



ESSENTIAL PROPERTIES



Supplemental Operating & Financial Data

Third Quarter Ended September 30, 2022

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Financial Summary

Consolidated Statements of Operations

(in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Revenues:				
Rental revenue ^{1,2}	\$ 66,525	\$ 54,929	\$ 199,726	\$ 153,511
Interest on loans and direct financing lease receivables	3,719	4,574	11,490	11,558
Other revenue, net	419	98	1,014	150
Total revenues	70,663	59,601	212,230	165,219
Expenses:				
General and administrative	7,868	5,596	22,956	18,497
Property expenses ³	830	1,358	2,668	3,946
Depreciation and amortization	22,054	17,355	64,441	50,185
Provision for impairment of real estate	349	—	10,541	6,120
Change in provision for loan losses	(30)	16	136	(112)
Total expenses	31,071	24,325	100,742	78,636
Other operating income:				
Gain on dispositions of real estate, net	6,329	1,343	18,082	8,841
Income from operations	45,921	36,619	129,570	95,424
Other (expense)/income:				
Loss on debt extinguishment ⁴	—	—	(2,138)	(4,461)
Interest expense	(9,892)	(8,955)	(28,242)	(24,444)
Interest income	752	37	800	74
Income before income tax expense	36,781	27,701	99,990	66,593
Income tax expense	190	55	769	172
Net income	36,591	27,646	99,221	66,421
Net income attributable to non-controlling interests	(163)	(139)	(441)	(335)
Net income attributable to stockholders	\$ 36,428	\$ 27,507	\$ 98,780	\$ 66,086
Basic weighted-average shares outstanding	139,068,188	119,230,645	132,438,157	114,223,586
Basic net income per share	\$ 0.26	\$ 0.23	\$ 0.74	\$ 0.58
Diluted weighted-average shares outstanding	139,890,693	120,298,680	133,321,987	115,339,656
Diluted net income per share	\$ 0.26	\$ 0.23	\$ 0.74	\$ 0.57

1. Includes contingent rent (based on a percentage of the tenant's gross sales at the leased property) of \$210, \$233, \$526 and \$464 for the three and nine months ended September 30, 2022 and 2021, respectively.

2. Includes reimbursable income from the Company's tenants of \$530, \$399, \$1,584 and \$852 for the three and nine months ended September 30, 2022 and 2021, respectively.

3. Includes reimbursable expenses from the Company's tenants of \$530, \$399, \$1,584, and \$852 for the three and nine months ended September 30, 2022 and 2021, respectively.

4. During the nine months ended September 30, 2022, includes debt extinguishment costs associated with the Company's restructuring of its credit and term loan facilities and, during the three and nine months ended September 30, 2021, includes debt extinguishment costs associated with the full repayment of the Company's remaining secured debt.

Financial Summary

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

(unaudited, in thousands except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income	\$ 36,591	\$ 27,646	\$ 99,221	\$ 66,421
Depreciation and amortization of real estate	22,028	17,329	64,363	50,108
Provision for impairment of real estate	349	—	10,541	6,120
Gain on dispositions of real estate, net	(6,329)	(1,343)	(18,082)	(8,841)
Funds from Operations	52,639	43,632	156,043	113,808
Other non-recurring expenses ^{1,2}	250	—	2,388	4,461
Core Funds from Operations	52,889	43,632	158,431	118,269
Adjustments:				
Straight-line rental revenue, net	(3,810)	(5,086)	(16,610)	(13,950)
Non-cash interest expense	645	488	1,995	1,407
Non-cash compensation expense	2,233	1,103	7,257	4,554
Other amortization expense	1,775	68	2,177	2,487
Other non-cash charges	(34)	15	126	(118)
Capitalized interest expense	(236)	(19)	(363)	(55)
Adjusted Funds from Operations	\$ 53,462	\$ 40,201	\$ 153,013	\$ 112,594
Net income per share³:				
Basic	\$ 0.26	\$ 0.23	\$ 0.74	\$ 0.58
Diluted	\$ 0.26	\$ 0.23	\$ 0.74	\$ 0.57
FFO per share³:				
Basic	\$ 0.38	\$ 0.36	\$ 1.17	\$ 0.99
Diluted	\$ 0.38	\$ 0.36	\$ 1.17	\$ 0.98
Core FFO per share³:				
Basic	\$ 0.38	\$ 0.36	\$ 1.19	\$ 1.03
Diluted	\$ 0.38	\$ 0.36	\$ 1.19	\$ 1.02
AFFO per share³:				
Basic	\$ 0.38	\$ 0.33	\$ 1.15	\$ 0.98
Diluted	\$ 0.38	\$ 0.33	\$ 1.15	\$ 0.97

