

Agree Realty Corporation Reports Second Quarter 2019 Results

Increases Investment Guidance; Appoints New Director

BLOOMFIELD HILLS, Mich., July 22, 2019 /PRNewswire/ -- Agree Realty Corporation (NYSE: ADC) (the "Company") today announced results for the quarter ended June 30, 2019. All per share amounts included herein are on a diluted per common share basis unless otherwise stated.

Second Quarter 2019 Financial and Operating Highlights:

- Invested \$182.6 million in 37 retail net lease properties
- Net Income per share attributable to the Company increased 9.2% to \$0.45
- Net Income attributable to the Company increased 43.7% to \$18.6 million
- Increased Core Funds from Operations ("Core FFO") per share 5.5% to \$0.75
- Increased Core FFO 38.6% to \$31.0 million
- Increased Adjusted Funds from Operations ("AFFO") per share 4.7% to \$0.74
- Increased AFFO 37.5% to \$30.6 million
- Declared a quarterly dividend of \$0.570 per share, a 5.6% year-over-year increase
- Completed forward equity offering for anticipated net proceeds of approximately \$199.9 million
- Settled September 2018 forward equity offering for net proceeds of \$186.0 million
- Balance sheet well-positioned at 4.4 times net debt to recurring EBITDA

First Half 2019 Financial and Operating Highlights:

- Invested \$327.2 million in 88 retail net lease properties
- Completed four development and Partner Capital Solutions ("PCS") projects
- Net Income per share attributable to the Company decreased 1.7% to \$0.92
- Net Income attributable to the Company increased 25.7% to \$36.9 million
- Increased Core FFO per share 5.1% to \$1.49
- Increased Core FFO 34.2% to \$59.5 million
- Increased AFFO per share 3.7% to \$1.45
- Increased AFFO 32.5% to \$58.3 million
- Declared dividends of \$1.125 per share, a 6.1% year-over-year increase

Mid-Year 2019 Update:

- Increased 2019 acquisition guidance to a range of \$625 million to \$675 million
- Increased 2019 disposition guidance to a range of \$50 million to \$75 million
- Appointed Simon Leopold to its Board of Directors

Financial Results

Net Income

Net Income attributable to the Company for the three months ended June 30, 2019 increased 43.7% to \$18.6 million, compared to \$12.9 million for the comparable period in 2018. Net Income per share attributable to the Company for the three months ended June 30, 2019 increased 9.2% to \$0.45, compared to \$0.41 per share for the comparable period in 2018.

Net income attributable to the Company for the six months ended June 30, 2019 increased 25.7% to \$36.9 million, compared to \$29.4 million for the comparable period in 2018. Net income per share attributable to the Company for the six months ended June 30, 2019 decreased 1.7% to \$0.92, compared to \$0.94 per share for the comparable period in 2018.

Core Funds from Operations

Core FFO for the three months ended June 30, 2019 increased 38.6% to \$31.0 million, compared to Core FFO of \$22.3 million for the comparable period in 2018. Core FFO per share for the three months ended June 30, 2019 increased 5.5% to \$0.75, compared to Core FFO per share of \$0.71 for the comparable period in 2018.

Core FFO for the six months ended June 30, 2019 increased 34.2% to \$59.5 million, compared to Core FFO of \$44.4 million for the comparable period in 2018. Core FFO per share for the six months ended June 30, 2019 increased 5.1% to \$1.49, compared to Core FFO per share of \$1.41 for the comparable period in 2018.

Adjusted Funds from Operations

AFFO for the three months ended June 30, 2019 increased 37.5% to \$30.6 million, compared to AFFO of \$22.2 million for the comparable period in 2018. AFFO per share for the three months ended June 30, 2019 increased 4.7% to \$0.74, compared to AFFO per share of \$0.70 for the comparable period in 2018.

AFFO for the six months ended June 30, 2019 increased 32.5% to \$58.3 million, compared to AFFO of \$44.0 million for the comparable period in 2018. AFFO per share for the six months ended June 30, 2019 increased 3.7% to \$1.45, compared to AFFO per share of \$1.40 for the comparable period in 2018.

Dividend

The Company paid a cash dividend of \$0.570 per share on July 12, 2019 to stockholders of record on June 28, 2019, a 5.6% increase over the \$0.540 quarterly dividend declared in the second quarter of 2018. The quarterly dividend represents payout ratios of approximately 76% of Core FFO per share and 77% of AFFO per share, respectively.

