



ESSENTIAL PROPERTIES



Supplemental Operating & Financial Data

Second Quarter Ended June 30, 2018

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Financial Summary

Condensed Statement of Operations

(unaudited, in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Rental revenue ¹	\$ 21,548	\$ 12,670	\$ 41,623	\$ 22,678
Interest income on loans and direct financing leases	89	82	159	165
Other revenue	56	565	113	571
Total revenues	21,693	13,317	41,895	23,414
Expenses:				
Interest	8,634	5,160	16,911	8,875
General and administrative	2,987	2,331	6,343	4,275
Property expenses	380	479	727	689
Depreciation and amortization	7,611	4,305	14,079	8,087
Provision for impairment of real estate	907	428	2,756	579
Total expenses	20,519	12,703	40,816	22,505
Income before income tax expense	1,174	614	1,079	909
Income tax expense	87	35	117	42
Income before gain on dispositions of real estate	1,087	579	962	867
Gain on dispositions of real estate, net	2,412	1,468	3,645	1,762
Net income	\$ 3,499	\$ 2,047	\$ 4,607	\$ 2,629

1. Includes \$0.2 million, \$0.5 million, \$0.7 million and \$0.7 million of contingent rent (based on a percentage of the tenant's gross sales at the leased property) during the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, respectively.

Financial Summary

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

(unaudited, in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 3,499	\$ 2,047	\$ 4,607	\$ 2,629
Depreciation and amortization of real estate	7,610	4,304	14,077	8,086
Provision for impairment of real estate	907	428	2,756	579
Gain on dispositions of real estate	(2,412)	(1,468)	(3,645)	(1,762)
Funds from Operations	9,604	5,311	17,795	9,532
Adjustments:				
Straight-line rental revenue, net	(1,867)	(1,020)	(3,517)	(1,960)
Non-cash interest expense	589	380	1,165	758
Non-cash compensation expense	169	233	347	399
Amortization of market lease-related intangibles	(8)	134	130	143
Amortization of capitalized lease incentives	39	34	77	67
Capitalized interest expense	(83)	(44)	(136)	(75)
Transaction costs	18	—	26	—
Adjusted Funds from Operations	\$ 8,461	\$ 5,028	\$ 15,887	\$ 8,864

Financial Summary

Consolidated Balance Sheets

(in thousands, except share, per share, unit and per unit amounts)	June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 355,184	\$ 278,985
Building and improvements	748,004	584,385
Lease incentive	2,275	2,275
Construction in progress	11,263	4,076
Intangible lease assets	64,315	62,453
Total real estate investments, at cost	1,181,041	932,174
Less: accumulated depreciation and amortization	(36,310)	(24,825)
Total real estate investments, net	1,144,731	907,349
Loans and direct financing lease receivables, net	6,322	2,725
Real estate investments held for sale, net	7,195	4,173
Net investments	1,158,248	914,247
Cash and cash equivalents	131,387	7,250
Restricted cash	8,644	12,180
Straight-line rent receivable, net	9,015	5,498
Prepaid expenses and other assets, net	5,115	3,045
Total assets	\$ 1,312,409	\$ 942,220
LIABILITIES AND EQUITY		
Secured borrowings, net of deferred financing costs	\$ 508,821	\$ 511,646
Notes payable to related party	—	230,000
Intangible lease liabilities, net	12,152	12,321
Intangible lease liabilities held for sale, net	256	129
Accrued liabilities and other payables	6,736	6,722
Total liabilities	527,965	760,818
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of June 30, 2018	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 40,976,901 issued and outstanding as of June 30, 2018	403	—
Additional paid-in capital	531,589	—
Retained earnings	222	—
Members' equity:		
Class A units, \$1,000 per unit, 83,700 issued and outstanding as of December 31, 2017	—	86,668
Class B units, 8,550 issued, 1,610 vested and outstanding as of December 31, 2017	—	574
Class C units, \$1,000 per unit, 91,450 issued and outstanding as of December 31, 2017	—	94,064
Class D Units, 3,000 issued, 600 vested and outstanding as of December 31, 2017	—	96
Total stockholders' / members' equity	532,214	181,402
Non-controlling interests	252,230	—
Total equity	784,444	181,402
Total liabilities and equity	\$ 1,312,409	\$ 942,220