1. During the nine months ended September 30, 2022, includes debt extinguishment costs associated with the Company's restructuring of its credit and term loan facilities and, during the three and nine months ended September 30, 2021, includes debt extinguishment costs associated with the full repayment of the Company's remaining secured debt.

2. Calculations exclude \$93, \$61, \$280 and \$249 from the numerator for the three and nine months ended September 30, 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)

	September 30, 2022	December 31, 2021
	(unaudited)	(audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 1,163,660	\$ 1,004,154
Building and improvements	2,305,254	2,035,919
Lease incentive	12,496	13,950
Construction in progress	29,973	8,858
Intangible lease assets	89,393	87,959
Total real estate investments, at cost	3,600,776	3,150,840
Less: accumulated depreciation and amortization	(259,092)	(200,152)
Total real estate investments, net	3,341,684	2,950,688
Loans and direct financing lease receivables, net	204,742	189,287
Real estate investments held for sale, net	11,907	15,434
Net investments	3,558,333	3,155,409
Cash and cash equivalents	136,303	59,758
Restricted cash	7,925	—
Straight-line rent receivable, net	74,583	57,990
Derivative assets	50,670	—
Rent receivables, prepaid expenses and other assets, net	25,731	25,638
Total assets	\$ 3,853,545	\$ 3,298,795
LIABILITIES AND EQUITY		
Unsecured term loans, net of deferred financing costs	875,239	626,983
Senior unsecured notes, net	395,145	—
Revolving credit facility	—	144,000
Intangible lease liabilities, net	11,909	12,693
Dividend payable	38,682	32,610
Derivative liabilities	13	11,838
Accrued liabilities and other payables	28,855	32,145
Total liabilities	1,349,843	1,254,992
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of 9/30/22 and 12/31/21	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 142,377,215 and 124,649,053 issued and outstanding as of 9/30/22 and 12/31/21, respectively	1,424	1,246
Additional paid-in capital	2,561,124	2,151,088
Distributions in excess of cumulative earnings	(113,275)	(100,982)
Accumulated other comprehensive loss	46,870	(14,786)
Total stockholders' equity	2,496,143	2,036,566
Non-controlling interests	7,559	7,237
Total equity	2,503,702	2,043,803
Total liabilities and equity	\$ 3,853,545	\$ 3,298,795

Financial Summary

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

(unaudited, in thousands)	Three Months Ended September 30, 2022
Net income	\$ 36,591
Depreciation and amortization	22,054
Interest expense	9,892
Interest income	(752)
Income tax expense	190
EBITDA	67,975
Provision for impairment of real estate	349
Gain on dispositions of real estate, net	(6,329)
EBITDAre	61,995
Adjustment for current quarter re-leasing, acquisition and disposition activity ¹	2,844
Adjustment to exclude other non-core and non-recurring activity ²	134
Adjustment to exclude termination/prepayment fees and certain percentage rent ³	(429)
Adjusted EBITDAre - Current Estimated Run Rate	64,544
General and administrative	7,618
Adjusted net operating income ("NOI")	72,162
Straight-line rental revenue, net ¹	(3,055)
Other amortization expense	193
Adjusted Cash NOI	\$ 69,300
Annualized EBITDAre	\$ 247,980
Annualized Adjusted EBITDAre	\$ 258,176
Annualized Adjusted NOI	\$ 288,648
Annualized Adjusted Cash NOI	\$ 277,200

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 September 30, 2022 had occurred on July 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 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 or loan prepayment fees, if any.

