



ESSENTIAL PROPERTIES



Supplemental Operating & Financial Data

First Quarter Ended March 31, 2020

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Financial Summary

Consolidated Statements of Operations

(in thousands, except share and per share data)	Three Months Ended March 31,	
	2020 (unaudited)	2019 (unaudited)
Revenues:		
Rental revenue ^{1,2}	\$ 39,542	\$ 30,774
Interest on loans and direct financing leases	1,938	326
Other revenue	7	7
Total revenues	41,487	31,107
Expenses:		
Interest	6,833	7,089
General and administrative ³	7,536	4,188
Property expenses ⁴	373	1,247
Depreciation and amortization	13,012	9,120
Provision for impairment of real estate	373	1,440
Provision for loan losses	468	—
Total expenses	28,595	23,084
Other operating income:		
Gain on dispositions of real estate, net	1,875	676
Income from operations	14,767	8,699
Other (loss)/income:		
Loss on repayment of secured borrowings ⁵	(924)	—
Interest	231	91
Income before income tax expense	14,074	8,790
Income tax expense	31	67
Net income	14,043	8,723
Net income attributable to non-controlling interests	(84)	(2,594)
Net income attributable to stockholders and members	\$ 13,959	\$ 6,129
Basic weighted-average shares outstanding	90,322,402	45,240,247
Basic net income per share	\$ 0.15	\$ 0.13
Diluted weighted-average shares outstanding	91,332,297	64,640,054
Diluted net income per share	\$ 0.15	\$ 0.13

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$192 and \$349 for the three months ended March 31, 2020 and 2019, respectively.
2. Includes reimbursable income from our tenants of \$165 and \$743 for the three months ended March 31, 2020 and 2019, respectively.
3. During the three months ended March 31, 2020, includes non-recurring expenses of \$652 for costs and charges incurred in connection with the termination of one of our executive officers.
4. Includes reimbursable expenses from our tenants of \$165 and \$743 for the three months ended March 31, 2020 and 2019, respectively.
5. Includes the write-off of \$924 of deferred financing costs during the three months ended March 31, 2020.

Financial Summary

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

(unaudited, in thousands except per share amounts)	Three Months Ended March 31,	
	2020	2019
Net income	\$ 14,043	\$ 8,723
Depreciation and amortization of real estate	12,988	9,097
Provision for impairment of real estate	373	1,440
Gain on dispositions of real estate, net	(1,875)	(676)
Funds from Operations	25,529	18,584
Other non-recurring expenses ¹	1,576	—
Core Funds from Operations	27,105	18,584
Adjustments:		
Straight-line rental revenue, net	(3,191)	(2,903)
Non-cash interest expense	534	816
Non-cash compensation expense	1,291	1,226
Other amortization expense	434	228
Other non-cash charges	468	3
Capitalized interest expense	(95)	(25)
Transaction costs	67	—
Adjusted Funds from Operations	\$ 26,613	\$ 17,929
Net income per share²:		
Basic	\$ 0.15	\$ 0.13
Diluted	\$ 0.15	\$ 0.13
FFO per share²:		
Basic	\$ 0.28	\$ 0.29
Diluted	\$ 0.28	\$ 0.29
Core FFO per share²:		
Basic	\$ 0.30	\$ 0.29
Diluted	\$ 0.30	\$ 0.29
AFFO per share²:		
Basic	\$ 0.29	\$ 0.28
Diluted	\$ 0.29	\$ 0.27

1. Includes non-recurring expenses of \$652 for accruals of severance payments and acceleration of non-cash compensation expense in connection with the termination of one of our executive officers and our \$924 loss on repayment of secured borrowings during the three months ended March 31, 2020.

2. Calculations exclude \$130 and \$155 from the numerator for the three months ended March 31, 2020 and 2019, respectively, related to dividends paid on unvested restricted share awards and restricted share units.

