

# Agree Realty Corporation Reports First Quarter 2019 Results

## Increases Acquisition Guidance to \$450 Million to \$500 Million

BLOOMFIELD HILLS, Mich., April 22, 2019 /PRNewswire/ -- Agree Realty Corporation (NYSE: ADC) (the "Company") today announced results for the quarter ended March 31, 2019. All per share amounts included herein are on a diluted per common share basis unless otherwise stated.

### First Quarter 2019 Financial and Operating Highlights:

- Invested \$144.6 million in 57 retail net lease properties
- Completed three development and Partner Capital Solutions ("PCS") projects
- Net Income per share attributable to the Company decreased 10.1% to \$0.48
- Net Income attributable to the Company increased 11.5% to \$18.3 million
- Increased Core Funds from Operations ("Core FFO") per share 4.7% to \$0.74
- Increased Core FFO 29.8% to \$28.6 million
- Increased Adjusted Funds from Operations ("AFFO") per share 2.7% to \$0.72
- Increased AFFO 27.3% to \$27.7 million
- Declared a quarterly dividend of \$0.555 per share, a 6.7% year-over-year increase
- Raised \$59.3 million in gross proceeds from the sale of 886,768 common shares via its at-the-market equity program ("ATM program")

### Financial Results

#### Net Income

Net Income attributable to the Company for the three months ended March 31, 2019 increased 11.5% to \$18.3 million, compared to \$16.5 million for the comparable period in 2018. Net Income per share attributable to the Company for the three months ended March 31, 2019 decreased 10.1% to \$0.48, compared to \$0.53 per share for the comparable period in 2018.

#### Core Funds from Operations

Core FFO for the three months ended March 31, 2019 increased 29.8% to \$28.6 million, compared to Core FFO of \$22.0 million for the comparable period in 2018. Core FFO per share for the three months ended March 31, 2019 increased 4.7% to \$0.74, compared to Core FFO per share of \$0.71 for the comparable period in 2018.

#### Adjusted Funds from Operations

AFFO for the three months ended March 31, 2019 increased 27.3% to \$27.7 million, compared to AFFO of \$21.8 million for the comparable period in 2018. AFFO per share for the three months ended March 31, 2019 increased 2.7% to \$0.72, compared to AFFO per share of \$0.70 for the comparable period in 2018.

#### Dividend

The Company paid a cash dividend of \$0.555 per share on April 12, 2019 to stockholders of record on March 29, 2019, a 6.7% increase over the \$0.520 quarterly dividend declared in the first quarter of 2018. The quarterly dividend represents payout ratios of approximately 75% of Core FFO per share and 77% of AFFO per share, respectively.

### CEO Comments

"We are very pleased with our strong performance to start the year as we continue to efficiently execute on our operating strategy," said Joey Agree, President and Chief Executive Officer of Agree Realty Corporation. "Given our strong year-to-date investment activity and our robust pipeline, we are increasing our full-year acquisition guidance to a range of \$450 million to \$500 million. While increasing our acquisition guidance, we remain intently focused on further solidifying the highest quality retail net lease portfolio in the country."

### Portfolio Update

As of March 31, 2019, the Company's portfolio consisted of 694 properties located in 46 states totaling 11.9 million square feet of gross leasable space.

The portfolio was approximately 99.7% leased, had a weighted-average remaining lease term of approximately 10.2 years, and generated approximately 52.4% of annualized base rents from investment grade retail tenants or parent entities thereof.

#### Ground Lease Portfolio

As of March 31, 2019, the Company's ground lease portfolio consisted of 54 properties located in 20 states and totaled 1.7 million square feet of gross leasable space. Properties ground leased to tenants accounted for 8.6% of annualized base rents.

The ground lease portfolio was fully occupied, had a weighted-average remaining lease term of approximately 11.2 years, and

generated approximately 87.9% of annualized base rents from investment grade retail tenants.

#### Acquisitions

Total acquisition volume for the first quarter of 2019, excluding acquisition and closing costs, was approximately \$141.0 million and included 48 assets net leased to notable retailers operating in the off-price retail, convenience store, auto parts, tire and auto service, home improvement, health and fitness, grocery, and crafts and novelties sectors. The properties are located in 22 states and leased to tenants operating in 16 retail sectors. The properties were acquired at a weighted-average capitalization rate of 7.0% and had a weighted-average remaining lease term of approximately 12.8 years.

The Company's outlook for acquisition volume for the full-year 2019 is being increased to a range of \$450 million to \$500 million of high-quality retail net lease properties. The Company's acquisition guidance, which assumes continued growth in economic activity, moderate interest rate growth, positive business trends and other significant assumptions, is being increased from a previous range of \$350 million to \$400 million.