Financial Summary

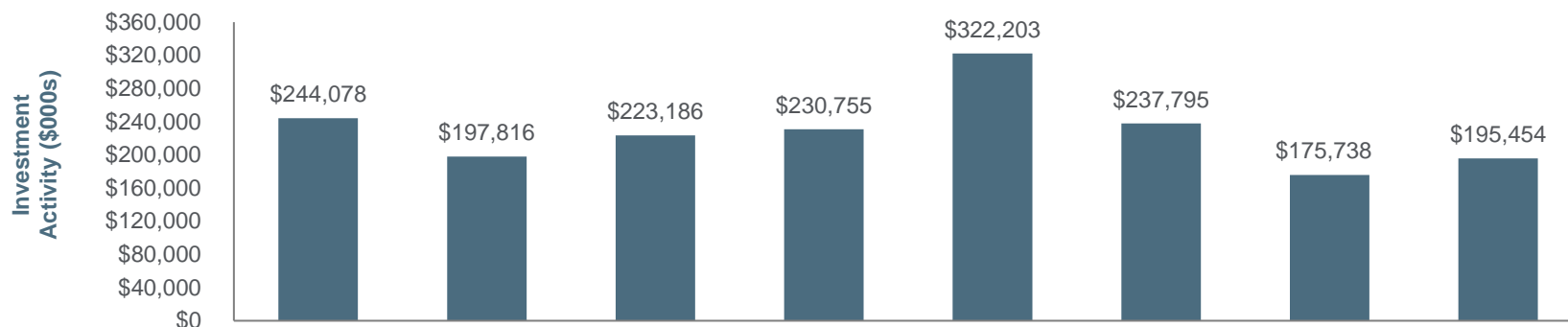
Market Capitalization, Debt Summary and Leverage Metrics

(dollars in thousands, except share and per share amounts)	September 30, 2022	Rate	Wtd. Avg. Maturity
Unsecured debt:			
April 2024 term loan ¹	\$ 200,000	2.9%	1.5 years
February 2027 term loan ¹	430,000	2.4%	4.4 years
January 2028 term loan ^{1,2}	250,000	4.4%	5.3 years
Senior unsecured notes due July 2031	400,000	3.1%	8.8 years
Revolving credit facility ³	—	—%	3.4 years
Total unsecured debt	\$ 1,280,000	3.1%	5.5 years
Gross debt	\$ 1,280,000		
Less: cash & cash equivalents	(136,303)		
Less: restricted cash available for future investment	(7,925)		
Net debt	\$ 1,135,772		
Equity:			
Preferred stock	\$ —		
Common stock & OP units (142,931,062 shares @ \$19.45/share as of 9/30/22) ⁴	2,780,009		
Total equity	\$ 2,780,009		
Total enterprise value ("TEV")	\$ 3,915,781		
Net Debt / TEV		29.0%	
Gross Debt / Undepreciated Gross Assets		31.1%	
Net Debt / Annualized Adjusted EBITDAre		4.4x	