Financial Summary

Consolidated Balance Sheets

(in thousands, except share and per share amounts)	March 31, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 632,628	\$ 588,279
Building and improvements	1,317,406	1,224,682
Lease incentive	5,358	4,908
Construction in progress	11,558	12,128
Intangible lease assets	80,592	78,922
Total real estate investments, at cost	2,047,542	1,908,919
Less: accumulated depreciation and amortization	(100,473)	(90,071)
Total real estate investments, net	1,947,069	1,818,848
Loans and direct financing lease receivables, net	99,487	92,184
Real estate investments held for sale, net	1,528	1,211
Net investments	2,048,084	1,912,243
Cash and cash equivalents	192,616	8,304
Restricted cash	21,456	13,015
Straight-line rent receivable, net	29,117	25,926
Prepaid expenses and other assets, net	14,173	15,959
Total assets	\$ 2,305,446	\$ 1,975,447
LIABILITIES AND EQUITY		
Secured borrowings, net of deferred financing costs	\$ 173,470	\$ 235,336
Unsecured term loans, net of deferred financing costs	625,770	445,586
Revolving credit facility	65,000	46,000
Intangible lease liabilities, net	9,306	9,564
Dividend payable	21,295	19,395
Accrued liabilities and other payables	54,825	17,453
Total liabilities	949,666	773,334
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of March 31, 2020 and December 31, 2019	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 91,949,849 and 83,761,151 issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	919	838
Additional paid-in capital	1,422,169	1,223,043
Distributions in excess of cumulative earnings	(34,878)	(27,482)
Accumulated other comprehensive loss	(39,820)	(1,949)
Total stockholders' equity	1,348,390	1,194,450
Non-controlling interests	7,390	7,663
Total equity	1,355,780	1,202,113
Total liabilities and equity	\$ 2,305,446	\$ 1,975,447

Financial Summary

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

(unaudited, in thousands)	Three Months Ended March 31, 2020	
Net income	\$	14,043
Depreciation and amortization		13,012
Interest expense		6,833
Interest income		(231)
Income tax expense		31
EBITDA		33,688
Provision for impairment of real estate		373
Gain on dispositions of real estate, net		(1,875)
EBITDAre		32,186
Adjustment for current quarter acquisition and disposition activity ¹		1,846
Adjustment to exclude other non-recurring expenses ²		2,044
Adjustment to exclude lease termination fees and certain percentage rent ³		(98)
Adjusted EBITDAre - Current Estimated Run Rate		35,978
General and administrative		6,884
Adjusted net operating income ("NOI")		42,862
Straight-line rental revenue, net ¹		(2,966)
Other amortization expense		434
Adjusted Cash NOI	\$	40,330
Annualized EBITDAre	\$	128,744
Annualized Adjusted EBITDAre	\$	143,912
Annualized Adjusted NOI	\$	171,448
Annualized Adjusted Cash NOI	\$	161,320

1. These adjustments are made to reflect EBITDAre, NOI and Cash NOI as if all investments in and dispositions of real estate made during the three months ended March 31, 2020 had occurred on January 1, 2020.

2. Adjustment excludes \$1,576 of non-core expenses added back to compute Core FFO and our \$468 provision for loan loss.

3. Adjustment excludes contingent rent (based on a percentage of the tenant's gross sales at the leased property) where payment is subject to exceeding a sales threshold specified in the lease and lease termination fees.