#### Dispositions

During the first quarter, the Company sold two properties for gross proceeds of approximately \$10.1 million. The dispositions were completed at a weighted-average capitalization rate of 7.1%.

The Company's disposition guidance for 2019 remains between \$25 million to \$75 million.

#### Development and Partner Capital Solutions

In the first quarter of 2019, the Company completed three previously announced development and PCS projects including the Company's first project with Sunbelt Rentals in Maumee, Ohio and the Company's third and fourth developments with Mister Car Wash in Orlando and Tavares, Florida. The projects had total aggregate costs of approximately \$7.8 million.

The Company commenced one new development and PCS project during the first quarter. The project is the Company's fourth development with Sunbelt Rentals in Carrizo Springs, Texas, and is expected to be completed in the fourth quarter of 2019.

Construction continued during the first quarter on five projects with total anticipated costs of approximately \$20.9 million. The projects include the Company's second and third developments with Sunbelt Rentals in Batavia, Ohio and Georgetown, Kentucky; the Company's first development with Gerber Collision in Round Lake, Illinois; the Company's redevelopment of the former Kmart space in Mount Pleasant, Michigan for Hobby Lobby; and the Company's redevelopment of the former Kmart space in Frankfort, Kentucky for ALDI, Big Lots and Harbor Freight Tools.

For the three months ended March 31, 2019, the Company had nine development or PCS projects completed or under construction. Anticipated total costs are approximately \$29.9 million and include the following projects:

| <b>Tenant</b>        | <b>Location</b>     | <b>Lease Structure</b> | <b>Lease Term</b> | <b>Actual or Anticipated Rent Commencement</b> | <b>Status</b>      |
|----------------------|---------------------|------------------------|-------------------|--|--------------------|
| Mister Car Wash      | Orlando, FL         | Build-to-Suit          | 20 years          | Q1 2019  | Complete           |
| Mister Car Wash      | Tavares, FL         | Build-to-Suit          | 20 years          | Q1 2019  | Complete           |
| Sunbelt Rentals      | Maumee, OH          | Build-to-Suit          | 10 years          | Q1 2019  | Complete           |
| Sunbelt Rentals      | Batavia, OH         | Build-to-Suit          | 10 years          | Q2 2019  | Under Construction |
| Sunbelt Rentals      | Georgetown, KY      | Build-to-Suit          | 15 years          | Q3 2019  | Under Construction |
| Gerber Collision     | Round Lake, IL      | Build-to-Suit          | 15 years          | Q3 2019  | Under Construction |
| Sunbelt Rentals      | Carrizo Springs, TX | Build-to-Suit          | 10 years          | Q4 2019  | Under Construction |
| Hobby Lobby          | Mt. Pleasant, MI    | Build-to-Suit          | 15 years          | Q4 2019  | Under Construction |
| Big Lots             | Frankfort, KY       | Build-to-Suit          | 10 years          | Q1 2020  | Under Construction |
| Harbor Freight Tools | Frankfort, KY       | Build-to-Suit          | 10 years          | Q1 2020  | Under Construction |
| ALDI                 | Frankfort, KY       | Build-to-Suit          | 10 years          | Q2 2020  | Under Construction |

#### Leasing Activity and Expirations

During the first quarter, the Company executed new leases, extensions or options on approximately 111,000 square feet of gross leasable area throughout the existing portfolio.

At quarter end, the Company's 2019 lease maturities represented 0.9% of annualized base rents. The following table presents contractual lease expirations within the Company's portfolio as of March 31, 2019, assuming no tenants exercise renewal options:

| <b>Year</b> | <b>Leases</b> | <b>Annualized Base Rent<sup>(1)</sup></b> | <b>Percent of Annualized Base Rent</b> | <b>Gross Leasable Area</b> | <b>Percent of Gross Leasable Area</b> |
|-------------|---------------|---|--|----------------------------|---------------------------------------|
| 2019        | 5             | 1,517                                     | 0.9%                                   | 70                         | 0.6%                                  |
| 2020        | 19            | 3,218                                     | 1.9%                                   | 232                        | 2.0%                                  |
| 2021        | 26            | 5,228                                     | 3.1%                                   | 314                        | 2.6%                                  |
| 2022        | 23            | 4,389                                     | 2.6%                                   | 387                        | 3.3%                                  |
| 2023        | 39            | 7,148                                     | 4.2%                                   | 719                        | 6.1%                                  |
| 2024        | 38            | 10,647                                    | 6.3%                                   | 1,062                      | 8.9%                                  |
| 2025        | 42            | 9,908                                     | 5.9%                                   | 886                        | 7.5%                                  |
| 2026        | 56            | 9,350                                     | 5.6%                                   | 963                        | 8.1%                                  |