For the six months ended June 30, 2019, the Company declared dividends of \$1.125 per share, a 6.1% increase over the dividends of \$1.060 per share declared for the comparable period in 2018. The dividend represents payout ratios of approximately 76% of Core FFO per share and 77% of AFFO per share, respectively.

CEO Comments

"We are very pleased with our strong performance during the quarter as we continued to build momentum through efficient execution of 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 \$625 million to \$675 million. While increasing our acquisition guidance, and as evidenced by our high-quality investments to date, we continue to adhere to our rigorous underwriting standards focused on superior real estate leased to leading omni-channel retailers."

Mr. Agree continued in highlighting the Company's new Board of Directors appointment, "On behalf of all of our Directors, I would like to welcome Simon Leopold to our Board. Simon has extensive finance, capital markets, and real estate industry expertise and we look forward to his invaluable insights as we continue to scale our growing Company."

Portfolio Update

As of June 30, 2019, the Company's portfolio consisted of 722 properties located in 46 states totaling 13.1 million square feet of gross leasable space.

The portfolio was approximately 99.7% leased, had a weighted-average remaining lease term of approximately 10.1 years, and generated approximately 54.2% of annualized base rents from investment grade retail tenants or parent entities thereof.

Ground Lease Portfolio

As of June 30, 2019, the Company's ground lease portfolio consisted of 56 properties located in 21 states and totaled 2.0 million square feet of gross leasable space. Properties ground leased to tenants accounted for 9.2% of annualized base rents.

The ground lease portfolio was fully occupied, had a weighted-average remaining lease term of approximately 11.1 years, and generated approximately 89.3% of annualized base rents from investment grade retail tenants or parent entities thereof.

Acquisitions

Total acquisition volume for the second quarter of 2019, excluding acquisition and closing costs, was approximately \$176.1 million and included 31 assets net leased to notable retailers operating in the off-price retail, convenience store, auto parts, dollar store, warehouse club, consumer electronics, and farm and rural supply sectors. The properties are located in 20 states and leased to tenants operating in 13 retail sectors. The properties were acquired at a weighted-average capitalization rate of 6.7%, had a weighted-average remaining lease term of approximately 10.6 years, and approximately 73.1% of annualized base rents were generated from investment grade retail tenants or parent entities thereof. Notable acquisition activity during the second quarter included Wawa's flagship store in downtown Philadelphia, Pennsylvania and a Costco ground lease in Newport News, Virginia.

For the six months ended June 30, 2019, total acquisition volume, excluding acquisition and closing costs, was approximately \$317.2 million. The 79 acquired properties are located in 30 states and leased to 33 diverse tenants who operate in 20 retail sectors. The properties were acquired at a weighted-average capitalization rate of 6.9% and had a weighted-average remaining lease term of approximately 11.6 years, and approximately 72.3% of annualized base rents were generated from investment grade retail tenants or parent entities thereof.

The Company's outlook for acquisition volume for the full-year 2019 is being increased to a range of \$625 million to \$675 million of high-quality retail net lease properties. The Company's acquisition guidance, which assumes continued growth in economic activity, positive business trends and other significant assumptions, is being increased from a previous range of \$450 million to \$500 million.

Dispositions

During the second quarter, the Company sold four properties for gross proceeds of approximately \$17.3 million. The dispositions were completed at a weighted-average capitalization rate of 7.4%. During the six months ended June 30, 2019, the Company divested six properties for total gross proceeds of \$27.4 million. The weighted-average capitalization rate of the dispositions was 7.3%.

The lower end of the Company's disposition guidance for 2019 is being increased to a new range of \$50 million to \$75 million, from a previous range of \$25 million to \$75 million.

Development and Partner Capital Solutions

In the second quarter of 2019, the Company completed its second development with Sunbelt Rentals in Batavia, Ohio. The project is subject to a 10-year net lease and had total aggregate costs of approximately \$1.6 million.