Financial Summary

Market Capitalization, Debt Summary and Leverage Metrics

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

	March 31, 2020	Rate	Maturity ¹
Secured debt:			
Series 2017-1, Class A	\$ 160,455	4.10%	4.2 years
Series 2017-1, Class B	15,669	5.11%	4.2 years
Total secured debt	176,124	4.19%	4.2 years
Unsecured debt:			
\$200mm term loan	200,000	3.26%	4.0 years
\$430mm term loan	430,000	2.82%	6.7 years
Revolving credit facility ²	65,000	LIBOR plus 1.25% to 1.85%	3.0 years
Total unsecured debt	695,000	2.91%	5.6 years
Gross debt	871,124	3.17%	5.3 years
Less: cash & cash equivalents	(192,616)		
Less: restricted cash deposits held for the benefit of lenders	(21,456)		
Net debt	657,052		
Equity:			
Preferred stock	—		
Common stock & OP units (92,503,696 shares @ \$13.06/share as of 3/31/20) ³	1,208,098		
Total equity	1,208,098		
Total enterprise value ("TEV")	\$ 1,865,150		
Net Debt / TEV		35.2%	
Net Debt / Annualized Adjusted EBITDA_{re}		4.6x	

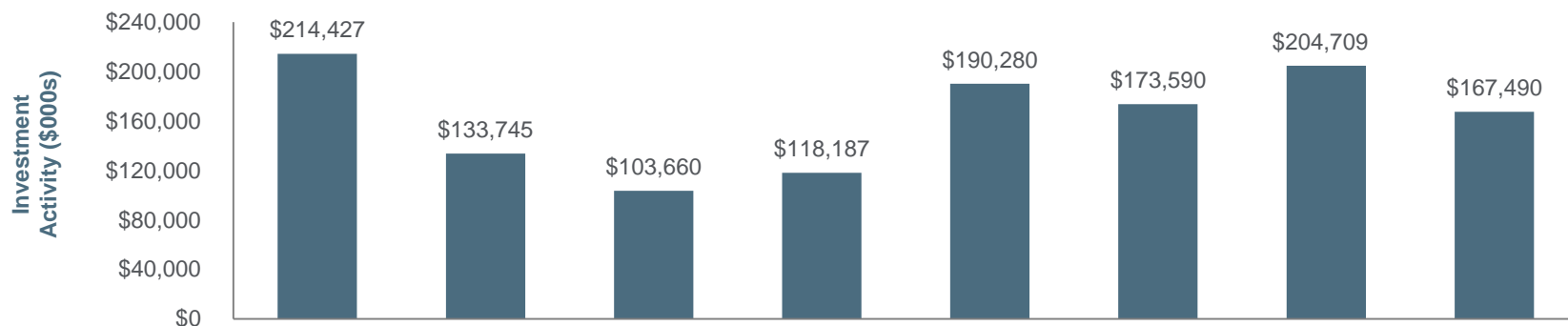
1. Maturity figures for our secured debt are based off of our anticipated repayment schedule. The Series 2017-1 notes mature in June 2047 but have an anticipated repayment date of June 2024.

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

3. Common equity & units as of March 31, 2020, based on 91,949,849 common shares outstanding (including unvested restricted share awards) and 553,847 OP units held by non-controlling interests.

Net Investment Activity

Investment Summary



Investments	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019 ⁶	3Q 2019 ⁷	4Q 2019 ⁸	1Q 2020 ⁹
Number of Transactions	23	34	24	35	32	28	41	32
Property Count	86	62	39	51	91	139	94	63
Avg. Investment per Unit (in 000s)	\$2,438	\$2,042	\$2,572	\$2,303	\$2,015	\$1,174	\$2,049	\$2,551
Cash Cap Rates ¹	7.6%	7.6%	7.6%	7.5%	7.3%	7.5%	7.3%	7.1%
GAAP Cap Rates ²	8.7%	8.5%	8.5%	8.4%	8.1%	8.2%	8.0%	8.0%
Master Lease % ^{3,4}	82%	58%	57%	47%	67%	73%	41%	54%
Sale-Leaseback % ^{3,5}	90%	77%	83%	78%	65%	88%	81%	88%
% of Financial Reporting ³	96%	100%	90%	100%	100%	100%	99%	100%
Rent Coverage Ratio	2.4x	2.7x	2.8x	3.2x	3.2x	3.2x	3.1x	2.7x
Lease Term Years	17.2	16.1	16.6	15.1	15.3	16.6	16.3	16.1