1. Rates presented for our term loans are fixed at the stated rates after giving effect to our interest rate swaps, applicable margin of 85bps and SOFR premium of 10bps.
2. Our 2028 term loan provides for \$400 million in available principal and we drew \$250 million of this principal in July 2022. Subsequent to quarter end, we drew the remaining \$150 million in October 2022, \$100 million of which bears interest at Term SOFR plus applicable margin of 85bps and SOFR premium of 10bps.
3. Our 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 \$600 million. Borrowings bear interest at Term SOFR plus applicable margin of 77.5bps and SOFR premium of 10bps.
4. Common equity & units as of September 30, 2022, based on 142,377,215 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	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22
Number of Transactions	33	22	34	31	55	23	23	27
Property Count	108	74	94	85	96	105	39	40
Average Investment per Unit (in 000s)	\$2,218	\$2,650	\$2,354	\$2,676	\$3,230	\$2,187	\$3,870	\$3,750
Cash Cap Rates ²	7.1%	7.0%	7.1%	7.0%	6.9%	7.0%	7.0%	7.1%
GAAP Cap Rates ³	7.7%	7.9%	7.8%	7.9%	7.8%	7.8%	8.0%	8.2%
Weighted Average Lease Escalation	1.4%	1.8%	1.4%	1.6%	1.6%	1.4%	1.5%	1.6%
Master Lease % ^{4,5}	89%	79%	83%	80%	59%	83%	86%	68%
Sale-Leaseback % ^{4,6}	88%	85%	88%	84%	96%	100%	100%	89%
Existing Relationship % ⁴	89%	81%	97%	81%	89%	83%	79%	94%
% of Financial Reporting ⁴	100%	100%	100%	100%	98%	100%	100%	100%
Rent Coverage Ratio	3.6x	3.0x	2.7x	2.8x	3.0x	3.3x	2.7x	4.4x
Lease Term Years	16.3	16.1	13.5	16.4	16.3	15.0	17.2	16.5

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.

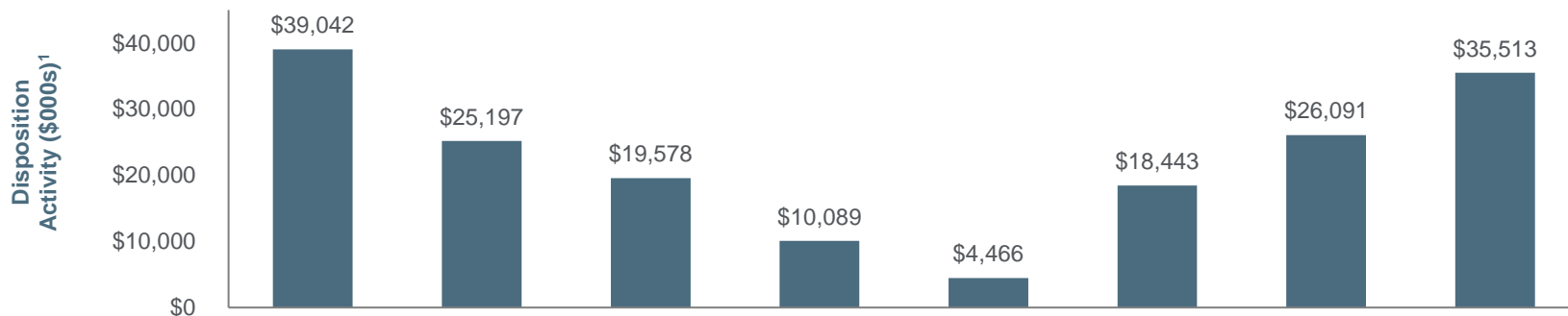
4. As a percentage of cash ABR for the quarter.

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	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22
Realized Gain/(Loss) ^{1,2}	(10.2%)	4.5%	(7.3%)	29.8% ⁵	7.5%	0.4%	38.6%	11.1%
Cash Cap Rate on Leased Assets ³	7.4%	7.1%	7.1%	6.5% ⁵	6.0%	7.1% ⁵	6.2%	6.2% ⁵
Leased Properties Sold ⁴	21	15	6	11	2	6	8	12
Vacant Properties Sold ⁴	2	1	1	--	--	--	--	--
Rent Coverage Ratio	2.3x	1.8x	1.8x	1.2x	0.0x	2.5x ⁵	1.1x	1.2x