Construction continued during the second quarter on five projects with total anticipated costs of approximately \$20.1 million. The projects include the Company's third and fourth developments with Sunbelt Rentals in Georgetown, Kentucky and Carrizo Springs, Texas; 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 six months ended June 30, 2019, the Company had nine development or PCS projects completed or under construction. Anticipated total costs are approximately \$29.6 million and include the following projects:

<u>Tenant</u>	<u>Location</u>	<u>Lease Structure</u>	<u>Lease Term</u>	<u>Actual or Anticipated Rent Commencement</u>	<u>Status</u>
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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	Complete
Sunbelt Rentals	Carrizo Springs, TX	Build-to-Suit	10 years	Q3 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
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 second quarter, the Company executed new leases, extensions or options on approximately 56,000 square feet of gross leasable area throughout the existing portfolio. Notable new leases, extensions or options included a 40,000-square foot Dave & Buster's in Austin, Texas.

For the six months ended June 30, 2019, the Company executed new leases, extensions or options on approximately 167,000 square feet of gross leasable area throughout the existing portfolio.

At quarter end, the Company's 2019 lease maturities represented 0.4% of annualized base rents. The following table presents contractual lease expirations within the Company's portfolio as of June 30, 2019, assuming no tenants exercise renewal options:

<u>Year</u>	<u>Leases</u>	<u>Annualized Base Rent⁽¹⁾</u>	<u>Percent of Annualized Base Rent</u>	<u>Gross Leasable Area</u>	<u>Percent of Gross Leasable Area</u>
2019	3	783	0.4%	28	0.2%
2020	19	3,218	1.8%	232	1.8%
2021	26	5,228	2.9%	314	2.4%
2022	23	4,389	2.5%	387	3.0%
2023	39	7,148	4.0%	719	5.5%
2024	40	11,858	6.6%	1,324	10.1%
2025	42	9,908	5.5%	886	6.8%
2026	59	10,146	5.7%	1,014	7.7%
2027	60	13,061	7.3%	1,017	7.8%
2028	60	16,590	9.3%	1,218	9.3%
Thereafter	427	96,803	54.0%	5,945	45.4%
Total Portfolio	798	\$179,132	100.0%	13,084	100.0%

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 June 30, 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 Sunbelt Rentals to its top tenants in the second quarter of 2019. 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 June 30, 2019:

<u>Tenant</u>	<u>Annualized Base Rent⁽¹⁾</u>	<u>Percent of Annualized Base Rent</u>
Sherwin-Williams	\$10,001	5.6%
Walmart	7,955	4.4%
Walgreens	7,729	4.3%
TJX Companies	6,703	3.7%
LA Fitness	5,644	3.2%
Tractor Supply	5,461	3.0%
Lowe's	4,215	2.4%
O'Reilly Auto Parts	4,111	2.3%
Dollar General	4,111	2.3%
Best Buy	3,676	2.1%
Mister Car Wash	3,669	2.0%
Wawa	3,600	2.0%
TBC Corporation	3,421	1.9%
CVS	3,397	1.9%
Dollar Tree	3,297	1.8%

AutoZone	3,104	1.7%
Sunbelt Rentals	3,101	1.7%
Burlington	3,097	1.7%
Dave & Buster's	3,052	1.7%
Hobby Lobby	3,012	1.7%
Other ⁽²⁾	86,776	48.6%
Total Portfolio	\$179,132	100.0%

Annualized Base Rent is in thousands; any differences are the result of rounding.
 Bolded and italicized tenants represent additions for the three months ended June 30, 2019.

- (1) Refer to footnote 1 on page 5 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 June 30, 2019:

<u>Sector</u>	<u>Annualized Base Rent⁽¹⁾</u>	<u>Percent of Annualized Base Rent</u>
Home Improvement	\$17,914	10.0%
Tire and Auto Service	14,850	8.3%
Pharmacy	12,712	7.1%
Off-Price Retail	12,011	6.7%
Grocery Stores	10,728	6.0%
Convenience Stores	9,263	5.2%
Auto Parts	8,440	4.7%
General Merchandise	7,791	4.3%
Health and Fitness	7,747	4.3%
Farm and Rural Supply	6,562	3.7%
Restaurants - Quick Service	6,443	3.6%
Dollar Stores	6,199	3.5%
Crafts and Novelties	5,391	3.0%
Consumer Electronics	5,032	2.8%
Warehouse Clubs	4,988	2.8%
Specialty Retail	4,692	2.6%
Other ⁽²⁾	38,369	21.4%
Total Portfolio	\$179,132	100.0%