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

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

3. As a percentage of cash ABR for that particular quarter.

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

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

6. Includes three properties that secured \$16.8 million of mortgage loans receivable.

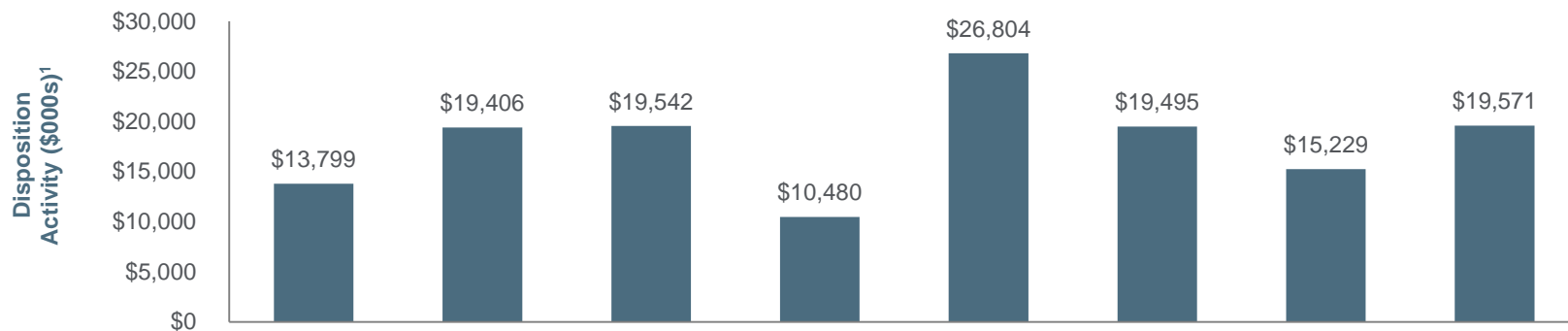
7. Includes 71 properties that secured \$35.3 million of mortgage loans receivable.

8. Includes 18 properties that secured \$34.6 million of mortgage loans receivable.

9. Includes one property that secured \$5.3 million of mortgage loans receivable.

Net Investment Activity

Disposition Summary



Dispositions	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019 ⁷	3Q 2019	4Q 2019	1Q 2020
Realized Gain/(Loss) ^{1,2}	9.7% ⁵	(6.6%) ⁶	0.4%	2.9%	1.3%	17.8%	8.5%	3.2% ⁵
Cash Cap Rate on Leased Assets ³	7.1% ⁵	6.8% ⁶	6.9%	6.6%	7.0%	6.7%	6.9%	7.1% ⁵
Leased Properties Sold ⁴	8	17	7	7	10	9	7	10
Vacant Properties Sold ⁴	2	4	1	--	1	1	1	--
Rent Coverage Ratio	2.1x ⁵	1.8x ⁶	1.8x	1.8x	1.5x	1.1x	1.7x	0.7x ⁵

1. Includes the impact of transaction costs.

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

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

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

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

6. Excludes the sale of one leasehold property.

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

Portfolio Summary

Portfolio Highlights

As of March 31, 2020

Investment Properties (#) ¹	1,050
Square Footage (mm)	8.3
Tenants (#)	212
Concepts (#)	283
Industries (#)	16
States (#)	43
Weighted Average Remaining Lease Term (Years)	14.6
Triple-Net Leases (% of Cash ABR)	93.8%
Master Leases (% of Cash ABR)	60.1%
Sale-Leaseback (% of Cash ABR) ^{2,3}	81.6%
Unit-Level Rent Coverage	2.9x
Unit-Level Financial Reporting (% of Cash ABR)	98.3%
Leased (%)	99.5%
Top 10 Tenants (% of Cash ABR)	23.1%
Average Investment Per Property (\$mm)	\$2.0
Total Cash ABR (\$mm)	\$161.1