|                        |            |                  |               |               |               |
|------------------------|------------|------------------|---------------|---------------|---------------|
| 2027                   | 55         | 12,094           | 7.2%          | 797           | 6.7%          |
| 2028                   | 56         | 15,545           | 9.2%          | 1,187         | 10.0%         |
| Thereafter             | 406        | 89,294           | 53.1%         | 5,257         | 44.2%         |
| <b>Total Portfolio</b> | <b>765</b> | <b>\$168,338</b> | <b>100.0%</b> | <b>11,874</b> | <b>100.0%</b> |

Annualized Base Rent and gross leasable area (square feet) are in thousands; any differences are the result of rounding.

- (1) Annualized Base Rent represents the annualized amount of contractual minimum rent required by tenant lease agreements as of March 31, 2019, computed on a straight-line basis. Annualized Base Rent is not, and is not intended to be, a presentation in accordance with GAAP. The Company believes annualized contractual minimum rent is frequently useful to management, investors, and other interested parties in analyzing concentrations and leasing activity.

#### Top Tenants

The Company added TBC Corporation to its top tenants in the first quarter of 2019. As of March 31, 2019, AMC is no longer among the Company's top tenants. The following table presents annualized base rents for all tenants that represent 1.5% or greater of the Company's total annualized base rent as of March 31, 2019:

| <b>Tenant</b>                 | <b>Annualized Base Rent<sup>(1)</sup></b> | <b>Percent of Annualized Base Rent</b> |
|-------------------------------|---|--|
| Sherwin-Williams              | \$10,001                                  | 5.9%                                   |
| Walgreens                     | 7,729                                     | 4.6%                                   |
| Walmart                       | 6,092                                     | 3.6%                                   |
| LA Fitness                    | 5,644                                     | 3.4%                                   |
| TJX Companies                 | 5,496                                     | 3.3%                                   |
| Tractor Supply                | 4,521                                     | 2.7%                                   |
| Lowe's                        | 4,215                                     | 2.5%                                   |
| Dollar General                | 3,870                                     | 2.3%                                   |
| O'Reilly Auto Parts           | 3,731                                     | 2.2%                                   |
| Mister Car Wash               | 3,669                                     | 2.2%                                   |
| <b><i>TBC Corporation</i></b> | <b><i>3,421</i></b>                       | <b><i>2.0%</i></b>                     |
| CVS                           | 3,397                                     | 2.0%                                   |
| Dave & Buster's               | 3,052                                     | 1.8%                                   |
| Hobby Lobby                   | 3,012                                     | 1.8%                                   |
| AutoZone                      | 3,010                                     | 1.8%                                   |
| Best Buy                      | 2,979                                     | 1.8%                                   |
| Dollar Tree                   | 2,735                                     | 1.6%                                   |
| Wawa                          | 2,664                                     | 1.6%                                   |
| Burlington                    | 2,572                                     | 1.5%                                   |
| Other <sup>(2)</sup>          | 86,528                                    | 51.4%                                  |
| <b>Total Portfolio</b>        | <b>\$168,338</b>                          | <b>100.0%</b>                          |

Annualized Base Rent is in thousands; any differences are the result of rounding.

Bolded and italicized tenants represent additions for the three months ended March 31, 2019.

- (1) Refer to footnote 1 on page 4 for the Company's definition of Annualized Base Rent.

- (2) Includes tenants generating less than 1.5% of Annualized Base Rent.

#### Retail Sectors

The following table presents annualized base rents for the Company's top retail sectors that represent 2.5% or greater of the Company's total annualized base rent as of March 31, 2019:

| <b>Sector</b>               | <b>Annualized Base Rent<sup>(1)</sup></b> | <b>Percent of Annualized Base Rent</b> |
|-----------------------------|---|--|
| Home Improvement            | \$17,914                                  | 10.6%                                  |
| Tire and Auto Service       | 14,850                                    | 8.8%                                   |
| Pharmacy                    | 12,712                                    | 7.6%                                   |
| Grocery Stores              | 10,728                                    | 6.4%                                   |
| Off-Price Retail            | 9,958                                     | 5.9%                                   |
| Health and Fitness          | 8,685                                     | 5.2%                                   |
| Auto Parts                  | 7,966                                     | 4.7%                                   |
| Convenience Stores          | 7,323                                     | 4.3%                                   |
| Restaurants - Quick Service | 6,616                                     | 3.9%                                   |
| General Merchandise         | 5,924                                     | 3.5%                                   |
| Farm and Rural Supply       | 5,622                                     | 3.3%                                   |
| Dollar Stores               | 5,396                                     | 3.2%                                   |
| Crafts and Novelties        | 5,391                                     | 3.2%                                   |
| Specialty Retail            | 4,467                                     | 2.7%                                   |
| Home Furnishings            | 4,364                                     | 2.6%                                   |
| Consumer Electronics        | 4,335                                     | 2.6%                                   |
| Other <sup>(2)</sup>        | 36,087                                    | 21.5%                                  |