Financial Summary

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

(unaudited, in thousands)	Three Months Ended	
	June 30, 2018	
Net income	\$	3,499
Depreciation and amortization		7,611
Interest expense		8,634
Income tax expense		87
EBITDA		19,831
Provision for impairment of real estate		907
Gain on dispositions of real estate		(2,412)
EBITDAre		18,326
Adjustment for current quarter acquisition and disposition activity ¹		3,379
Adjusted EBITDAre - Current Estimated Run Rate		21,705
General and administrative		2,987
Adjusted net operating income ("NOI")		24,692
Straight-line rental revenue, net ¹		(2,207)
Amortization of market lease-related intangibles		(8)
Amortization of capitalized lease incentives		39
Adjusted Cash NOI	\$	22,515
Annualized EBITDAre	\$	73,304
Annualized Adjusted EBITDAre	\$	86,818
Annualized Adjusted NOI	\$	98,766
Annualized Adjusted Cash NOI	\$	90,061

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

Financial Summary

Market Capitalization, Debt Summary and Leverage Metrics

	June 30, 2018	Rate	Maturity ¹
Secured debt:			
Series 2016-1, Class A	\$ 257,156	4.45%	3.4 years
Series 2016-1, Class B	17,243	5.43%	3.4 years
Series 2017-1, Class A	228,909	4.10%	6.0 years
Series 2016-1, Class B	15,669	5.11%	6.0 years
Total secured debt	<u>518,977</u>	4.35%	4.6 years
Unsecured debt:			
Revolving credit facility ²	—	LIBOR plus 1.45% to 2.15%	4.0 years
Total unsecured debt	<u>—</u>		
Gross debt	518,977	4.35%	4.6 years
Less: cash & cash equivalents	(131,387)		
Less: restricted cash deposits held for the benefit of lenders	(8,611)		
Net debt	<u>378,979</u>		
Equity:			
Preferred stock	—		
Common stock & OP units (60,033,453 shares @ \$13.54/share as of 6/30/18) ³	812,853		
Total equity	<u>812,853</u>		
Total enterprise value ("TEV")	<u>\$ 1,191,832</u>		
Pro forma adjustments to Net Debt and TEV⁴:			
Net debt	\$ 378,979		
Less: cash received - overallotment option	(36,482)		
Pro forma net debt	<u>342,497</u>		
Total equity	812,853		
Common stock - overallotment option (2,772,191 shares @ \$13.54/share as of 6/30/18)	37,535		
Pro forma TEV	<u>\$ 1,192,885</u>		
Net Debt / TEV		31.8%	
Pro Forma Net Debt / Pro Forma TEV		28.7%	
Net Debt / Annualized EBITDA_{re}		5.2x	
Pro Forma Net Debt / Annualized EBITDA_{re}		4.7x	
Net Debt / Annualized Adjusted EBITDA_{re}		4.4x	
Pro Forma Net Debt / Annualized Adjusted EBITDA_{re}		3.9x	

1. Maturity figures for our secured debt are based off of our anticipated repayment schedule. The Series 2016-1 notes mature in November 2046 but have an anticipated repayment date of November 2021. The Series 2017-1 notes mature in June 2047 but have an anticipated repayment date of June 2024. The Series 2016-1 notes can be prepaid without penalty starting on November 26, 2019. The Series 2017-1 notes can be prepaid without penalty starting on November 26, 2021.

