



ESSENTIAL PROPERTIES



Supplemental Operating & Financial Data

First Quarter Ended March 31, 2022

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Financial Summary

Consolidated Statements of Operations

(in thousands, except share and per share data)	Three Months Ended March 31,	
	2022 (unaudited)	2021 (unaudited)
Revenues:		
Rental revenue ^{1,2}	\$ 66,112	\$ 45,432
Interest on loans and direct financing lease receivables	3,822	3,105
Other revenue, net	187	15
Total revenues	70,121	48,552
Expenses:		
General and administrative	8,063	6,431
Property expenses ³	1,009	1,414
Depreciation and amortization	20,313	15,646
Provision for impairment of real estate	3,935	5,722
Change in provision for loan losses	60	38
Total expenses	33,380	29,251
Other operating income:		
Gain on dispositions of real estate, net	1,658	3,788
Income from operations	38,399	23,089
Other (expense)/income:		
Loss on debt extinguishment ⁴	(2,138)	—
Interest expense	(9,160)	(7,678)
Interest income	18	20
Income before income tax expense	27,119	15,431
Income tax expense	301	56
Net income	26,818	15,375
Net income attributable to non-controlling interests	(119)	(80)
Net income attributable to stockholders and members	\$ 26,699	\$ 15,295
Basic weighted-average shares outstanding	126,839,258	106,986,308
Basic net income per share	\$ 0.21	\$ 0.14
Diluted weighted-average shares outstanding	127,923,499	108,055,741
Diluted net income per share	\$ 0.21	\$ 0.14

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$156 and \$169 for the three months ended March 31, 2022 and 2021, respectively.

2. Includes reimbursable income from the Company's tenants of \$553 and \$453 for the three months ended March 31, 2022 and 2021, respectively.

3. Includes reimbursable expenses from the Company's tenants of \$554 and \$452 for the three months ended March 31, 2022 and 2021, respectively.

4. Represents fees and the write-off of deferred financing costs during the three months ended March 31, 2022 associated with the Company's amendment to the credit and term loan facilities.

Financial Summary

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

(unaudited, in thousands except per share amounts)	Three months ended March 31,	
	2022	2021
Net income	\$ 26,818	\$ 15,375
Depreciation and amortization of real estate	20,287	15,621
Provision for impairment of real estate	3,935	5,722
Gain on dispositions of real estate, net	(1,658)	(3,788)
Funds from Operations	49,382	32,930
Other non-recurring expenses ¹	2,138	—
Core Funds from Operations	51,520	32,930
Adjustments:		
Straight-line rental revenue, net	(6,265)	(3,644)
Non-cash interest expense	661	479
Non-cash compensation expense	2,836	1,595
Other amortization expense	194	1,105
Other non-cash charges	56	36
Capitalized interest expense	(66)	(20)
Adjusted Funds from Operations	\$ 48,936	\$ 32,481
Net income per share²:		
Basic	\$ 0.21	\$ 0.14
Diluted	\$ 0.21	\$ 0.14
FFO per share²:		
Basic	\$ 0.39	\$ 0.31
Diluted	\$ 0.39	\$ 0.30
Core FFO per share²:		
Basic	\$ 0.40	\$ 0.31
Diluted	\$ 0.40	\$ 0.30
AFFO per share²:		
Basic	\$ 0.38	\$ 0.30
Diluted	\$ 0.38	\$ 0.30

1. During the three months ended March 31, 2022, includes fees and the write-off of deferred financing costs associated with the Company's amendment to the credit and term loan facilities.

2. Calculations exclude \$90 and \$119 from the numerator for the three months ended March 31, 2022 and 2021, respectively, related to dividends paid on unvested restricted share awards and restricted share units.