**Total Portfolio** \$168,338 100.0%

*Annualized Base Rent is in thousands; any differences are the result of rounding.*

Refer to footnote 1 on page 4 for the Company's definition of Annualized Base

(1) Rent.

(2) Includes sectors generating less than 2.5% of Annualized Base Rent.

#### Geographic Diversification

The following table presents annualized base rents for all states that represent 2.5% or greater of the Company's total annualized base rent as of March 31, 2019:

| <u>State</u>           | <u>Annualized<br/>Base Rent<sup>(1)</sup></u> | <u>Percent of Annualized<br/>Base Rent</u> |
|------------------------|---|--|
| Michigan               | \$15,632                                      | 9.3%                                       |
| Texas                  | 14,202  | 8.4%                                       |
| Florida                | 10,663  | 6.3%                                       |
| Ohio                   | 9,418   | 5.6%                                       |
| Illinois               | 9,256   | 5.5%                                       |
| New Jersey             | 8,538   | 5.1%                                       |
| Pennsylvania           | 7,510   | 4.5%                                       |
| Georgia                | 6,761   | 4.0%                                       |
| Louisiana              | 5,774   | 3.4%                                       |
| Missouri               | 5,544   | 3.3%                                       |
| North Carolina         | 4,838   | 2.9%                                       |
| Mississippi            | 4,477   | 2.7%                                       |
| Virginia               | 4,250   | 2.5%                                       |
| Other <sup>(2)</sup>   | 61,475  | 36.5%                                      |
| <b>Total Portfolio</b> | <b>\$168,338</b>                              | <b>100.0%</b>                              |

*Annualized Base Rent is in thousands; any differences are the result of rounding.*

Refer to footnote 1 on page 4 for the Company's definition of Annualized Base

(1) Rent.

(2) Includes states generating less than 2.5% of Annualized Base Rent.

#### **Capital Markets and Balance Sheet**

##### Capital Markets

During the quarter ended March 31, 2019, the Company sold 886,768 shares of common stock through its ATM program at an average price of \$66.83, raising gross proceeds of approximately \$59.3 million.

In September 2018, the Company completed a follow-on public offering of 3,500,000 shares of common stock in connection with a forward sale agreement. Upon settlement, the offering is anticipated to raise net proceeds of approximately \$190.0 million after deducting fees and expenses. To date, the Company has not received any proceeds from the sale of shares of its common stock by the forward purchaser.

##### Balance Sheet

As of March 31, 2019, the Company's net debt to recurring EBITDA was 5.0 times and its fixed charge coverage ratio was 4.0 times. The Company's total debt to enterprise value was 22.5%. Enterprise value is calculated as the sum of net debt and the market value of the Company's outstanding shares of common stock, assuming conversion of operating partnership units into common stock.

For the three months ended March 31, 2019, the Company's fully diluted weighted-average shares outstanding were 38.3 million. The basic weighted-average shares outstanding for the three months ended March 31, 2019 were 37.5 million.

For the three months ended March 31, 2019, the Company's fully diluted weighted-average shares and units outstanding were 38.7 million. The basic weighted-average shares and units outstanding for the three months ended March 31, 2019 were 37.8 million.

The Company's assets are held by, and its operations are conducted through, Agree Limited Partnership, of which the Company is the sole general partner. As of March 31, 2019, there were 347,619 operating partnership units outstanding and the Company held a 99.1% interest in the operating partnership.

#### **Conference Call/Webcast**

The Company will host its quarterly analyst and investor conference call on Tuesday, April 23, 2019 at 9:00 AM ET. To participate in the conference call, please dial (866) 363-3979 approximately ten minutes before the call begins.

Additionally, a webcast of the conference call will be available through the Company's website. To access the webcast, visit [www.agreerealty.com](http://www.agreerealty.com) ten minutes prior to the start time of the conference call and go to the Invest section of the website. A replay of the conference call webcast will be archived and available online through the Invest section of [www.agreerealty.com](http://www.agreerealty.com).

