaudited) | 2021 (unaudited) | 2020 (unaudited) |
| Revenues: | | | | |
| Rental revenue ^{1,2,3} | \$ 53,150 | \$ 36,465 | \$ 98,582 | \$ 76,007 |
| Interest on loans and direct financing lease receivables | 3,879 | 2,037 | 6,984 | 3,976 |
| Other revenue, net | 37 | 1 | 52 | 8 |
| Total revenues | 57,066 | 38,503 | 105,618 | 79,991 |
| Expenses: | | | | |
| General and administrative ⁴ | 6,470 | 6,253 | 12,901 | 13,789 |
| Property expenses ⁵ | 1,174 | 572 | 2,588 | 945 |
| Depreciation and amortization | 17,184 | 13,464 | 32,830 | 26,476 |
| Provision for impairment of real estate | 398 | 1,486 | 6,120 | 1,859 |
| Change in provision for loan losses | (166) | 48 | (128) | 516 |
| Total expenses | 25,060 | 21,823 | 54,311 | 43,585 |
| Other operating income: | | | | |
| Gain on dispositions of real estate, net | 3,710 | 1,093 | 7,498 | 2,968 |
| Income from operations | 35,716 | 17,773 | 58,805 | 39,374 |
| Other (expense)/income: | | | | |
| Loss on repayment and repurchase of secured borrowings ⁶ | (4,461) | — | (4,461) | (924) |
| Interest expense | (7,811) | (7,403) | (15,489) | (14,236) |
| Interest income | 17 | 144 | 37 | 375 |
| Income before income tax expense | 23,461 | 10,514 | 38,892 | 24,589 |
| Income tax expense | 61 | 70 | 117 | 101 |
| Net income | 23,400 | 10,444 | 38,775 | 24,488 |
| Net income attributable to non-controlling interests | (116) | (63) | (196) | (147) |
| Net income attributable to stockholders and members | \$ 23,284 | \$ 10,381 | \$ 38,579 | \$ 24,341 |
| Basic weighted-average shares outstanding | | | | |
| | 116,318,386 | 91,604,397 | 111,678,562 | 90,963,400 |
| Basic net income per share | \$ 0.20 | \$ 0.11 | \$ 0.34 | \$ 0.27 |
| Diluted weighted-average shares outstanding | | | | |
| | 117,513,344 | 92,483,898 | 112,770,501 | 91,908,098 |
| Diluted net income per share | \$ 0.20 | \$ 0.11 | \$ 0.34 | \$ 0.26 |

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$62, \$56, \$231 and \$257 for the three and six months ended June 30, 2021 and 2020, respectively.

2. Includes reimbursable income from the Company's tenants of \$399, \$347, \$852 and \$511 for the three and six months ended June 30, 2021 and 2020, respectively.

3. During the three and six months ended June 30, 2021, includes the recognition of \$2,061 and \$1,044 of cash and straight-line rent receivables, respectively, for previously unaccrued amounts from tenants that were moved from non-accrual to accrual accounting.

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

5. Includes reimbursable expenses from the Company's tenants of \$398, \$346, \$850, and \$511 for the three and six months ended June 30, 2021 and 2020, respectively.

6. Includes a make-whole payment of \$2,543 and the write-off of \$1,873 of deferred financing costs during the three and six months ended June 30, 2021 and the write-off of \$924 of deferred financing costs during the six months ended June 30, 2020.

Financial Summary – 2Q'21

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

| (unaudited, in thousands except per share amounts) | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | \$ 23,400 | \$ 10,444 | \$ 38,775 | \$ 24,488 |
| Depreciation and amortization of real estate | 17,158 | 13,439 | 32,779 | 26,427 |
| Provision for impairment of real estate | 398 | 1,486 | 6,120 | 1,859 |
| Gain on dispositions of real estate, net | (3,710) | (1,093) | (7,498) | (2,968) |
| Funds from Operations | 37,246 | 24,276 | 70,176 | 49,806 |
| Other non-recurring expenses ^{1,2} | 4,461 | 560 | 4,461 | 2,136 |
| Core Funds from Operations | 41,707 | 24,837 | 74,637 | 51,942 |
| Adjustments: | | | | |
| Straight-line rental revenue, net | (5,220) | (2,170) | (8,864) | (5,361) |
| Non-cash interest expense | 417 | 237 | 896 | 771 |
| Non-cash compensation expense | 1,856 | 1,399 | 3,451 | 2,690 |
| Other amortization expense | 1,315 | 919 | 2,420 | 1,353 |
| Other non-cash charges | (168) | 48 | (132) | 516 |
| Capitalized interest expense | (15) | (65) | (35) | (160) |
| Transaction costs | — | 42 | — | 109 |
| Adjusted Funds from Operations | \$ 39,892 | \$ 25,247 | \$ 72,373 | \$ 51,861 |
| Net income per share ³ : | | | | |
| Basic | \$ 0.20 | \$ 0.11 | \$ 0.34 | \$ 0.27 |
| Diluted | \$ 0.20 | \$ 0.11 | \$ 0.34 | \$ 0.26 |
| FFO per share ³ : | | | | |
| Basic | \$ 0.32 | \$ 0.26 | \$ 0.60 | \$ 0.54 |
| Diluted | \$ 0.32 | \$ 0.26 | \$ 0.60 | \$ 0.54 |
| Core FFO per share ³ : | | | | |
| Basic | \$ 0.35 | \$ 0.27 | \$ 0.64 | \$ 0.57 |
| Diluted | \$ 0.35 | \$ 0.27 | \$ 0.64 | \$ 0.56 |
| AFFO per share ³ : | | | | |
| Basic | \$ 0.34 | \$ 0.27 | \$ 0.62 | \$ 0.57 |
| Diluted | \$ 0.34 | \$ 0.27 | \$ 0.62 | \$ 0.56 |