Financial Summary

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	March 31, 2022	December 31, 2021
	(unaudited)	(audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 1,083,007	\$ 1,004,154
Building and improvements	2,130,595	2,035,919
Lease incentive	14,049	13,950
Construction in progress	9,318	8,858
Intangible lease assets	88,137	87,959
Total real estate investments, at cost	3,325,106	3,150,840
Less: accumulated depreciation and amortization	(220,711)	(200,152)
Total real estate investments, net	3,104,395	2,950,688
Loans and direct financing lease receivables, net	223,168	189,287
Real estate investments held for sale, net	14,488	15,434
Net investments	3,342,051	3,155,409
Cash and cash equivalents	14,255	59,758
Straight-line rent receivable, net	64,720	57,990
Derivative assets	17,582	—
Rent receivables, prepaid expenses and other assets, net	27,271	25,638
Total assets	\$ 3,465,879	\$ 3,298,795
LIABILITIES AND EQUITY		
Unsecured term loans, net of deferred financing costs	\$ 628,055	\$ 626,983
Senior unsecured notes, net	394,864	394,723
Revolving credit facility	147,000	144,000
Intangible lease liabilities, net	12,507	12,693
Dividend payable	34,333	32,610
Derivative liabilities	495	11,838
Accrued liabilities and other payables	24,715	32,145
Total liabilities	1,241,969	1,254,992
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of 3/31/22 and 12/31/21	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 131,151,693 and 124,649,053 issued and outstanding as of 3/31/22 and 12/31/21, respectively	1,312	1,246
Additional paid-in capital	2,311,918	2,151,088
Distributions in excess of cumulative earnings	(110,706)	(100,982)
Accumulated other comprehensive loss	13,994	(14,786)
Total stockholders' equity	2,216,518	2,036,566
Non-controlling interests	7,392	7,237
Total equity	2,223,910	2,043,803
Total liabilities and equity	\$ 3,465,879	\$ 3,298,795

Financial Summary

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

(unaudited, in thousands)	Three Months Ended March 31, 2022
Net income	\$ 26,818
Depreciation and amortization	20,313
Interest expense	9,160
Interest income	(18)
Income tax expense	301
EBITDA	56,574
Provision for impairment of real estate	3,935
Gain on dispositions of real estate, net	(1,658)
EBITDAre	58,851
Adjustment for current quarter re-leasing, acquisition and disposition activity ¹	1,781
Adjustment to exclude other non-core or non-recurring activity ²	3,003
Adjustment to exclude termination/prepayment fees and certain percentage rent ³	—
Adjusted EBITDAre - Current Estimated Run Rate	63,635
General and administrative	8,063
Adjusted net operating income ("NOI")	71,698
Straight-line rental revenue, net ¹	(5,882)
Other amortization expense	316
Adjusted Cash NOI	\$ 66,132
Annualized EBITDAre	\$ 235,404
Annualized Adjusted EBITDAre	\$ 254,540
Annualized Adjusted NOI	\$ 286,792
Annualized Adjusted Cash NOI	\$ 264,528

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all investments, dispositions and re-leasing activity of real estate made during the three months ended March 31, 2022 had occurred on January 1, 2022.
2. Adjustment is made to exclude non-core expenses added back to compute Core FFO, our provision for loan losses and to eliminate the impact of seasonal fluctuation in certain non-cash compensation expense recorded in the period.
3. Adjustment to exclude contingent rent (based on a percentage of the tenant's gross sales at the leased property), if any, where payment is subject to exceeding a sales threshold specified in the lease and lease termination or loan prepayment fees.

Financial Summary

Market Capitalization, Debt Summary and Leverage Metrics

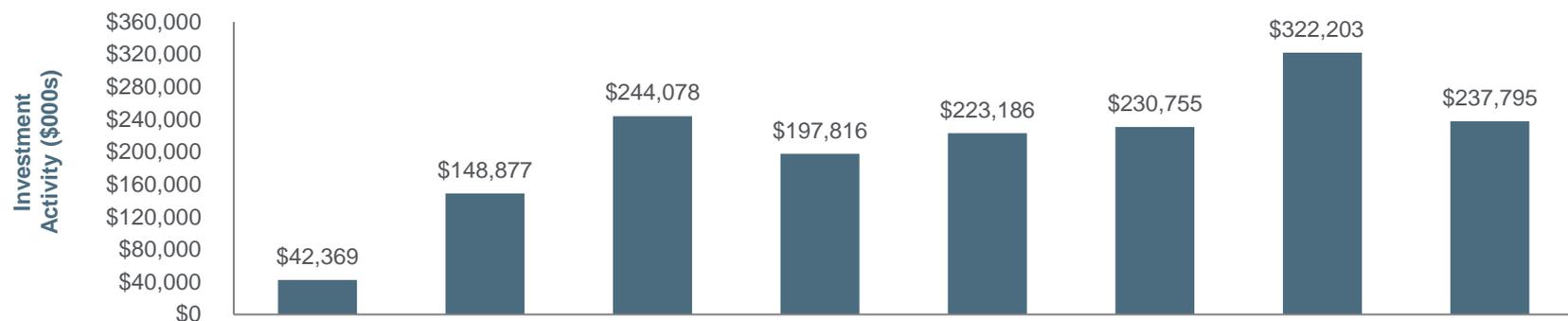
(dollars in thousands, except share and per share amounts)	March 31, 2022	Rate	Maturity
Unsecured debt:			
2024 term loan	\$ 200,000	3.26%	2.0 years
2027 term loan	430,000	2.68%	4.9 years
Senior Unsecured Notes	400,000	3.12%	9.3 years
Revolving credit facility ¹	147,000	1.41%	3.9 years
Total unsecured debt	1,177,000	2.77%	5.8 years
Gross debt	1,177,000	2.77%	5.8 years
Less: cash & cash equivalents	(14,255)		
Less: restricted cash available for future investment	—		
Net debt	1,162,745		
Equity:			
Preferred stock	—		
Common stock & OP units (131,705,540 shares @ \$25.30/share as of 3/31/22) ²	3,332,150		
Total equity	3,332,150		
Total enterprise value ("TEV")	\$ 4,494,895		
Net Debt / TEV		25.9%	
Net Debt / Annualized Adjusted EBITDAre		4.6x	