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


2. Exclusive of GE Seed Portfolio.

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

Portfolio Summary

Tenant and Industry Diversification

Top 10 Tenant Exposure

Top 10 Tenants ¹	Properties	% of Cash ABR
	74	3.2%
	23	2.9%
	13	2.7%
	4	2.4%
	5	2.3%
	34	2.3%
	13	2.0%
	26	1.8%
	5	1.8%
	7	1.7%
Top 10 Tenants	204	23.1%
Total	1,050	100.0%

Diversification by Industry

Tenant Industry	Type of Business	Cash ABR (\$'000s)	% of Cash ABR	# of Properties ²	Building SqFt	Rent Per SqFt ³
Quick Service	Service	\$ 23,080	14.3%	317	844,782	\$ 27.54
Early Childhood Education	Service	21,342	13.3%	94	974,143	21.35
Car Washes	Service	19,008	11.8%	82	384,242	48.83
Medical / Dental	Service	17,520	10.9%	100	647,463	26.27
Convenience Stores	Service	17,002	10.6%	149	598,940	28.39
Casual Dining	Service	8,779	5.5%	61	371,825	23.61
Automotive Service	Service	8,386	5.2%	76	424,761	19.74
Other Services	Service	5,150	3.2%	25	282,470	18.23
Pet Care Services	Service	5,059	3.1%	32	201,541	20.42
Family Dining	Service	5,127	3.2%	29	194,085	26.42
Service Subtotal		\$ 130,454	81.0%	965	4,924,251	\$ 26.07
Health and Fitness	Experience	10,651	6.6%	25	953,487	10.46
Entertainment	Experience	6,532	4.1%	18	647,483	10.71
Movie Theatres	Experience	4,342	2.7%	6	293,206	14.81
Experience Subtotal		\$ 21,526	13.4%	49	1,894,176	\$ 11.23
Home Furnishings	Retail	5,443	3.4%	7	383,415	14.20
Grocery	Retail	955	0.6%	4	161,296	5.92
Retail Subtotal		\$ 6,398	4.0%	11	544,711	\$ 11.75
Building Materials	Industrial	2,696	1.7%	19	896,956	3.01
Total		\$ 161,074	100.0%	1,044	8,260,094	\$ 19.25