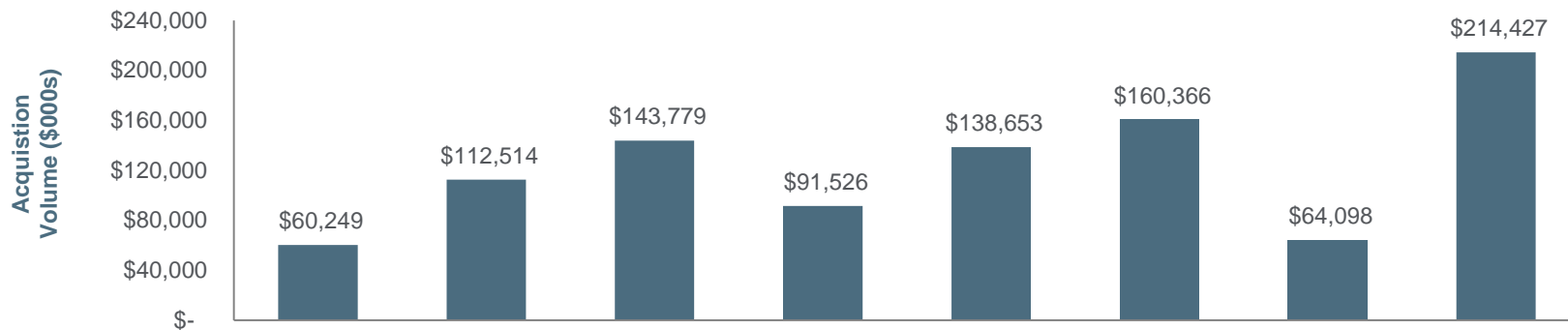
2. Our revolving credit facility provides a maximum aggregate initial original principal amount of up to \$300 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.

3. Common equity & units as of June 30, 2018, based on 40,976,901 common shares outstanding (including unvested restricted share awards) and 19,056,552 OP units held by non-controlling interests.

4. Pro forma adjustments have been made to reflect the impact of the partial exercise of the underwriters' overallotment option in the IPO. On July 24, 2018, the underwriters completed the exercise of this option and we issued 2,772,191 shares of common stock for proceeds of \$36.5 million, net of underwriters discounts.

Net Investment Activity

Investment Summary



Acquisitions	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Number of Transactions	4	11	12	11	18	21	16	23
Property Count	28	62	35	37	50	90	28	86
Avg. Investment per Unit (in 000s)	\$2,152	\$1,815	\$4,108	\$2,474	\$2,728	\$1,742	\$2,195	\$2,493
Cash Cap Rates ¹	7.3%	7.3%	7.5%	7.6%	7.6%	7.7%	7.8%	7.6%
GAAP Cap Rates ²	8.2%	8.3%	8.7%	8.9%	8.9%	8.7%	8.3%	8.7%
Master Lease % ³	85%	47%	83%	71%	73%	65%	33%	85%
Sale-Leaseback % ³	100%	66%	86%	76%	94%	75%	68%	90%
% of Financial Reporting ³	100%	100%	100%	100%	98%	100%	100%	97% ⁴
Rent Coverage Ratio	2.9x	2.8x	3.1x	4.0x	2.8x	3.1x	2.3x	2.4x
Lease Term Years	16.8	17.3	17.0	17.3	18.0	15.5	14.1	17.2

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

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

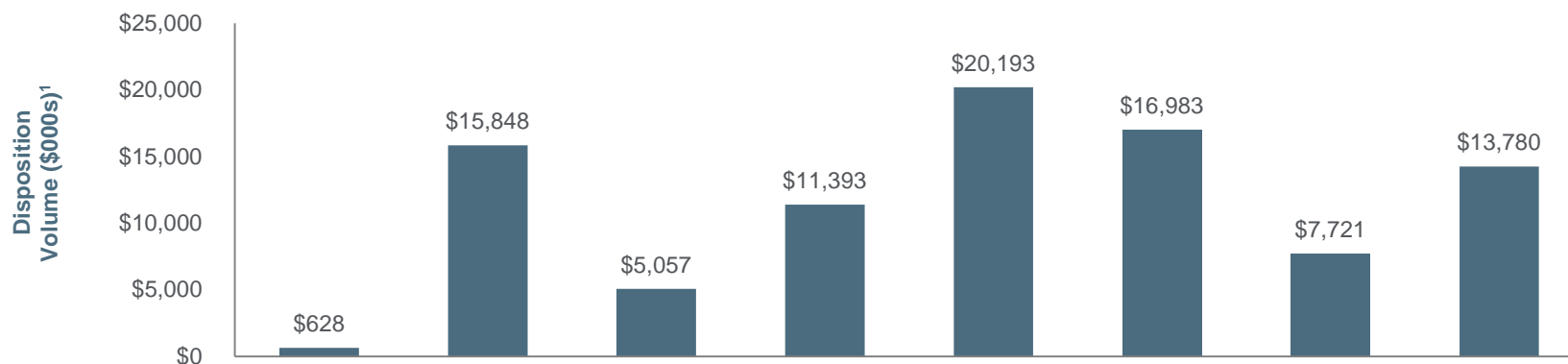
2. GAAP rent for the first twelve months after the investment divided by the purchase price for the property.