1. The Company's revolving credit facility provides a maximum aggregate initial original principal amount of up to \$600 million and includes an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to an additional \$600 million.

2. Common equity & units as of March 31, 2022, based on 131,151,693 common shares outstanding (including unvested restricted share awards) and 553,847 OP units held by non-controlling interests.

Net Investment Activity

Investment Summary



Investments ¹	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22
Number of Transactions	11	19	33	22	34	31	55	23
Property Count	13	50	108	74	94	85	96	105
Avg. Investment per Unit (in 000s)	\$2,870	\$2,866	\$2,218	\$2,650	\$2,354	\$2,676	\$3,230	\$2,187
Cash Cap Rates ²	7.4%	7.1%	7.1%	7.0%	7.1%	7.0%	6.9%	7.0%
GAAP Cap Rates ³	8.1%	7.9%	7.7%	7.9%	7.8%	7.9%	7.8%	7.8%
Master Lease % ^{4,5}	68%	79%	89%	79%	83%	80%	59%	83%
Sale-Leaseback % ^{4,6}	100%	92%	88%	85%	88%	84%	96%	100%
% of Financial Reporting ⁴	100%	100%	100%	100%	100%	100%	98%	100%
Rent Coverage Ratio	4.3x	2.8x	3.6x	3.0x	2.7x	2.8x	3.0x	3.3x
Lease Term Years	16.7	17.6	16.3	16.1	13.5	16.4	16.3	15.0

1. Includes investments in mortgage loans receivable.

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

3. GAAP rent and interest income for the first twelve months after the investment divided by the gross investment in the property plus transaction costs.

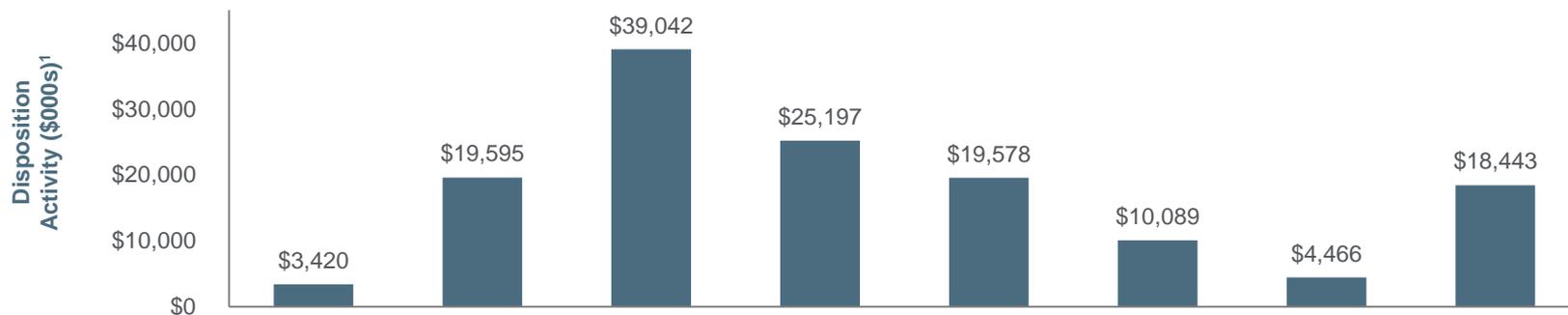
4. As a percentage of cash ABR for the quarter.