1. Represents tenant, guarantor or parent company.

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

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

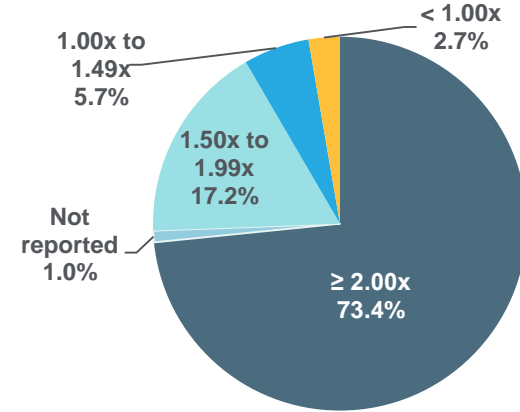
Portfolio Summary

Portfolio Health

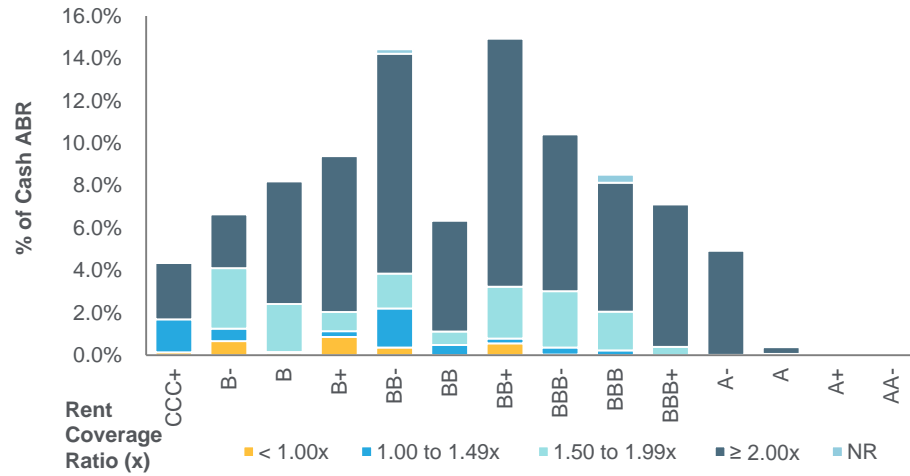
Tenant Financial Reporting

Tenant Financial Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	98.3%
Corporate-Level Financial Reporting	98.7%
Both Unit-Level and Corporate-Level Financial Information	98.1%
No Financial Information	1.0%

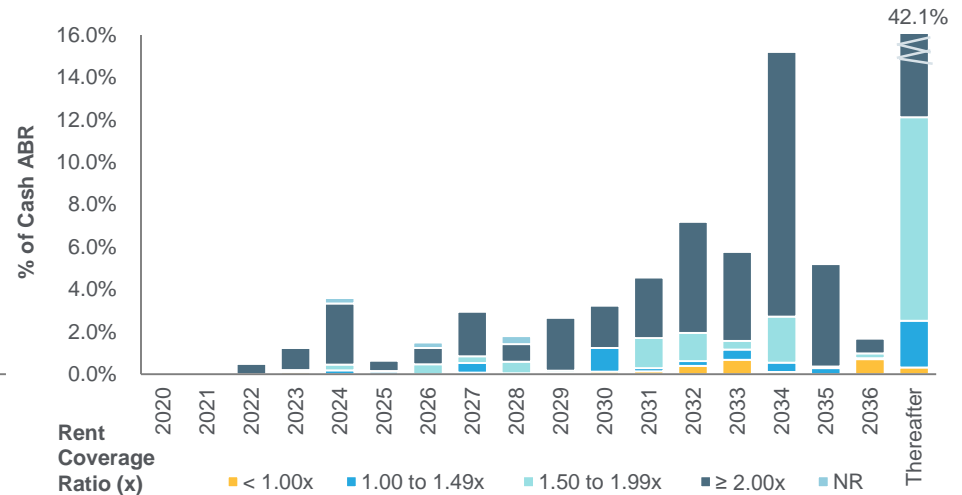
% of Cash ABR by Unit-Level Coverage Tranche¹



Unit-Level Coverage by Tenant Credit²



Unit-Level Coverage by Lease Expiration



Note: 'NR' means not reported.

- 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.
- The chart illustrates the portions of annualized base rent as of March 31, 2020 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores. Moody's equates the EDF scores generated using RiskCalc with a corresponding credit rating.

Leasing Summary

Leasing Expiration Schedule, Leasing Activity and Statistics

Annual Lease Expiration by Cash ABR

Year ¹	Cash ABR	% of Cash ABR	# of Properties ²	Wgt. Avg. Coverage ³
2020	\$ 90	0.1%	1	1.9x
2021	243	0.2%	3	2.7x
2022	773	0.5%	5	3.7x
2023	2,131	1.3%	12	2.7x
2024	5,790	3.6%	49	3.7x
2025	1,020	0.6%	11	4.0x
2026	2,395	1.5%	14	2.5x
2027	4,736	2.9%	30	3.2x
2028	2,890	1.8%	17	2.8x
2029	4,273	2.7%	68	4.2x
2030	5,206	3.2%	53	3.7x
2031	7,328	4.5%	44	3.5x
2032	11,562	7.2%	63	3.4x
2033	9,280	5.8%	41	2.8x
2034	24,483	15.2%	193	2.9x
2035	8,362	5.2%	54	2.9x
2036	2,697	1.7%	22	1.7x
2037	18,252	11.3%	77	3.1x
2038	17,473	10.8%	92	2.2x
2039	25,044	15.5%	154	2.5x
Thereafter	7,046	4.4%	41	3.0x
Total	\$161,074	100.0%	1,044	2.9x