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

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

Net Investment Activity

Disposition Summary



Dispositions	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Realized Gain/(Loss) ²	(2.4%)	4.8%	(0.8%)	8.9%	14.5%	15.9%	(1.7%)	9.7% ³
Cash Cap Rate on Leased Assets ⁴	-- %	6.2%	6.5%	6.5%	6.1%	6.4%	6.7%	7.1% ³
Leased Properties Sold ⁵	0	11	3	6	8	9	5	8
Vacant Properties Sold ⁵	2	4	4	8	6	3	1	2

1. Net of transaction costs.

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

3. Excludes a property sold pursuant to a tenant purchase option. When including this property, the aggregate cap rate on leased asset sales was 7.6%, and the aggregate gain on sale for all asset sales was 0.1%.

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

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

Portfolio Summary

Portfolio Highlights

Portfolio Highlights

As of June 30, 2018

Investment Properties (#) ¹	604
Square Footage (MM)	4.9
Tenants (#)	134
Concepts (#)	136
Industries (#)	15
States (#)	41
Weighted Average Remaining Lease Term (Years)	14.3
Triple-Net Leases (% of Cash ABR)	93.5%
Master Leases (% of Cash ABR)	68.6%
Sale-Leaseback (% of Cash ABR) ²	83.7%
Unit-Level Rent Coverage	2.8x
Unit-Level Financial Reporting (% of Cash ABR)	97.4%
Occupancy (%)	99.3%
Top 10 Tenants (% of Cash ABR)	38.6%
Top 10 Concepts (% of Cash ABR)	39.6%
Average Investment Per Property (\$MM)	\$2.0
Average Transaction Size (\$MM) ²	\$8.5
Total Cash ABR (\$MM)	\$90.4













1. Includes two land parcels and two properties that secure a mortgage note receivable.

2. Exclusive of GE Seed Portfolio.

Portfolio Summary

Tenant and Industry Diversification

Top 10 Tenant Exposure

Top 10 Tenants	Properties	% of Cash ABR ¹
	76	5.8%
	5	4.9%
	13	4.6%
	15	4.2%
	5	3.9%
	13	3.4%
	26	3.2%
	3	3.0%
	14	2.9%
	19	2.9%
Top 10 Tenants	189	38.6%
Total	604	100.0%