#### **About Agree Realty Corporation**

Agree Realty Corporation is a publicly traded real estate investment trust primarily engaged in the acquisition and development of

properties net leased to industry-leading retail tenants. As of March 31, 2019, the Company owned and operated a portfolio of 694 properties, located in 46 states and containing approximately 11.9 million square feet of gross leasable space. The common stock of Agree Realty Corporation is listed on the New York Stock Exchange under the symbol "ADC". For additional information, please visit [www.agreerealty.com](http://www.agreerealty.com).

## Forward-Looking Statements

*This press release may contain certain "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "approximately," "believe," "could," "project," "predict," "forecast," "continue," "assume," "plan," references to "outlook" or other similar words or expressions. Forward-looking statements are based on certain assumptions and can include future expectations, future plans and strategies, financial and operating projections and forecasts and other forward-looking information and estimates. These forward-looking statements are subject to various risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from such statements. These risks and uncertainties are described in greater detail in the Company's filings with the Securities and Exchange Commission, including, without limitation, the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and in subsequent quarterly reports. Except as required by law, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For further information about the Company's business and financial results, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of the Company's SEC filings, including, but not limited to, its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, copies of which may be obtained at the Invest section of the Company's website at [www.agreerealty.com](http://www.agreerealty.com).*

*All information in this press release is as of April 22, 2019. The Company undertakes no duty to update the statements in this press release to conform the statements to actual results or changes in the Company's expectations.*

### Agree Realty Corporation Consolidated Balance Sheet (*\$ in thousands, except share and per-share data*)

|  | <u>March 31, 2019</u><br><i>(Unaudited)</i> | <u>December 31, 2018</u>   |
|--|---|----------------------------|
| <b>Assets:</b>   |   |                            |
| <b>Real Estate Investments:</b>  |   |                            |
| Land   | \$ 588,295                                  | \$ 553,704                 |
| Buildings  | 1,287,700                                   | 1,194,985                  |
| Accumulated depreciation   | (106,670)                                   | (100,312)                  |
| Property under development   | 11,444                                      | 12,957                     |
| Net real estate investments  | <u>1,780,769</u>                            | <u>1,661,334</u>           |
| Cash and cash equivalents  | 22,325                                      | 53,955                     |
| Cash held in escrows   | 3,024                                       | 20                         |
| Accounts receivable - tenants  | 23,695                                      | 21,547                     |
| Lease intangibles, net of accumulated amortization of \$68,985 and \$62,543 at March 31, 2019 and December 31, 2018, respectively  | 289,928                                     | 280,153                    |
| Other assets, net  | 30,596                                      | 11,180                     |
| <b>Total Assets</b>  | <b><u>\$ 2,150,337</u></b>                  | <b><u>\$ 2,028,189</u></b> |
| <b>Liabilities:</b>  |   |                            |
| Mortgage notes payable, net  | \$ 60,303                                   | \$ 60,926                  |
| Unsecured term loans, net  | 256,244                                     | 256,419                    |
| Senior unsecured notes, net  | 384,117                                     | 384,064                    |
| Unsecured revolving credit facility  | 71,000                                      | 19,000                     |
| Dividends and distributions payable  | 21,535                                      | 21,031                     |
| Accounts payable, accrued expenses and other liabilities   | 39,843                                      | 21,045                     |
| Lease intangibles, net of accumulated amortization of \$16,291 and \$15,177 at March 31, 2019 and December 31, 2018, respectively  | 27,873                                      | 27,218                     |
| <b>Total Liabilities</b>   | <b><u>\$ 860,915</u></b>                    | <b><u>\$ 789,703</u></b>   |
| <b>Equity:</b>   |   |                            |
| Common stock, \$.0001 par value, 45,000,000 shares authorized, 38,454,782 and 37,545,790 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively | \$ 4  | \$ 4                       |
| Preferred stock, \$.0001 par value per share, 4,000,000 shares authorized  | -   | -                          |
| Additional paid-in capital   | 1,334,952                                   | 1,277,592                  |
| Dividends in excess of net income  | (45,940)                                    | (42,945)                   |
| Accumulated other comprehensive income (loss)  | (1,950)                                     | 1,424                      |
| Equity - Agree Realty Corporation  | <u>\$ 1,287,066</u>                         | <u>\$ 1,236,075</u>        |
| Non-controlling interest   | 2,356                                       | 2,411                      |
| <b>Total Equity</b>  | <b><u>\$ 1,289,422</u></b>                  | <b><u>\$ 1,238,486</u></b> |
| <b>Total Liabilities and Equity</b>  | <b><u>\$ 2,150,337</u></b>                  | <b><u>\$ 2,028,189</u></b> |