Leasing Activity – Trailing 12 Months

\$(000)s	Renewed Per Terms of Lease	Re-Leased to New Tenant Without Vacancy	After Vacancy	Total Leasing
Prior Cash ABR	\$ 88	\$ 143	-	\$ 231
New Cash ABR	96	90	-	186
Recovery Rate	109.1%	62.9%	-	80.5%
Number of Leases	3	3	-	6
Average Months Vacant	-	-	-	-
Lease Incentives Paid	-	-	-	-
% of Total Cash ABR ⁴	0.1%	0.1%	-	0.1%

Leasing Statistics

Vacant Properties at December 31, 2019	0
Expiration Activity	0
Leasing Activity	0
Vacant Property Sales	0
Lease Termination	+ 5
Vacant Properties at March 31, 2020	5

1. Expiration year of contracts in place as of March 31, 2020 and excludes any tenant option renewal periods that have not been exercised.

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

3. Weighted by cash ABR as of March 31, 2020.

4. New cash ABR divided by total cash ABR as of March 31, 2020.

Leasing Summary

Same-Store Analysis

Defined Terms

Same-Store Portfolio:

All properties owned, excluding new sites under construction, for the entire same-store measurement period, which is January 1, 2019 through March 31, 2020. The same-store portfolio for 1Q 2020 is comprised of 604 properties and represented ~58% of our total portfolio as measured by contractual cash rent divided by our cash ABR at March 31, 2020.

Contractual Cash Rent:

The amount of cash rent our tenants are contractually obligated to pay per the in-place lease as of March 31, 2020; excludes 1.) percentage rent that is subject to sales breakpoints per the lease and 2.) redevelopment properties in a free rent period

Same-Store Portfolio Performance

Type of Business	Contractual Cash Rent (\$000s)		%
	1Q 2020	1Q 2019	
Service	\$ 18,547	\$ 18,342	1.1%
Experience	3,562	3,598	-1.0%
Retail	759	1,382	-45.1%
Industrial	674	661	2.0%
Total Same-Store Rent	\$ 23,542	\$ 23,983	-1.8%
- Property Operating Expense ¹	50	162	-69.0%
Total Same-Store NOI	\$ 23,492	\$ 23,821	-1.4%



1. Excludes reimbursable property operating expenses.

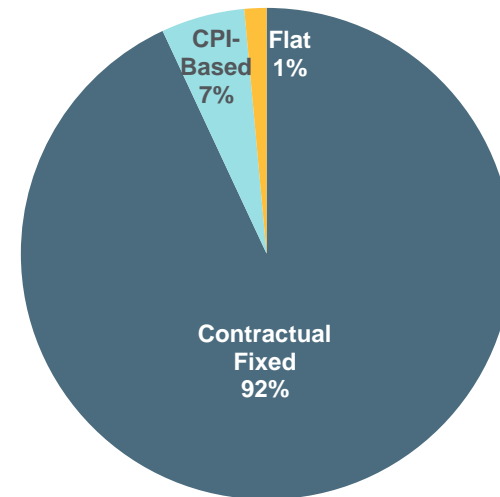
Leasing Summary

Lease Escalations

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average Annual Escalation Rate ^{1,2}
Annually	79.6%	1.5%
Every 2 years	2.4	1.4
Every 3 years	1.0	1.4
Every 4 years	0.5	0.8
Every 5 years	13.8	1.3
Every 6 years	0.3	0.7
Other escalation frequencies	1.3	1.3
Flat	1.2	NA
Total / Weighted Average	100.0%	1.5%

Lease Escalation Type



- Leases contributing 99% of cash ABR provided for base rent escalation, generally ranging from 1.0% to 3.0% annually, with a weighted average annual escalation rate of 1.5%, which assumes 0.0% change in annual CPI
- 7% of contractual rent escalations by cash ABR are CPI-based, while 92% are based on fixed percentage or scheduled increases
- 68% 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 March 31, 2020.