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.

Net Investment Activity

Disposition Summary



Dispositions	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22
Realized Gain/(Loss) ^{1,2}	29.5%	(4.5%)	(10.2%)	4.5%	(7.3%)	29.8% ⁵	7.5%	0.4%
Cash Cap Rate on Leased Assets ³	6.8%	7.0%	7.4%	7.1%	7.1%	6.5% ⁵	6.0%	7.1% ⁵
Leased Properties Sold ⁴	3	11	21	15	6	11	2	6
Vacant Properties Sold ⁴	--	3	2	1	1	--	--	--
Rent Coverage Ratio	1.3x	2.2x	2.3x	1.8x	1.8x	1.2x	0.0x	2.5x ⁵

1. Includes the impact of 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 of undeveloped land parcels or dispositions where only a portion of the owned parcel is sold.

5. Excludes properties sold pursuant to an existing tenant purchase option.

Portfolio Summary

Portfolio Highlights

As of March 31, 2022

Investment Properties (#) ¹	1,545
Square Footage (mm)	14.3
Tenants (#)	323
Concepts (#)	461
Industries (#)	16
States (#)	46
Weighted Average Remaining Lease Term (Years)	13.9
Triple-Net Leases (% of Cash ABR)	94.6%
Master Leases (% of Cash ABR)	62.1%
Sale-Leaseback (% of Cash ABR) ^{2,3}	84.6%
Unit-Level Rent Coverage	3.8x
Unit-Level Financial Reporting (% of Cash ABR)	98.6%
Leased (%)	100.0%
Top 10 Tenants (% of Cash ABR)	19.2%
Average Investment Per Property (\$mm)	\$2.3
Total Cash ABR (\$mm)	\$257.9



1. Includes 179 properties that secure mortgage loans receivable.

2. Exclusive of our Initial Portfolio.

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

Portfolio Summary

Tenant and Industry Diversification

Top 10 Tenants

Top 10 Tenants ¹	Properties ²	% of Cash ABR
 Equipment Share	28	3.3%
 Captain D's	75	2.0%
 Whitewater Express	16	1.9%
 Cadence Education	23	1.9%
 Festival Foods	5	1.8%
 Mammoth Holdings	17	1.7%
 Mister Donut	13	1.7%
 Spare Time Entertainment	6	1.7%
 Track Family Fun Park	9	1.6%
 The Nest Schools	17	1.5%
Top 10 Tenants	209	19.2%
Total	1,545	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
Early Childhood Education	Service	\$ 36,232	14.1%	164	1,740,517	\$ 20.69
Quick Service	Service	33,210	12.9%	415	1,142,206	29.38
Car Washes	Service	29,530	11.5%	100	528,299	55.90
Medical / Dental	Service	29,512	11.4%	176	1,212,184	24.38
Automotive Service	Service	22,619	8.8%	173	1,109,172	20.24
Casual Dining	Service	15,792	6.1%	99	574,989	26.81
Convenience Stores	Service	15,045	5.8%	134	524,676	28.82
Equipment Rental and Sales	Service	11,109	4.3%	45	812,666	13.20
Family Dining	Service	5,700	2.2%	37	244,706	23.29
Pet Care Services	Service	5,405	2.1%	48	395,905	14.99
Other Services	Service	5,312	2.1%	24	292,129	18.81
Service Subtotal		\$ 209,466	81.2%	1,415	8,577,448	\$ 24.48
Entertainment	Experience	14,337	5.6%	33	900,786	16.86
Health and Fitness	Experience	11,401	4.4%	28	1,045,772	10.19
Movie Theatres	Experience	4,175	1.6%	6	293,206	14.24
Experience Subtotal		\$ 29,913	11.6%	67	2,239,764	\$ 13.34
Grocery	Retail	9,610	3.7%	28	1,341,200	7.17
Home Furnishings	Retail	2,048	0.8%	4	217,339	9.42
Retail Subtotal		\$ 11,659	4.5%	32	1,558,539	\$ 7.48
Building Materials	Industrial	3,801	1.5%	23	1,257,017	3.02
Other Industrial	Industrial	3,026	1.2%	8	628,019	4.82
Industrial Subtotal		\$ 6,827	2.6%	31	1,885,036	\$ 3.62
Total		\$ 257,863	100.0%	1,545	14,260,787	\$ 18.10