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 September 30, 2022

Investment Properties (#) ¹	1,572
Square Footage (mm)	14.8
Tenants (#)	329
Concepts (#)	486
Industries (#)	16
States (#)	48
Weighted Average Remaining Lease Term (Years)	14.0
Triple-Net Leases (% of Cash ABR)	94.5%
Master Leases (% of Cash ABR)	64.2%
Sale-Leaseback (% of Cash ABR) ^{2,3}	86.8%
Unit-Level Rent Coverage	4.2x
Unit-Level Financial Reporting (% of Cash ABR)	98.5%
Leased (%)	99.8%
Top 10 Tenants (% of Cash ABR)	19.4%
Average Investment Per Property (\$mm)	\$2.4
Total Cash ABR (\$mm)	\$277.3



1. Includes 146 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	34	3.7%
 Chicken N Pickle	6	2.0%
 Captain D's	75	1.9%
 Cadence Education	23	1.8%
 Whitewater Express	16	1.8%
 Festival Foods	5	1.7%
 Track Family Fun Parks	9	1.7%
 Mammoth Holdings	17	1.6%
 Mister Donut	13	1.6%
 Spare Time Entertainment	6	1.6%
Top 10 Tenants	204	19.4%
Total	1,572	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	\$ 37,507	13.5%	169	1,774,859	\$ 21.00
Quick Service	Service	34,956	12.6%	402	1,107,012	31.55
Medical / Dental	Service	31,744	11.4%	186	1,344,356	23.61
Car Washes	Service	30,606	11.0%	105	562,678	54.39
Automotive Service	Service	23,481	8.5%	179	1,115,089	20.84
Casual Dining	Service	17,809	6.4%	97	607,702	28.41
Convenience Stores	Service	15,348	5.5%	136	518,011	30.01
Equipment Rental and Sales	Service	13,498	4.9%	51	929,605	13.82
Other Services	Service	5,589	2.0%	25	291,352	19.18
Pet Care Services	Service	4,990	1.8%	46	371,069	14.40
Family Dining	Service	4,717	1.7%	32	179,942	26.21
Service Subtotal		\$ 220,245	79.4%	1,428	8,801,673	\$ 24.95
Entertainment	Experience	21,604	7.8%	39	1,103,950	20.51
Health and Fitness	Experience	11,894	4.3%	30	1,112,394	9.92
Movie Theatres	Experience	4,301	1.6%	6	293,206	14.67
Experience Subtotal		\$ 37,799	13.6%	75	2,509,550	\$ 15.05
Grocery	Retail	9,725	3.5%	28	1,341,200	7.25
Home Furnishings	Retail	2,048	0.7%	4	217,339	9.42
Retail Subtotal		\$ 11,774	4.2%	32	1,558,539	\$ 7.55
Building Materials	Industrial	3,855	1.4%	23	1,257,017	3.07
Other Industrial	Industrial	3,604	1.3%	11	686,724	5.25
Industrial Subtotal		\$ 7,459	2.7%	34	1,943,741	\$ 3.84
Total		\$ 277,277	100.0%	1,569	14,813,503	\$ 18.66