### Agree Realty Corporation Consolidated Statements of Operations and Comprehensive Income

(\$ in thousands, except share and per share-data)  
(Unaudited)

|   | Three months ended<br>March 31, |                  |
|---|---------------------------------|------------------|
|   | 2019                            | 2018             |
| <b>Revenues</b>   |                                 |                  |
| Rental income   | \$ 42,345                       | \$ 32,280        |
| Other   | 3                               | 46               |
| <b>Total Revenues</b>   | <b>\$ 42,348</b>                | <b>\$ 32,326</b> |
| <b>Operating Expenses</b>   |                                 |                  |
| Real estate taxes   | \$ 3,622                        | \$ 2,377         |
| Property operating expenses   | 1,739                           | 1,516            |
| Land lease expense  | 195                             | 163              |
| General and administrative  | 4,035                           | 2,862            |
| Depreciation and amortization   | 9,864                           | 7,761            |
| Provision for impairment  | 416                             | -                |
| <b>Total Operating Expenses</b>   | <b>\$ 19,871</b>                | <b>\$ 14,679</b> |
| <b>Income from Operations</b>   | <b>\$ 22,477</b>                | <b>\$ 17,647</b> |
| <b>Other (Expense) Income</b>   |                                 |                  |
| Interest expense, net   | \$ (7,558)                      | \$ (5,465)       |
| Gain (loss) on sale of assets, net  | 3,427                           | 4,598            |
| Income tax benefit (expense)  | 170                             | (50)             |
| Other (expense) income  | -                               | (94)             |
| <b>Net Income</b>   | <b>\$ 18,516</b>                | <b>\$ 16,636</b> |
| Less Net Income Attributable to Non-Controlling Interest                        | 169                             | 185              |
| <b>Net Income Attributable to Agree Realty Corporation</b>                      | <b>\$ 18,347</b>                | <b>\$ 16,451</b> |
| <b>Net Income Per Share Attributable to Agree Realty Corporation</b>            |                                 |                  |
| <b>Basic</b>  | <b>\$ 0.49</b>                  | <b>\$ 0.53</b>   |
| <b>Diluted</b>  | <b>\$ 0.48</b>                  | <b>\$ 0.53</b>   |
| <b>Other Comprehensive Income</b>   |                                 |                  |
| Net Income  | \$ 18,516                       | \$ 16,636        |
| Other Comprehensive Income (Loss) - Change in Fair Value of Interest Rate Swaps | (3,405)                         | 1,920            |
| Total Comprehensive Income  | 15,111                          | 18,556           |
| Comprehensive Income Attributable to Non-Controlling Interest                   | (138)                           | (206)            |
| Comprehensive Income Attributable to Agree Realty Corporation                   | <b>\$ 14,973</b>                | <b>\$ 18,350</b> |
| Weighted Average Number of Common Shares Outstanding - Basic                    | 37,487,851                      | 30,801,471       |
| Weighted Average Number of Common Shares Outstanding - Diluted                  | 38,320,307                      | 30,851,058       |

**Agree Realty Corporation**  
**Reconciliation of Net Income to FFO, Core FFO and Adjusted FFO**  
(\$ in thousands, except share and per-share data)  
(Unaudited)

|   | Three months ended<br>March 31, |                  |
|---|---------------------------------|------------------|
|   | 2019                            | 2018             |
| Net Income  | \$ 18,516                       | \$ 16,636        |
| Depreciation of rental real estate assets                             | 7,643                           | 5,654            |
| Amortization of lease intangibles - in-place leases and leasing costs | 2,157                           | 2,085            |
| Provision for impairment  | 416                             | -                |
| (Gain) loss on sale of assets, net                                    | (3,427)                         | (4,598)          |
| Funds from Operations   | <b>\$ 25,305</b>                | <b>\$ 19,777</b> |
| Amortization of above (below) market lease intangibles, net           | 3,276                           | 2,243            |
| Core Funds from Operations  | <b>\$ 28,581</b>                | <b>\$ 22,020</b> |
| Straight-line accrued rent  | (1,498)                         | (1,113)          |
| Deferred tax expense (benefit)  | (475)                           | -                |
| Stock based compensation expense                                      | 913                             | 692              |
| Amortization of financing costs                                       | 156                             | 166              |

|  |    |            |    |            |
|--|----|------------|----|------------|
| Non-real estate depreciation   |    | 64         |    | 22         |
| Adjusted Funds from Operations   | \$ | 27,741     | \$ | 21,787     |
| Funds from Operations per common share - Basic                           | \$ | 0.67       | \$ | 0.63       |
| Funds from Operations per common share - Diluted                         | \$ | 0.65       | \$ | 0.63       |
| Core Funds from Operations per common share - Basic                      | \$ | 0.76       | \$ | 0.71       |
| Core Funds from Operations per common share - Diluted                    | \$ | 0.74       | \$ | 0.71       |
| Adjusted Funds from Operations per common share - Basic                  | \$ | 0.73       | \$ | 0.70       |
| Adjusted Funds from Operations per common share - Diluted                | \$ | 0.72       | \$ | 0.70       |
| Weighted Average Number of Common Shares and Units Outstanding - Basic   |    | 37,835,470 |    | 31,149,090 |
| Weighted Average Number of Common Shares and Units Outstanding - Diluted |    | 38,667,926 |    | 31,198,677 |