1. Represents tenant, guarantor or parent company.

2. Property count includes 179 properties that secure mortgage loans receivable.

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

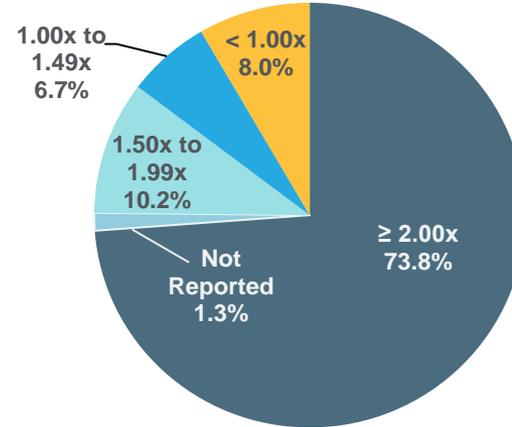
Portfolio Summary

Portfolio Health

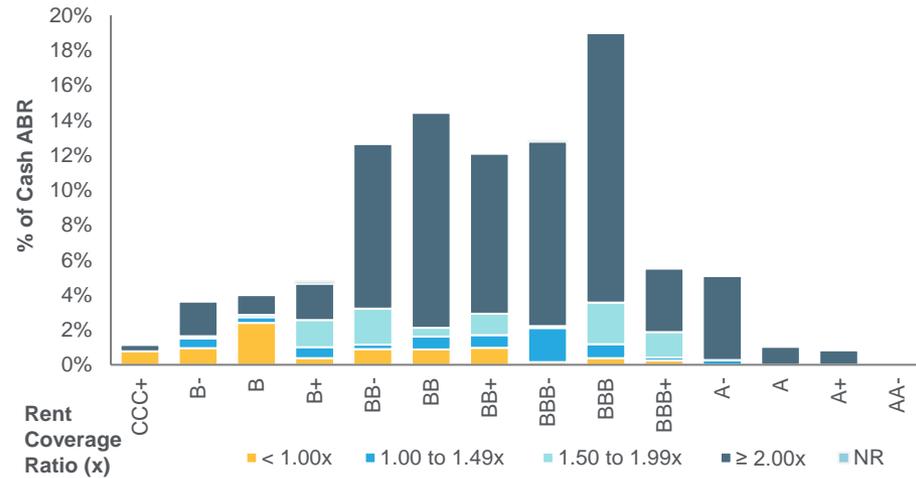
Tenant Financial Reporting Requirements

Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	98.6%
Corporate-Level Financial Reporting	98.8%
Both Unit-Level and Corporate-Level Financial Information	98.5%
No Financial Information	1.1%

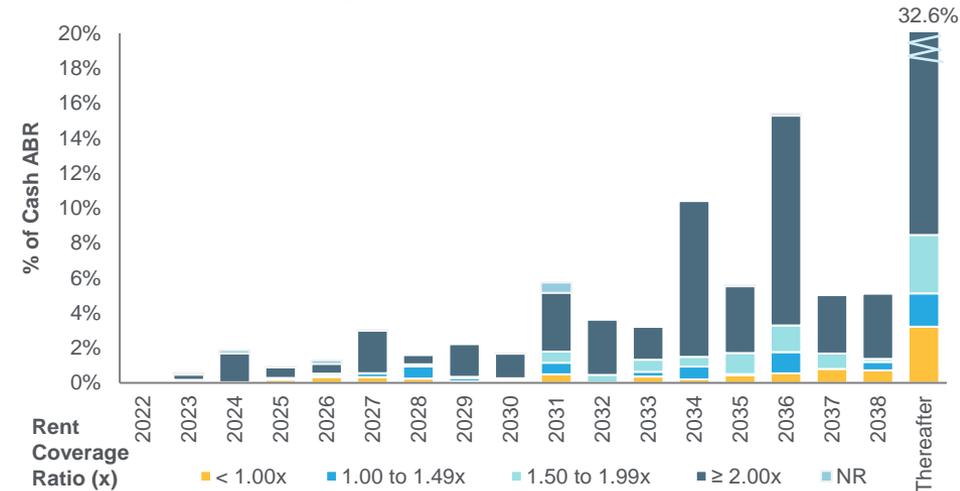
% of Cash ABR by Unit-Level Coverage Tranche¹



Unit-Level Coverage by Tenant Credit²



Unit-Level Coverage by Lease Expiration



Note: 'NR' means not reported.