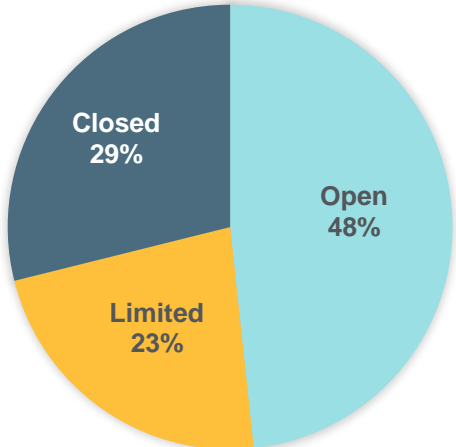
2. Represents the weighted average annual escalation rate of the entire portfolio as if all escalations occur annually. For leases in which rent escalates by the greater of a stated fixed percentage or CPI, we have assumed an escalation equal to the stated fixed percentage in the lease. As any future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

COVID-19 Impact: Portfolio and April Rent Status

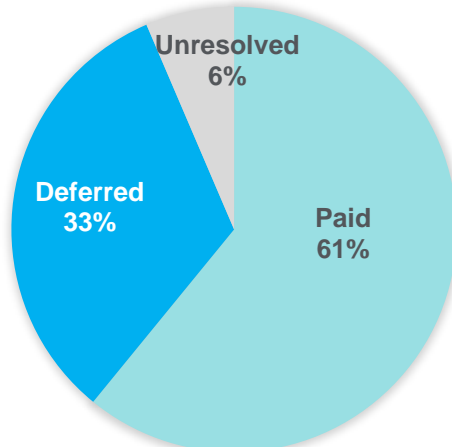
Over 71% of Our Portfolio is Currently Open or Operating in a Limited Capacity

- **Portfolio Operating Status:** As of early May, 48% of our ABR was open, 23% was open on a limited operating basis and 29% was closed
- **April Rent Collection Totaled 61%:** Cash rent received for the month of April totaled \$8.2 million, which compares to our monthly contractual cash rent of \$13.4 million
- **Deferred Rent Totaled 33% in April:** We agreed to defer April rent for 88 different tenants across 320 properties in our portfolio. The average deferral period is 3.1 months with an average payback period of 12.7 months. In aggregate, we have agreed to defer \$16.1 million of cash rent, or 10.0% of annual cash rent
- **Unresolved Rent Collection Totaled 6% in April:** 73% of April rent that is unresolved is attributable to Art Van Furniture and AMC. The remaining balance, which equates to \$2.8 million in ABR, is comprised of nine different restaurant tenants (26 units) in the casual dining (13 units), family dining (11 units), and quick-service (2 units) industries. The average rent per site for these 26 properties is \$106K

Current Property Status¹



April Rent Status



1. Calculated as a % of ABR as of March 31, 2020.

Glossary

Supplemental Reporting Measures

FFO, Core FFO and AFFO

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

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

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

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

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

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

Glossary

Supplemental Reporting Measures

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

EBITDA and EBITDAre

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

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

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

Net Debt

We calculate our net debt as our gross debt (defined as total debt plus net deferred financing costs on our secured borrowings) less cash and cash equivalents and restricted cash deposits held for the benefit of lenders.

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

NOI and Cash NOI

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

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

Glossary

Supplemental Reporting Measures

Adjusted EBITDAre / Adjusted NOI / Adjusted Cash NOI

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

Cash ABR

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

Rent Coverage Ratio

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

GE Seed Portfolio

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

GAAP Cap Rate

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

Cash Cap Rate

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

Disclaimer

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