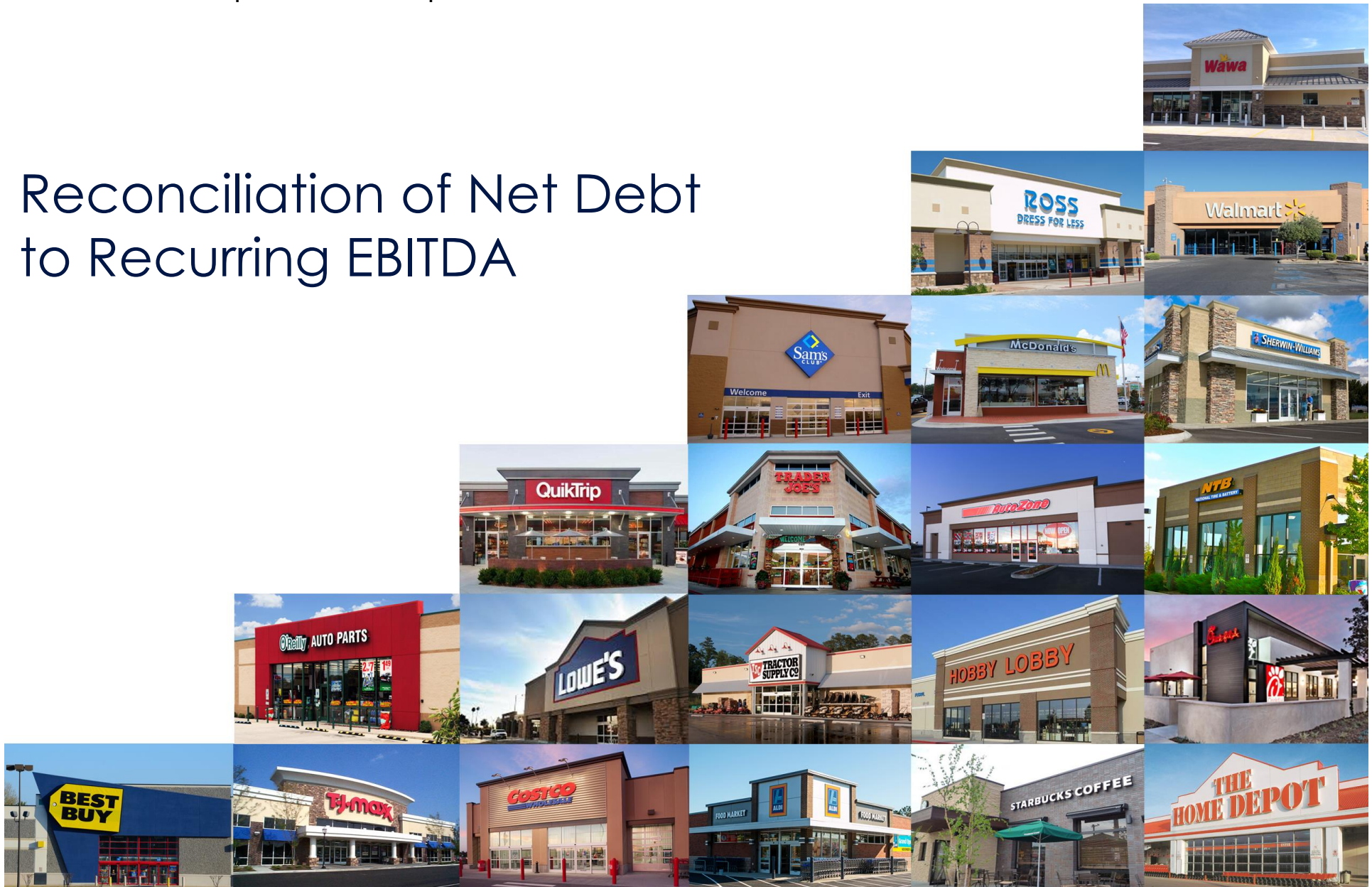


## Reconciliation of Net Debt to Recurring EBITDA



# Reconciliation of Net Debt to Recurring EBITDA

**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>2020</b>
Net Income	\$ 21,370
Interest expense, net	9,670
Income tax expense	259
Depreciation of rental real estate assets	10,402
Amortization of lease intangibles - in-place leases and leasing costs	3,621
Non-real estate depreciation	109
(Gain) loss on sale of assets, net	(1,645)
EBITDAre	\$ 43,786
Run-Rate Impact of Investment and Disposition Activity	\$ 1,160
Amortization of above (below) market lease intangibles, net	3,809
Recurring EBITDA	\$ 48,755
Annualized Recurring EBITDA	\$ 195,020
Total Debt	\$ 1,026,111
Cash, cash equivalents and cash held in escrows	(92,140)
Net Debt	\$ 933,971
<b>Net Debt to Recurring EBITDA</b>	<b>4.8x</b>
Net Debt	\$ 933,971
Anticipated Net Proceeds from ATM Forward Offerings and March 2020 Equity Offering	(437,612)
Anticipated Net Proceeds from April 2020 Forward Offering	(366,840)
Proforma Net Debt	\$ 129,519
<b>Proforma Net Debt to Recurring EBITDA</b>	<b>0.7x</b>

# Forward-Looking Statements & Non-GAAP Measures

## **Forward-Looking Statements**

This presentation 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. Certain factors could occur that might cause actual results to vary, including a decline in general economic conditions, weakening of real estate markets, decreases in the availability of credit, increases in interest rates, our continuing ability to qualify as a REIT and other risks and uncertainties as 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, 2019 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 presentation is as of April 20, 2020. The Company undertakes no duty to update the statements in this presentation to conform the statements to actual results or changes in the Company’s expectations.

## **Non-GAAP Measures**

### **EBITDAre**

EBITDAre 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 EBITDAre 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 EBITDAre 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 EBITDAre may not be comparable to EBITDAre reported by other REITs that interpret the Nareit definition differently than the Company.