**Supplemental Information:**

|                                   |    |     |    |     |
|-----------------------------------|----|-----|----|-----|
| Scheduled principal repayments    | \$ | 863 | \$ | 820 |
| Capitalized interest              |    | 90  |    | 144 |
| Capitalized building improvements |    | 34  |    | 34  |

**Non-GAAP Financial Measures**

**Funds from Operations ("FFO or "Nareit FFO")**

FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ("Nareit") to mean net income computed in accordance with GAAP, excluding gains (or losses) from sales of real estate assets and/or changes in control, plus real estate related depreciation and amortization and any impairment charges on depreciable real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most real estate industry investors consider FFO to be helpful in evaluating a real estate company's operations.

FFO should not be considered an alternative to net income as the primary indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. Further, while the Company adheres to the Nareit definition of FFO, its presentation of FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that all REITs may not use the same definition.

**Core Funds from Operations ("Core FFO")**

The Company defines Core FFO as Nareit FFO with the addback of noncash amortization of above- and below- market lease intangibles. Under GAAP and Nareit's definition of FFO, lease intangibles created upon acquisition of a net lease must be amortized over the remaining term of the lease. The Company believes that by recognizing amortization charges for above- and below- market lease intangibles, the utility of FFO as a financial performance measure can be diminished. Management believes that its measure of Core FFO facilitates useful comparison of performance to its peers who predominantly transact in sale-leaseback transactions and are thereby not required by GAAP to allocate purchase price to lease intangibles. Unlike many of its peers, the Company has acquired the substantial majority of its net leased properties through acquisitions of properties from third parties or in connection with the acquisitions of ground leases from third parties. Core FFO should not be considered an alternative to net income as the primary indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. Further, the Company's presentation of Core FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that all REITs may not use the same definition.

**Adjusted Funds from Operations ("AFFO")**

AFFO is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. AFFO further adjusts FFO and Core FFO for certain non-cash and/or infrequently recurring items that reduce or increase net income in accordance with GAAP. Management considers AFFO a useful supplemental measure of the Company's performance, however, AFFO should not be considered an alternative to net income as an indication of the Company's performance, or to cash flow as a measure of liquidity or ability to make distributions. The Company's computation of AFFO may differ from the methodology for calculating AFFO used by other equity REITs, and therefore may not be comparable to such other REITs.

**Agree Realty Corporation**  
**Reconciliation of Net Debt to Recurring EBITDA**  
*(\$ in thousands, except share and per-share data)*  
*(Unaudited)*

|   |    |                           |
|---|----|---------------------------|
|   |    | <b>Three months ended</b> |
|   |    | <b>March 31,</b>          |
|   |    | <b>2019</b>               |
| Net Income  | \$ | 18,516                    |
| Interest expense, net   |    | 7,558                     |
| Income tax (benefit) expense  |    | (170)                     |
| Depreciation of rental real estate assets                             |    | 7,643                     |
| Amortization of lease intangibles - in-place leases and leasing costs |    | 2,157                     |

|   |    |          |
|---|----|----------|
| Non-real estate depreciation                                |    | 64       |
| Provision for impairment                                    |    | 416      |
| (Gain) loss on sale of assets, net                          |    | (3,427)  |
| EBITDA <sub>re</sub>  | \$ | 32,757   |
| Run-Rate Impact of Investment and Disposition Activity      | \$ | 1,657    |
| Amortization of above (below) market lease intangibles, net |    | 3,276    |
| Other expense (income)                                      |    | -        |
| Recurring EBITDA  | \$ | 37,690   |
| Annualized Recurring EBITDA                                 | \$ | 150,760  |
| Total Debt  | \$ | 775,200  |
| Cash, cash equivalents and cash held in escrows             |    | (25,349) |
| Net Debt  | \$ | 749,851  |
| Net Debt to Recurring EBITDA                                |    | 5.0x     |