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

- (1) Refer to footnote 1 on page 5 for the Company's definition of Annualized Base 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 June 30, 2019:

<u>State</u>	<u>Annualized Base Rent⁽¹⁾</u>	<u>Percent of Annualized Base Rent</u>
Michigan	\$15,799	8.8%
Texas	13,990	7.8%
Florida	10,663	6.0%
Pennsylvania	10,284	5.7%
Ohio	9,672	5.4%
Illinois	9,471	5.3%
New Jersey	8,523	4.8%
Georgia	7,060	3.9%
Missouri	5,920	3.3%
Louisiana	5,774	3.2%
Wisconsin	5,679	3.2%
Virginia	5,153	2.9%
North Carolina	4,838	2.7%
Kansas	4,568	2.5%
Mississippi	4,565	2.5%

Other ⁽²⁾	57,173	32.0%
Total Portfolio	\$179,132	100.0%

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

(1) Refer to footnote 1 on page 5 for the Company's definition of Annualized Base Rent.

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

Capital Markets and Balance Sheet

Capital Markets

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. The Company settled the entirety of the forward equity offering in May 2019 and received net proceeds of \$186.0 million.

In April 2019, the Company commenced a follow-on public offering of 3,162,500 shares of common stock in connection with a forward sale agreement. Upon settlement, the offering is anticipated to raise net proceeds of approximately \$199.9 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 purchasers.

In June 2019, the Company entered into an agreement for the private placement of \$125.0 million principal amount of senior unsecured notes (the "Notes"). The closing of the private placement and the issuance of the Notes will take place on a date selected by the Company on or after July 1, 2019 and on or before October 30, 2019. The Notes will bear interest at an annual fixed rate of 4.47% and mature on October 30, 2031.

In March 2019, the Company entered into forward-starting interest rate swap agreements to fix the interest for \$100.0 million of long-term debt until maturity. The Company terminated the swap agreements at the time of pricing the Notes. Considering the effect of the terminated swap agreements, the blended all-in rate to the Company for the \$125.0 million aggregate principal amount of Notes is 4.42%.

Balance Sheet

As of June 30, 2019, the Company's net debt to recurring EBITDA was 4.4 times and its fixed charge coverage ratio was 4.1 times. The Company's total debt to enterprise value was 21.6%. 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 and six months ended June 30, 2019, the Company's fully diluted weighted-average shares outstanding were 41.1 million and 39.7 million, respectively. The basic weighted-average shares outstanding for the three and six months ended June 30, 2019 were 40.6 million and 39.1 million, respectively.

For the three and six months ended June 30, 2019, the Company's fully diluted weighted-average shares and units outstanding were 41.5 million and 40.1 million, respectively. The basic weighted-average shares and units outstanding for the three and six months ended June 30, 2019 were 41.0 million and 39.4 million, respectively.

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 June 30, 2019, there were 347,619 operating partnership units outstanding and the Company held a 99.2% interest in the operating partnership.

Board of Directors Update

The Company is pleased to announce that Simon Leopold has joined the Company's Board of Directors (the "Board") and will serve as a member of the Company's Audit Committee. Mr. Leopold currently serves as the Chief Financial Officer and Treasurer of Taubman Centers, Inc. (NYSE: TCO) ("Taubman"). He joined Taubman in 2012 as Treasurer and Senior Vice President, Capital Markets. Prior to Taubman, Mr. Leopold served as managing director in the real estate investment banking groups at Deutsche Bank, KBW and UBS.

The Board has determined that Mr. Leopold is independent in accordance with the NYSE listing standards and the Company's Corporate Governance Guidelines and that he qualifies as an "audit committee financial expert" as defined in the Securities Exchange Act of 1934, as amended.

Conference Call/Webcast

The Company will host its quarterly analyst and investor conference call on Tuesday, July 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 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.

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 June 30, 2019, the Company owned and operated a portfolio of 722 properties, located in 46 states and containing approximately 13.1 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.

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.