Diversification by Industry

Tenant Industry	Type of Business	Cash ABR ¹ (\$'000s)	% of Cash ABR	# of Properties ²	Building SqFt (in '000s)	Rent Per Sqft ³
Quick Service	Service	\$ 12,646	14.0%	177	471,255	\$ 27.23
Car Washes	Service	9,637	10.7%	37	151,496	63.62
Casual Dining	Service	7,896	8.7%	58	336,558	23.88
Automotive Service	Service	6,114	6.8%	46	333,952	18.62
Family Dining	Service	3,650	4.0%	23	123,316	29.60
Medical / Dental	Service	7,751	8.6%	63	334,070	22.52
Convenience Stores	Service	9,063	10.0%	83	305,067	29.71
Early Childhood Education	Service	9,271	10.3%	39	422,336	21.56
Other Services	Service	3,025	3.3%	19	156,393	19.03
Service Subtotal		\$ 69,052	76.4%	545	2,634,443	\$ 26.25
Movie Theatres	Experience	4,119	4.6%	6	293,206	14.05
Health and Fitness	Experience	6,607	7.3%	14	465,751	14.19
Entertainment	Experience	1,244	1.4%	3	93,532	13.30
Experience Subtotal		\$ 11,970	13.2%	23	852,489	\$ 14.04
Home Furnishings	Retail	6,457	7.1%	9	466,777	13.83
Grocery	Retail	316	0.3%	2	50,416	6.27
Retail Subtotal		\$ 6,773	7.5%	11	517,193	\$ 13.10
Building Materials	Other	2,591	2.9%	19	896,956	2.89
Total		\$ 90,386	100.0%	598	4,901,081	\$ 18.41

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

2. Excludes four vacant sites and two land parcels.

3. Calculation excludes properties with no annualized base rent or properties under construction with no square footage.

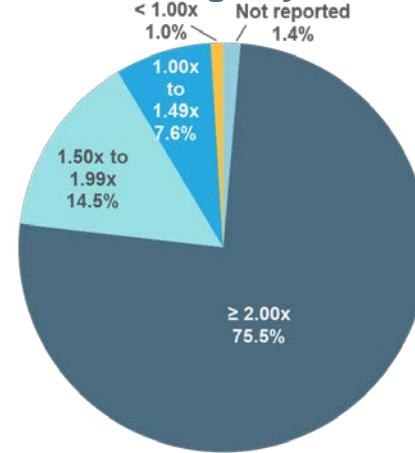
Portfolio Summary

Portfolio Health

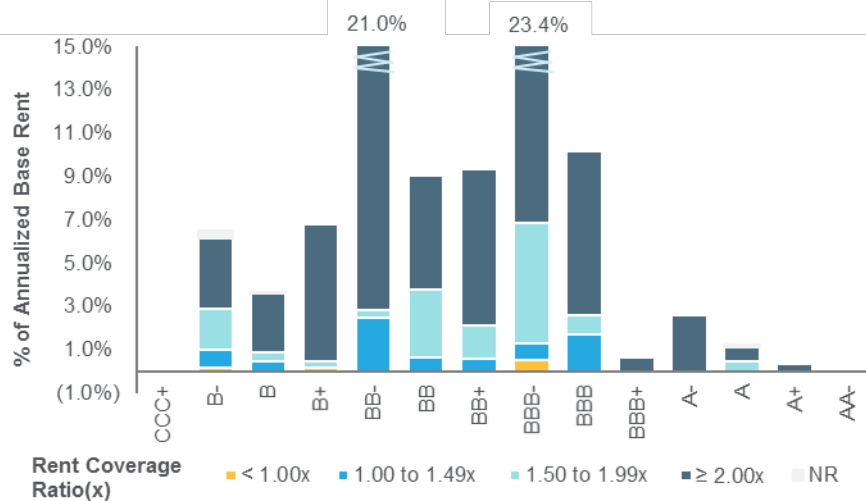
Tenant Financial Reporting

Tenant Financial Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	97.4%
Corporate-Level Financial Reporting	98.3%
Both Unit-Level and Corporate-Level Financial Information	96.9%
No Financial Information	1.1%