## **Non-GAAP Financial Measures**

### **EBITDA<sub>re</sub>**

EBITDA<sub>re</sub> is defined by Nareit to mean net income computed in accordance with GAAP, plus interest expense, income tax expense, depreciation and amortization, any gains (or losses) from sales of real estate assets and/or changes in control, any impairment charges on depreciable real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. The Company considers the non-GAAP measure of EBITDA<sub>re</sub> to be a key supplemental measure of the Company's performance and should be considered along with, but not as an alternative to, net income or loss as a measure of the Company's operating performance. The Company considers EBITDA<sub>re</sub> a key supplemental measure of the Company's operating performance because it provides an additional supplemental measure of the Company's performance and operating cash flow that is widely known by industry analysts, lenders and investors. The Company's calculation of EBITDA<sub>re</sub> may not be comparable to EBITDA<sub>re</sub> reported by other REITs that interpret the Nareit definition differently than the Company.

### **Recurring EBITDA**

The Company defines Recurring EBITDA as EBITDA<sub>re</sub> with the addback of noncash amortization of above- and below- market lease intangibles, and after adjustments for the run-rate impact of the Company's investment and disposition activity for the period presented, as well as adjustments for non-recurring benefits or expenses. The Company considers the non-GAAP measure of Recurring EBITDA to be a key supplemental measure of the Company's performance and should be considered along with, but not as an alternative to, net income or loss as a measure of the Company's operating performance. The Company considers Recurring EBITDA a key supplemental measure of the Company's operating performance because it represents the Company's earnings run rate for the period presented and because it is widely followed by industry analysts, lenders and investors. Our Recurring EBITDA may not be comparable to Recurring EBITDA reported by other companies that have a different interpretation of the definition of Recurring EBITDA. Our ratio of net debt to Recurring EBITDA, which is used by the Company as a measure of leverage, is calculated by taking annualized Recurring EBITDA and dividing it by our net debt per the consolidated balance sheet.

### **Net Debt**

The Company defines Net Debt as total debt less cash, cash equivalents and cash held in escrows. The Company considers the non-GAAP measure of Net Debt to be a key supplemental measure of the Company's overall liquidity, capital structure and leverage. The Company considers Net Debt a key supplemental measure because it provides industry analysts, lenders and investors useful information in understanding our financial condition. The Company's calculation of Net Debt may not be comparable to Net Debt reported by other REITs that interpret the definition differently than the Company.

Any differences are a result of rounding.

## **Agree Realty Corporation Rental Income**

(\$ in thousands, except share and per share-data)  
(Unaudited)

|   | <b>Three months ended<br/>March 31,</b> |                  |
|---|---|------------------|
|   | <b>2019</b>                             | <b>2018</b>      |
| <b>Rental Income Source <sup>(1)</sup></b>                            |   |                  |
| Minimum rents <sup>(2)</sup>  | \$ 38,722                               | \$ 29,623        |
| Percentage rents <sup>(2)</sup>                                       | 287                                     | 216              |
| Operating cost reimbursement <sup>(2)</sup>                           | 5,114                                   | 3,564            |
| Straight-line rental adjustments <sup>(3)</sup>                       | 1,498                                   | 1,120            |
| Amortization of (above) below market lease intangibles <sup>(4)</sup> | (3,276)                                 | (2,243)          |
| Other <sup>(5)</sup>  | 3                                       | 46               |
| <b>Total Rental Income</b>  | <b>\$ 42,348</b>                        | <b>\$ 32,326</b> |



(1) The Company adopted Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 842 "Leases" using the modified retrospective approach as of January 1, 2019. The Company adopted the practical expedient in FASB ASC 842 that alleviates the requirement to separately present lease and non-lease components of lease contracts. As a result, all income earned pursuant to tenant leases is reflected as one line, "Rental Income," in the consolidated statement of operations. The purpose of this table is to provide additional supplementary detail of Rental Income.

(2) Represents contractual rentals and/or reimbursements as required by tenant lease agreements, recognized on an accrual basis of accounting. The Company believes that the presentation of contractual lease income is not, and is not intended to be, a presentation in accordance with GAAP. The Company believes this information is frequently used by management, investors, analysts and other interested parties to evaluate the Company's performance.

(3) Represents adjustments to recognize minimum rents on a straight-line basis, consistent with the requirements of FASB ASC 842.

(4) In allocating the fair value of an acquired property, above- and below-market lease intangibles are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the leases at the time of acquisition and the Company's estimate of current market lease rates for the property. Effective in 2019, the Company began classifying amortization of above- and below-market lease intangibles as a net reduction of rental income and has reclassified prior periods for comparability.

(5) Represents amortization of tenant inducements and/or other adjustments required to recognize rental income in accordance with GAAP.

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