All information in this press release is as of July 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)
(Unaudited)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets:		
Real Estate Investments:		
Land	\$ 638,946	\$ 553,704
Buildings	1,375,773	1,194,985
Accumulated depreciation	(112,951)	(100,312)
Property under development	16,950	12,957
Net real estate investments	<u>1,918,718</u>	<u>1,661,334</u>
Real estate held for sale, net	2,074	-
Cash and cash equivalents	5,520	53,955
Cash held in escrows	16,909	20
Accounts receivable - tenants	24,914	21,547
Lease intangibles, net of accumulated amortization of \$74,995 and \$62,543 at June 30, 2019 and December 31, 2018, respectively	307,303	280,153
Other assets, net	29,005	11,180
Total Assets	\$ 2,304,443	\$ 2,028,189
Liabilities:		
Mortgage notes payable, net	\$ 59,670	\$ 60,926
Unsecured term loans, net	237,980	256,419
Senior unsecured notes, net	384,143	384,064
Unsecured revolving credit facility	54,000	19,000
Dividends and distributions payable	24,119	21,031
Accounts payable, accrued expenses and other liabilities	48,700	21,045
Lease intangibles, net of accumulated amortization of \$17,426 and \$15,177 at June 30, 2019 and December 31, 2018, respectively	27,908	27,218
Total Liabilities	\$ 836,520	\$ 789,703
Equity:		
Common stock, \$.0001 par value, 90,000,000 shares authorized, 41,967,282 and 37,545,790 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	\$ 4	\$ 4
Preferred stock, \$.0001 par value per share, 4,000,000 shares authorized	-	-
Additional paid-in capital	1,522,644	1,277,592
Dividends in excess of net income	(51,298)	(42,945)
Accumulated other comprehensive income (loss)	(5,711)	1,424
Equity - Agree Realty Corporation	<u>\$ 1,465,639</u>	<u>\$ 1,236,075</u>
Non-controlling interest	2,284	2,411
Total Equity	\$ 1,467,923	\$ 1,238,486
Total Liabilities and Equity	\$ 2,304,443	\$ 2,028,189

Agree Realty Corporation
Consolidated Statements of Operations and Comprehensive Income
(\$ in thousands, except share and per share data)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Revenues				
Rental income	\$ 44,875	\$ 33,076	\$ 87,219	\$ 65,308
Other	45	92	49	138
Total Revenues	\$ 44,920	\$ 33,168	\$ 87,268	\$ 65,446

Operating Expenses				
Real estate taxes	\$ 3,720	\$ 2,624	\$ 7,342	\$ 5,001
Property operating expenses	1,496	1,238	3,235	2,755
Land lease expense	372	176	568	339
General and administrative	3,880	3,110	7,914	6,018
Depreciation and amortization	10,836	8,046	20,700	15,806
Provision for impairment	1,193	1,163	1,609	1,163
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Operating Expenses	21,497	16,357	41,368	31,082
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Income from Operations	23,423	16,811	45,900	34,364
Other (Expense) Income				
Interest expense, net	\$ (7,455)	\$ (5,961)	\$ (15,012)	\$ (11,426)
Gain (loss) on sale of assets, net	2,949	2,434	6,376	7,032
Income tax benefit (expense)	(195)	(216)	(26)	(266)
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Income	18,722	13,068	37,238	29,704
Less Net Income Attributable to Non-Controlling Interest	158	145	327	329
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Income Attributable to Agree Realty Corporation	18,564	12,923	36,911	29,375
Net Income Per Share Attributable to Agree Realty Corporation				
Basic	\$ 0.45	\$ 0.42	\$ 0.94	\$ 0.95
Diluted	\$ 0.45	\$ 0.41	\$ 0.92	\$ 0.94
Other Comprehensive Income				
Net Income	\$ 18,722	\$ 13,068	\$ 37,238	\$ 29,704
Other Comprehensive Income (Loss) - Change in Fair Value and Settlement of Interest Rate Swaps	(3,794)	792	(7,199)	2,712
Total Comprehensive Income	14,928	13,860	30,039	32,416
Comprehensive Income Attributable to Non-Controlling Interest	(125)	(154)	(264)	(359)
Comprehensive Income Attributable to Agree Realty Corporation	<u>\$ 14,803</u>	<u>\$ 13,706</u>	<u>\$ 29,775</u>	<u>\$ 32,057</u>
Weighted Average Number of Common Shares Outstanding - Basic	40,612,372	30,821,185	39,058,743	30,811,383
Weighted Average Number of Common Shares Outstanding - Diluted	41,141,659	31,222,221	39,745,337	31,036,694