1. During the three and six months ended June 30, 2021, includes a make-whole payment of \$2,543 and the write-off of \$1,873 of deferred financing costs.

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

3. Calculations exclude \$68, \$77, \$187 and \$207 from the numerator for the three and six months ended June 30, 2021 and 2020, respectively, related to dividends paid on unvested restricted share awards and restricted share units.

Financial Summary – 2Q'21

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

| | ASSETS | June 30, 2021 (unaudited) | December 31, 2020 (audited) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------|--------------------------------|
| Investments: | | | |
| Real estate investments, at cost: | | | |
| Land and improvements | | \$ 835,542 | \$ 741,254 |
| Building and improvements | | 1,723,811 | 1,519,665 |
| Lease incentive | | 13,152 | 14,297 |
| Construction in progress | | 4,329 | 3,908 |
| Intangible lease assets | | 85,276 | 80,271 |
| Total real estate investments, at cost | | 2,662,110 | 2,359,395 |
| Less: accumulated depreciation and amortization | | (165,731) | (136,097) |
| Total real estate investments, net | | 2,496,379 | 2,223,298 |
| Loans and direct financing lease receivables, net | | 237,648 | 152,220 |
| Real estate investments held for sale, net | | 6,349 | 17,058 |
| Net investments | | 2,740,376 | 2,392,576 |
| Cash and cash equivalents | | 126,465 | 26,602 |
| Restricted cash | | 3,212 | 6,388 |
| Straight-line rent receivable, net | | 47,739 | 37,830 |
| Rent receivables, prepaid expenses and other assets, net | | 30,882 | 25,406 |
| Total assets | | \$ 2,948,674 | \$ 2,488,802 |
| LIABILITIES AND EQUITY | | | |
| Secured borrowings, net of deferred financing costs | | \$ — | \$ 171,007 |
| Unsecured term loans, net of deferred financing costs | | 626,628 | 626,272 |
| Senior unsecured notes, net | | 394,955 | — |
| Revolving credit facility | | — | 18,000 |
| Intangible lease liabilities, net | | 10,465 | 10,168 |
| Dividend payable | | 29,698 | 25,703 |
| Derivative liabilities | | 23,169 | 38,912 |
| Accrued liabilities and other payables | | 21,189 | 16,792 |
| Total liabilities | | 1,106,104 | 906,854 |
| Commitments and contingencies | | — | — |
| Stockholders' equity: | | | |
| Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of 6/30/21 and 12/31/20 | | — | — |
| Common stock, \$0.01 par value; 500,000,000 authorized; 117,982,993 and 106,361,524 issued and outstanding as of 6/30/21 and 12/31/20, respectively | | 1,181 | 1,064 |
| Additional paid-in capital | | 1,955,450 | 1,688,540 |
| Distributions in excess of cumulative earnings | | (94,911) | (77,665) |
| Accumulated other comprehensive loss | | (26,327) | (37,181) |
| Total stockholders' equity | | 1,835,393 | 1,574,758 |
| Non-controlling interests | | 7,177 | 7,190 |
| Total equity | | 1,842,570 | 1,581,948 |
| Total liabilities and equity | | \$ 2,948,674 | \$ 2,488,802 |

Financial Summary – 2Q'21

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

| (unaudited, in thousands) | Three Months Ended June 30, 2021 | |
|----------------------------------------------------------------------------------------------|-------------------------------------|---------|
| Net income | \$ | 23,400 |
| Depreciation and amortization | | 17,184 |
| Interest expense | | 7,811 |
| Interest income | | (17) |
| Income tax expense | | 61 |
| EBITDA | | 48,439 |
| Provision for impairment of real estate | | 398 |
| Gain on dispositions of real estate, net | | (3,710) |
| EBITDAre | | 45,127 |
| Adjustment for current quarter re-leasing, acquisition and disposition activity ¹ | | 2,945 |
| Adjustment to exclude other non-recurring activity ² | | 1,191 |
| Adjusted EBITDAre - Current Estimated Run Rate | | 49,263 |
| General and administrative | | 6,470 |
| Adjusted net operating income ("NOI") | | 55,733 |
| Straight-line rental revenue, net ¹ | | (4,090) |
| Other amortization expense ³ | | 244 |
| Adjusted Cash NOI | \$ | 51,887 |
| Annualized EBITDAre | \$ | 180,508 |
| Annualized Adjusted EBITDAre | \$ | 197,052 |
| Annualized Adjusted NOI | \$ | 222,932 |
| Annualized Adjusted Cash NOI | \$ | 207,548 |

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all re-leasing activity, investments in and dispositions of real estate made during the three months ended June 30, 2021 had occurred on April 1, 2021.