### **Recurring EBITDA**

The Company defines Recurring EBITDA as EBITDAre 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 is used by management as a measure of leverage and may be useful to investors in understanding the Company’s ability to service its debt, as well as assess the borrowing capacity of the Company. Our ratio of net debt to Recurring EBITDA 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. The Company presents Net Debt on both an actual and proforma basis, assuming the net proceeds of the ATM Forward Offerings, March 2020 Equity Offering and April 2020 Forward Offering (see below) are used to pay down debt. The Company believes the proforma measure may be useful to investors in understanding the potential effect of these offerings on the Company’s capital structure, its future borrowing capacity, and its ability to service its debt.

### **ATM Forward Offerings, March 2020 Equity Offering and April 2020 Forward Offering**

The Company has 3,976,695 shares remaining to be settled under the ATM Forward Offerings. On April 22, 2020, the Company expects to deliver the remaining 3,976,695 shares of the Company’s common stock to effect the settlement. Upon settlement, the Company anticipates receiving net proceeds of approximately \$267.2 million based on the estimated forward sale prices as of April 22, 2020. The estimated forward sale price varies depending on the offering.

On March 30, 2020, the Company commenced a follow-on public offering of 2,875,000 shares of common stock, including the underwriters’ overallotment option, at a public offering price of \$61.00 per share. The March 2020 Equity Offering closed on April 2, 2020, and the Company received net proceeds of approximately \$170.4 million which were used to reduce the outstanding balance on its unsecured revolving credit facility.

On April 20, 2020, the Company commenced an underwritten public offering of 6,166,666 shares of its common stock in connection with a forward sale agreement at a public offering price of \$60.00 per share. Upon settlement, the April 2020 Forward Offering is anticipated to raise net proceeds of approximately \$366.8 million based on the net price of \$59.52 per share. The Company is contractually obligated to settle the offering by April 2021.



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