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

2. The chart illustrates the portions of annualized base rent as of March 31, 2022 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	% of Cash ABR	# of Properties ²	Wgt. Avg. Coverage ³
2022	492	0.2%	5	3.0x
2023	1,490	0.6%	16	2.9x
2024	4,815	1.9%	47	5.4x
2025	2,346	0.9%	20	2.1x
2026	3,303	1.3%	22	2.3x
2027	7,762	3.0%	83	2.6x
2028	4,088	1.6%	13	1.7x
2029	5,703	2.2%	78	4.3x
2030	4,388	1.7%	48	6.7x
2031	14,886	5.8%	88	2.9x
2032	9,310	3.6%	38	5.4x
2033	8,249	3.2%	27	3.4x
2034	26,801	10.4%	207	5.9x
2035	14,391	5.6%	98	3.2x
2036	39,762	15.4%	181	3.5x
2037	12,939	5.0%	76	9.3x
2038	13,148	5.1%	81	2.2x
2039	21,446	8.3%	111	3.8x
2040	32,403	12.6%	161	2.8x
2041	20,972	8.1%	112	2.5x
Thereafter	9,167	3.5%	33	2.6x
Total	\$257,863	100.0%	1,545	3.8x

Leasing Activity – Trailing 12 Months

\$(000)s	Lease Renewals	Terminated Leases Re-Leased		Total Leasing
		Without Vacancy	After Vacancy	
Prior Cash ABR	\$ 212	\$ 404	2,770	\$ 3,386
New Cash ABR ⁴	214	720	1,653	2,585
Recovery Rate	100.0%	178.2%	59.7%	76.3%
Number of Leases	1	7	13	21
Average Months Vacant	—	—	4.5	—
% of Total Cash ABR ⁵	0.1%	0.3%	0.6%	1.0%

Leasing Statistics

Vacant Properties at December 31, 2021	1
Expiration Activity	—
Lease Termination	+2
Vacant Property Sales	—
Lease Activity	-3
Vacant Properties at March 31, 2022	0

1. Expiration year of contracts in place as of March 31, 2022, excluding any tenant option renewal periods that have not been exercised.

2. Property count includes 179 properties that secure mortgage loans receivable.

3. Weighted by cash ABR as of March 31, 2022.

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

5. New cash ABR divided by total cash ABR as of March 31, 2022.

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 December 31, 2020, through March 31, 2022. The same-store portfolio for 1Q'22 is comprised of 1,096 properties and represents 68% of our total portfolio as measured by contractual cash rent and interest divided by our cash ABR at March 31, 2022.

Contractual Cash Rent:

The amount of cash rent and interest our tenants are contractually obligated to pay per the in-place lease or mortgage as of March 31, 2022; excludes 1.) percentage rent that is subject to sales breakpoints per the lease and 2.) redevelopment properties in a free rent period.

Same-Store Portfolio Performance

Type of Business	Contractual Cash Rent (\$000s)		% Change
	1Q'22	1Q'21	
Service	\$ 36,443	\$ 35,813	1.8%
Experience	5,369	5,150	4.2%
Retail	1,220	1,208	1.0%
Industrial	950	937	1.4%
Total Same-Store Rent	\$ 43,982	\$ 43,108	2.0%



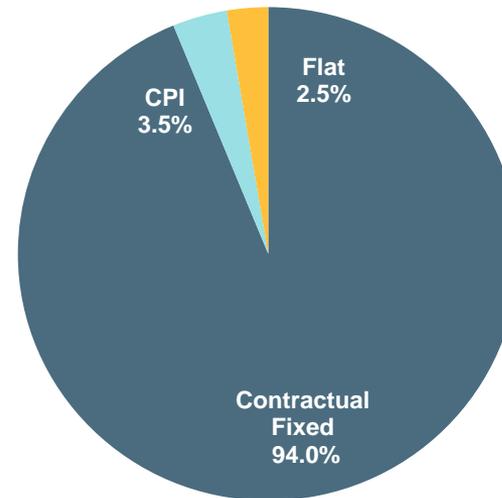
Leasing Summary

Lease Escalations

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average
		Annual Escalation Rate ^{1,2}
Annually	79.5%	1.6%
Every 2 years	1.5	1.5
Every 3 years	0.5	0.2
Every 4 years	0.3	1.0
Every 5 years	11.5	1.9
Other escalation frequencies	4.2	1.2
Flat	2.5	0.5
Total / Weighted Average	100.0%	1.5%

Lease Escalation Type



1. Based on cash ABR as of March 31, 2022.

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, 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 or loan prepayment 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

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