1. Represents tenant, guarantor or parent company.

2. Property count includes 146 properties that secure mortgage loans receivable and excludes three vacant properties.

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

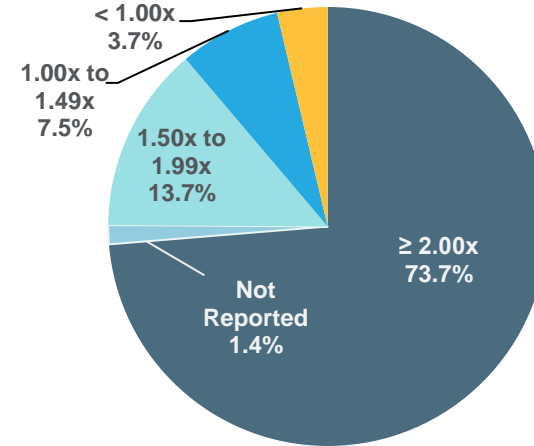
Portfolio Summary

Portfolio Health

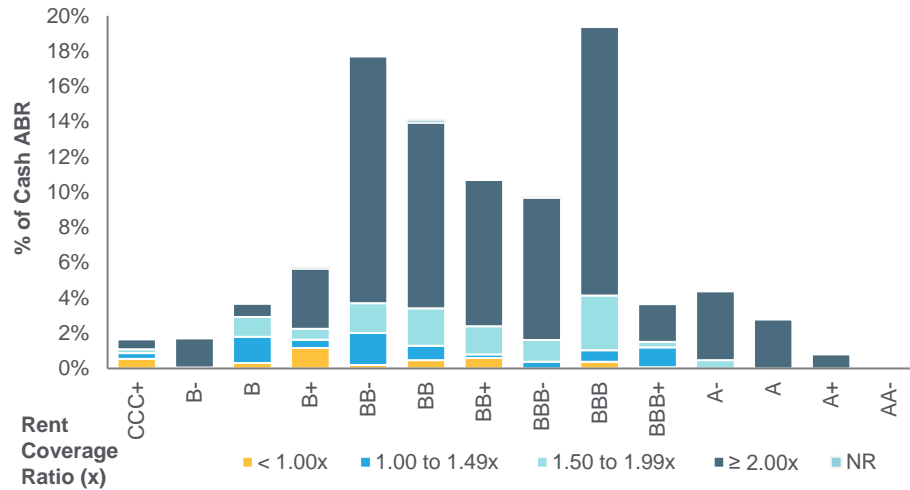
Tenant Financial Reporting Requirements

Reporting Requirements	% of Cash ABR
Unit-Level Financial Information	98.5%
Corporate-Level Financial Reporting	98.8%
Both Unit-Level and Corporate-Level Financial Information	97.9%
No Financial Information	1.0%

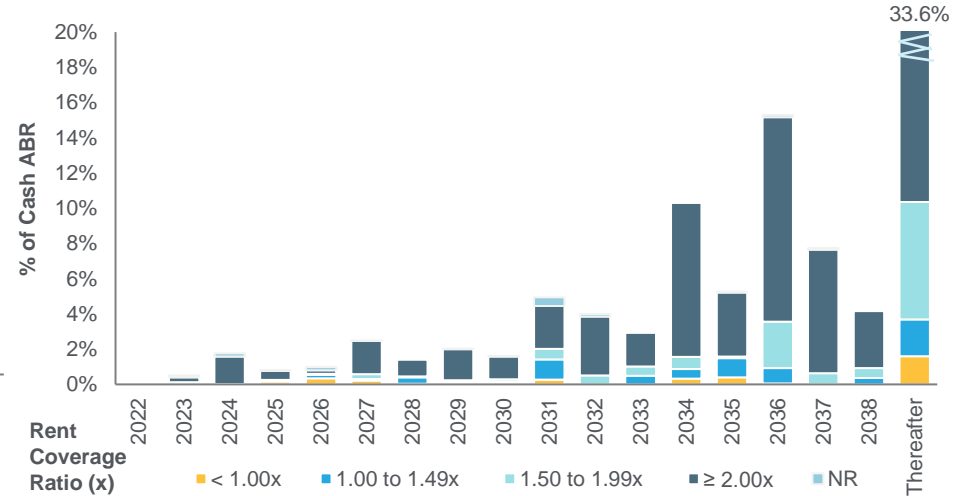
% of Cash ABR by Unit-Level Coverage Tranche¹