2. Adjustment includes \$4,461 of non-core expenses added back to compute Core FFO, offset by \$3,105 of cash and straight-line rent receivables from tenants moved from non-accrual to accrual accounting that was previously unaccrued and the \$166 adjustment to our provision for loan loss.

3. Adjustment excludes \$1,071 of non-recurring amortization expense recorded upon lease termination.

Financial Summary – 2Q'21

Market Capitalization, Debt Summary and Leverage Metrics

| (dollars in thousands, except share and per share amounts) | June 30, 2021 | Rate | Maturity |
|-----------------------------------------------------------------------------------------|---------------|-------|------------|
| Total secured debt | \$ — | —% | N/A |
| Unsecured debt: | | | |
| \$200mm term loan | \$ 200,000 | 3.26% | 2.8 years |
| \$430mm term loan | 430,000 | 3.02% | 5.4 years |
| Senior Unsecured Notes | 400,000 | 3.12% | 10.0 years |
| Revolving credit facility ¹ | — | —% | 1.8 years |
| Total unsecured debt | \$ 1,030,000 | 3.11% | 6.7 years |
| Gross debt | \$ 1,030,000 | 3.11% | 6.7 years |
| Less: cash & cash equivalents | (126,465) | | |
| Less: restricted cash available for future investment | (3,212) | | |
| Net debt | \$ 900,323 | | |
| Equity: | | | |
| Preferred stock | \$ — | | |
| Common stock & OP units (118,536,840 shares @ \$27.04/share as of 6/30/21) ² | 3,205,236 | | |
| Total equity | \$ 3,205,236 | | |
| Total enterprise value ("TEV") | \$ 4,105,559 | | |
| Net Debt / TEV | | 21.9% | |
| Net Debt / Annualized Adjusted EBITDAre | | 4.6x | |

1. Our revolving credit facility provides a maximum aggregate initial original principal amount of up to \$400 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.

2. Common equity & units as of June 30, 2021, based on 117,982,993 common shares outstanding (including unvested restricted share awards) and 553,847 OP units held by non-controlling interests.

Glossary

Supplemental Reporting Measures

FFO, Core FFO and AFFO

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

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude extraordinary items (as defined by GAAP), net gain or loss from sales of depreciable real estate assets, impairment write-downs associated with depreciable real estate assets and real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO is used by management, and may be useful to investors and analysts, to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains and losses on sales (which are dependent on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions).

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

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

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

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

Glossary

Supplemental Reporting Measures

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

EBITDA and EBITDAre

We compute EBITDA as earnings before interest, income taxes and depreciation and amortization. In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDAre. We compute EBITDAre in accordance with the definition adopted by NAREIT. NAREIT defines EBITDAre as EBITDA (as defined above) excluding gains (or losses) from the sales of depreciable property and real estate impairment losses. We present EBITDA and EBITDAre as they are measures commonly used in our industry and we believe that these measures are useful to investors and analysts because they provide important supplemental information concerning our operating performance, exclusive of certain non-cash and other costs. We use EBITDA and EBITDAre as measures of our operating performance and not as measures of liquidity.

EBITDA and EBITDAre do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities and they are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operations as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, our computation of EBITDA and EBITDAre may differ from the methodology for calculating these metrics used by other equity REITs and, therefore,

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

Net Debt

We calculate our net debt as our gross debt (defined as total debt plus net deferred financing costs on our secured borrowings) less cash and cash equivalents and restricted cash available for future investment.

We believe excluding cash and cash equivalents and restricted cash available for future investment, all of which could be used to repay debt, provides an estimate of the net contractual amount of borrowed capital to be repaid, which we believe is a beneficial disclosure to investors and analysts.

NOI and Cash NOI

We compute NOI as total revenues less property expenses. NOI excludes all other items of expense and income included in the financial statements in calculating net income or loss. Cash NOI further excludes non-cash items included in total revenues and property expenses, such as straight-line rental revenue and other amortization and non-cash charges. We believe NOI and Cash NOI provide useful and relevant information because they reflect only those income and expense items that are incurred at the property level and present such items on an unlevered basis.

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

Glossary

Supplemental Reporting Measures

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

We further adjust EBITDAre, NOI and Cash NOI i) based on an estimate calculated as if all 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 our tenants which is subject to sales thresholds specified in the lease. We then annualize these estimates for the current quarter by multiplying them by four, which we believe provides a meaningful estimate of our current run rate for all investments as of the end of the current quarter. You should not unduly rely on these measures, as they are based on assumptions and estimates that may prove to be inaccurate. Our actual reported EBITDAre, NOI and Cash NOI for future periods may be significantly less than these estimates of current run rates.

Cash ABR

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

Rent Coverage Ratio

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

Initial Portfolio

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

GAAP Cap Rate

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

Cash Cap Rate

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

Disclaimer

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