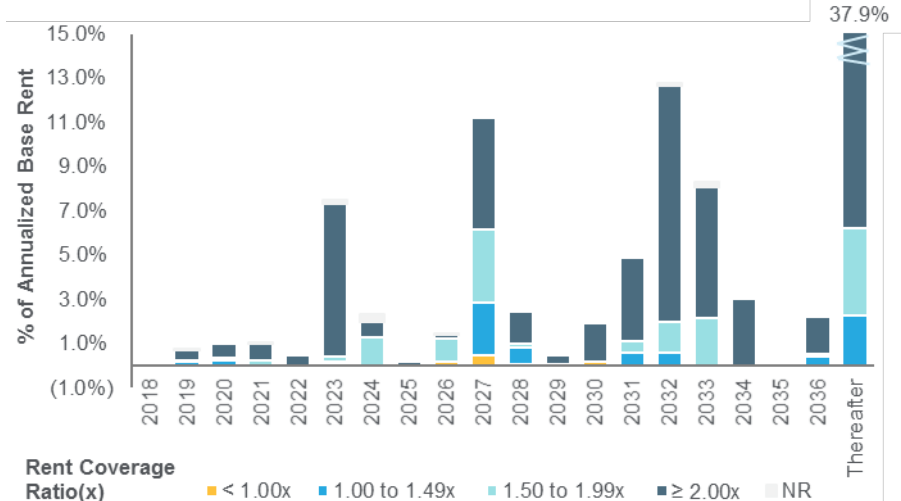
Unit-Level Coverage by Rent Tranche¹



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, 2018 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores. Moody's equates the EDF scores generated using RiskCalc with a corresponding credit rating.

Leasing Summary

Leasing Expiration Schedule, Leasing Activity and Statistics

Annual Lease Expiration by Cash ABR

Year ¹	Cash ABR ²	% of Cash ABR	# of Properties ³	Wgt. Avg. Coverage ⁴
2018	\$ 129	0.1%	1	3.5x
2019	686	0.8%	11	2.8x
2020	904	1.0%	10	3.0x
2021	900	1.0%	13	3.6x
2022	434	0.5%	4	3.8x
2023	6,756	7.5%	79	3.3x
2024	2,118	2.3%	18	2.4x
2025	155	0.2%	4	4.2x
2026	1,328	1.5%	6	2.1x
2027	10,118	11.2%	56	2.5x
2028	2,232	2.5%	13	2.9x
2029	420	0.5%	3	4.4x
2030	1,754	1.9%	29	4.4x
2031	4,409	4.9%	23	3.1x
2032	11,551	12.8%	75	2.8x
2033	7,525	8.3%	35	2.4x
2034	2,742	3.0%	22	2.4x
2035	-	0.0%	0	0.0x
2036	1,978	2.2%	21	2.3x
2037	23,049	25.5%	113	3.0x
2038	10,642	11.8%	59	2.2x
2039	555	0.6%	2	2.6x
Total	\$ 90,386	100.0%	597	2.8x

Leasing Activity – YTD 2018

\$(000)s	Renewed Per Terms of Lease	Re-Leased to New Tenant Without Vacancy	After Vacancy	Total Leasing
Prior Cash ABR	\$ 732	570	-	\$ 1,302
New Cash ABR	703	583	-	1,286
Recovery Rate	96.1%	102.3%	-	98.8%
Number of Leases	7	2	-	9
Average Months Vacant	-	-	-	-
% of Total Cash ABR ⁵	-	-	-	1.4%

Leasing Statistics

Vacant Properties at March 31, 2018	5
Expiration Activity ⁶	+ 4
Leasing Activity	- 3
Vacant Property Sales	- 2
Vacant Properties at June 30, 2018	4

1. Expiration year of contracts in place as of June 30, 2018 and excludes any tenant option renewal periods.
2. Represents base rent annualized, based on rates in effect on June 30, 2018 for all of our leases in place as of that date.
3. Excludes four vacant properties, two vacant land parcels and one site with lease that has not commenced as of June 30, 2018.
4. Weighted by Cash ABR as of June 30, 2018.
5. New Cash ABR divided by Total Cash ABR as of June 30, 2018.
6. Excludes leasehold properties with no remaining renewal options.

Leasing Summary

Same-Store Analysis

Defined Terms

Same-Store Portfolio:

All properties owned, excluding new sites under construction, for the entire same-store measurement period, which is March 31, 2017, through June 30, 2018. The same-store portfolio for 2Q 2018 is comprised of **313 properties** and represents **43.7%** of our current portfolio as measured by contractual cash base rent divided by our cash ABR at June 30, 2018.