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 September 30, 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 (\$'000)s	% of Cash ABR	# of Properties ²	Wgt. Avg. Coverage ³
2022	280	0.1%	4	2.1x
2023	1,436	0.5%	15	2.9x
2024	4,881	1.8%	47	6.0x
2025	2,246	0.8%	19	2.0x
2026	2,736	1.0%	17	4.4x
2027	6,899	2.5%	68	2.6x
2028	3,919	1.4%	12	2.2x
2029	5,665	2.0%	78	4.1x
2030	4,482	1.6%	49	6.7x
2031	13,735	5.0%	80	2.8x
2032	11,080	4.0%	45	3.8x
2033	8,134	2.9%	27	3.4x
2034	28,559	10.3%	206	5.9x
2035	14,628	5.3%	99	5.1x
2036	42,406	15.3%	182	3.4x
2037	21,452	7.7%	105	10.7x
2038	11,530	4.2%	78	2.5x
2039	20,726	7.5%	102	3.6x
2040	32,408	11.7%	151	2.6x
2041	22,661	8.2%	115	2.4x
Thereafter	17,413	6.3%	70	3.3x
Total	\$277,277	100.0%	1,569	4.2x

Leasing Activity – Trailing 12 Months

\$(000)s	Lease Renewals	Terminated Leases Re-Leased		Total Leasing
		Without Vacancy	After Vacancy	
Prior Cash ABR	\$ 212	\$ 2,971	\$ 1,473	\$ 4,655
New Cash ABR ⁴	212	2,756	703	3,671
Recovery Rate	100.0%	92.8%	47.7%	78.9%
Number of Leases	1	11	3	15
Average Months Vacant	-	-	4.8	-
% of Total Cash ABR ⁵	0.1%	1.0%	0.3%	1.3%

Leasing Statistics

Vacant Properties at June 30, 2022	2
Expiration Activity	—
Properties Subject to Lease Termination	+4
Vacant Property Sales	—
Properties Leased	-3
Vacant Properties at September 30, 2022	3

1. Expiration year of contracts in place as of September 30, 2022, excluding any tenant option renewal periods that have not been exercised.

2. Property count includes 146 properties that secure mortgage loans receivable but excludes three vacant properties.

3. Weighted by cash ABR as of September 30, 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 September 30, 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 June 30, 2021, through September 30, 2022. The same-store portfolio for 3Q'22 is comprised of 1,283 properties and represents 77% of our total portfolio as measured by contractual cash rent and interest divided by our cash ABR at September 30, 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 September 30, 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
	3Q'22	3Q'21	
Service	\$ 44,208	\$ 43,521	1.6%
Experience	5,801	5,619	3.2%
Retail	2,161	2,133	1.3%
Industrial	964	950	1.4%
Total Same-Store Rent	\$ 53,134	\$ 52,223	1.7%



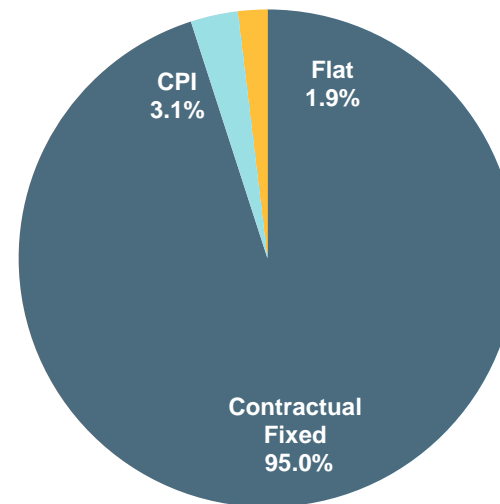
Leasing Summary

Lease Escalations

Lease Escalation Frequency

Lease Escalation Frequency	% of Cash ABR	Weighted Average
		Annual Escalation Rate ^{1,2}
Annually	79.1%	1.6%
Every 2 years	1.4	1.5
Every 3 years	0.3	0.0
Every 4 years	0.3	1.0
Every 5 years	11.8	1.7
Other escalation frequencies	5.3	1.1
Flat	1.9	0.0
Total / Weighted Average	100.0%	1.6%

Lease Escalation Type



1. Based on cash ABR as of September 30, 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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