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		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net Income	\$ 18,722	\$ 13,068	\$ 37,238	\$ 29,704
Depreciation of rental real estate assets	8,276	5,934	15,920	11,589
Amortization of lease intangibles - in-place leases and leasing costs	2,496	2,091	4,653	4,175
Provision for impairment	1,193	1,163	1,609	1,163
(Gain) loss on sale of assets, net	(2,949)	(2,434)	(6,376)	(7,032)
Funds from Operations	<u>\$ 27,738</u>	<u>\$ 19,822</u>	<u>\$ 53,044</u>	<u>\$ 39,599</u>
Amortization of above (below) market lease intangibles, net	3,225	2,513	6,501	4,756
Core Funds from Operations	<u>\$ 30,963</u>	<u>\$ 22,335</u>	<u>\$ 59,545</u>	<u>\$ 44,355</u>
Straight-line accrued rent	(1,692)	(1,093)	(3,190)	(2,205)
Deferred tax expense (benefit)	-	-	(475)	-
Stock based compensation expense	1,026	833	1,939	1,525
Amortization of financing costs	209	132	365	298
Non-real estate depreciation	64	21	127	42
Adjusted Funds from Operations	<u>\$ 30,570</u>	<u>\$ 22,228</u>	<u>\$ 58,311</u>	<u>\$ 44,015</u>
Funds from Operations per common share - Basic	\$ 0.68	\$ 0.64	\$ 1.35	\$ 1.27
Funds from Operations per common share - Diluted	\$ 0.67	\$ 0.63	\$ 1.32	\$ 1.26

Core Funds from Operations per common share - Basic	\$ 0.76	\$ 0.72	\$ 1.51	\$ 1.42
Core Funds from Operations per common share - Diluted	\$ 0.75	\$ 0.71	\$ 1.49	\$ 1.41
Adjusted Funds from Operations per common share - Basic	\$ 0.75	\$ 0.71	\$ 1.48	\$ 1.41
Adjusted Funds from Operations per common share - Diluted	\$ 0.74	\$ 0.70	\$ 1.45	\$ 1.40
Weighted Average Number of Common Shares and Units Outstanding - Basic	40,959,991	31,168,804	39,406,362	31,159,002
Weighted Average Number of Common Shares and Units Outstanding - Diluted	41,489,278	31,569,840	40,092,956	31,384,313

Supplemental Information:

Scheduled principal repayments	\$ 745	\$ 828	\$ 1,607	\$ 1,648
Capitalized interest	113	148	203	292
Capitalized building improvements	926	42	960	76

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)

	Three months ended	
	June 30,	
	2019	
Net Income	\$	18,722
Interest expense, net		7,455
Income tax (benefit) expense		195
Depreciation of rental real estate assets		8,276
Amortization of lease intangibles - in-place leases and leasing costs		2,496
Non-real estate depreciation		64
Provision for impairment		1,193
(Gain) loss on sale of assets, net		(2,949)
EBITDA _{re}	\$	35,452
Run-Rate Impact of Investment and Disposition Activity	\$	1,641
Amortization of above (below) market lease intangibles, net		3,225
Other expense (income)		-
Recurring EBITDA	\$	40,318
Annualized Recurring EBITDA	\$	161,272
Total Debt	\$	739,166
Cash, cash equivalents and cash held in escrows		(22,429)

Net Debt	\$	716,737
Net Debt to Recurring EBITDA		4.4x

Non-GAAP Financial Measures

EBITDA_{re}

EBITDA_{re} 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_{re} 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_{re} 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_{re} may not be comparable to EBITDA_{re} reported by other REITs that interpret the Nareit definition differently than the Company.

Recurring EBITDA

The Company defines Recurring EBITDA as EBITDA_{re} 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)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Rental Income Source⁽¹⁾				
Minimum rents ⁽²⁾	\$ 41,508	\$ 31,006	\$ 80,230	\$ 60,580
Percentage rents ⁽²⁾	-	-	287	216
Operating cost reimbursement ⁽²⁾	4,900	3,490	10,013	7,055
Straight-line rental adjustments ⁽³⁾	1,692	1,093	3,190	2,213
Amortization of (above) below market lease intangibles ⁽⁴⁾	(3,225)	(2,513)	(6,501)	(4,756)
Other ⁽⁵⁾	45	92	49	138
Total Rental Income	\$ 44,920	\$ 33,168	\$ 87,268	\$ 65,446

(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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