Contractual Cash Base Rent:

The amount of cash base rent our tenants are contractually obligated to pay per the in-place lease as of June 30, 2018; the calculation excludes the impact of percentage rent.

Same-Store Portfolio Performance

Type of Business	Contractual Cash Base Rent (\$000s)		% Change
	Q2 2018	Q2 2017	
Experience	\$ 442	\$ 439	0.6%
Retail	1,535	1,512	1.6%
Service	7,889	7,734	2.0%
N/A	-	11	(100.0)%
Total Same-Store Rent	\$ 9,867	\$ 9,696	1.8%
Less: Property Operating Expense	(280)	(270)	4.0%
Total Same-Store NOI	\$ 9,587	\$ 9,426	1.7%



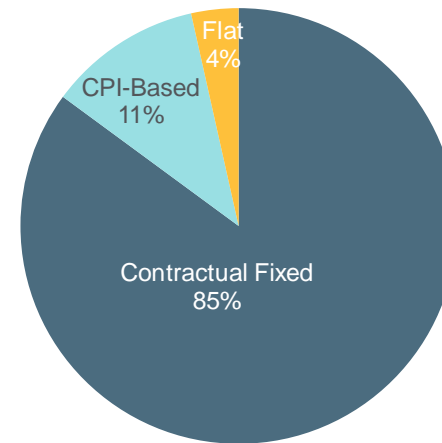
Leasing Summary

Lease Escalations

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average Annual Escalation Rate ¹
Annually	77.1%	1.7%
Every 2 years	1.0	1.0
Every 3 years	0.2	1.3
Every 4 years	0.8	0.8
Every 5 years	14.4	1.1
Other escalation frequencies	2.8	1.1
Flat	3.6	NA
Total / Weighted Average	100.0%	1.5%

Lease Escalation Type



- Leases contributing 96.5% of cash ABR² provided for base rent escalation, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation rate of 1.5%, which assumes 0% change in annual CPI.
- 11.4% of contractual rent escalations by cash ABR are CPI-based, while 85.1% are based on fixed percentage or scheduled increases
- 79.1% of cash ABR derived from flat leases is attributable to leases that provide for contingent rent based on a percentage of the tenant's gross sales at the leased property

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

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

Glossary

Supplemental Reporting Measures

FFO and AFFO

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

FFO and AFFO do not include all items of revenue and expense included in net income, nor do they represent cash generated from operating activities and are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operations as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures.

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude extraordinary items (as defined by GAAP), net gain or loss from sales of depreciable real estate assets, impairment 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, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains on sales (which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions).

To derive AFFO, we modify the NAREIT computation of FFO to include other adjustments to GAAP net income related to non-cash and certain other revenues and expenses such as straight-line rental revenue, non-cash interest expense, non-cash compensation expense, amortization of market lease-related intangibles, amortization of capitalized lease incentives, 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, because it will help them to better assess our operating performance without the distortions created by other non-cash and certain other revenues or expenses.

FFO and AFFO may not be comparable to similarly titled measures employed by other companies.

Glossary

Supplemental Reporting Measures

EBITDA and EBITDAre

We calculate earnings before interest, taxes and depreciation and amortization (“EBITDA”) as earnings (GAAP net income) before interest expense, taxes and depreciation and amortization. In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDA further adjusted to exclude gains (or losses) on sales of depreciable property and real estate impairment losses (“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 items and other costs.

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

Net Debt

Net debt represents our gross debt (defined as total debt plus deferred financing costs, net) less cash and cash equivalents and restricted cash deposits held for the benefit of lenders. We believe excluding cash and cash equivalents and restricted cash deposits held for the benefit of lenders from gross debt, both of which could be used to repay debt, provides an estimate of the net contractual amount of borrowed capital to be repaid, which we believe is a beneficial disclosure to investors and analysts.

NOI and Cash NOI

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

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

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

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

Glossary of Supplemental Reporting Measures

Other Terms

Cash ABR

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

Rent Coverage Ratio

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

GE Seed Portfolio

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

GAAP Cap Rate

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

Cash Cap Rate

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