

Buy: ADC

Price: \$64

PT: \$75

Upside: 17%

## Agree Realty Corporation | NYSE: ADC



**Binghamton Investment Fund | Real Estate Sector**

Senior Analyst: Skylar Kabatsky

# Agenda

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Company Overview

Industry Overview

Investment Thesis

Investment Points

ESG

Valuation

Risks and Mitigants

# Industry Overview

## Retail REITs

REITs that focus on large regional malls, outlet centers, grocery anchored shopping centers and power centers that feature big box retailers

**Net lease REITs** own freestanding properties and structure leases so that **tenants pay** both rent and majority of **operating expenses** for a property

<b>33</b>	<b>4.05%</b>	<b>40.05%</b>
Total Retail REITs	Avg. Dividend Yield	Total Return in 2021

## Competitors



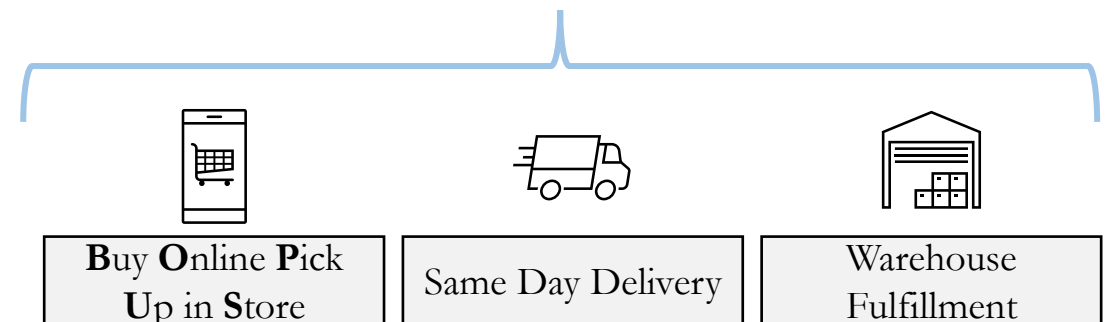
## Omni Channel Retail

Total Retail REIT Return (1994 - 2021)



## Omni Channel Retail

The consumer has multiple different points of entry to purchase a good or service

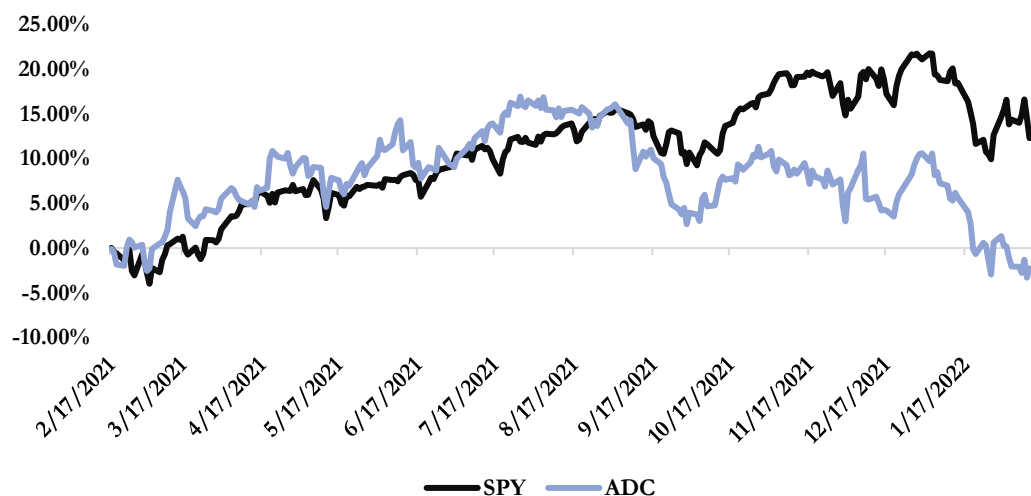


# Company Overview

## Company Description

- A REIT (real estate investment trust) focused on the **ownership, development, and management** of retail properties **net leased** to industry leading tenants
- The company's portfolio consists of **1,404 properties** in **46 states** totaling **22.7 million square feet** of gross leasable area
- The company's assets and operations are held by and conducted through the **Operating Partnership** of which Agree is the sole general partner

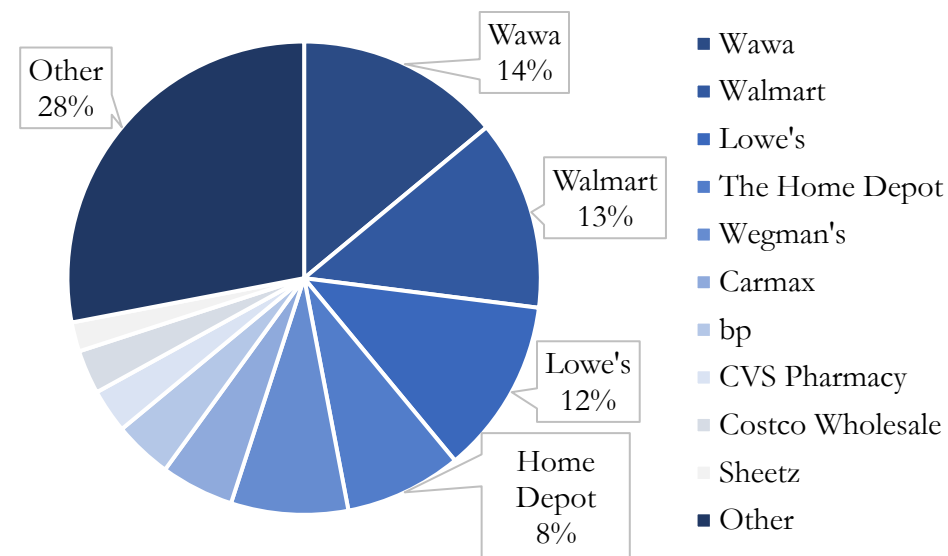
## Historical Stock Performance



## Key Statistics

Current Share Price	\$63.57
52 Week Range	\$61.27 - \$75.95
Market Cap.	\$4.51 B
Enterprise Value	\$6.36 B
Founded	1971
IPO	1994

## Top Tenants (as a % of ABR)



# Strategic Acquisitions

## Four Core Principles of Investment Philosophy

- 1 **Ecommerce Resistant:** focus on ecommerce resistant sectors or those that are focused on creating an omni-channel experience
- 2 **Recession Resistance:** emphasis on a balanced portfolio with exposure to counter cyclical sectors and strong credit portfolios
- 3 **Avoidance of Private Equity Sponsorship:** minimizing exposure to sponsorship overleveraging acquisitions
- 4 **Adherence to Strong Real Estate Fundamentals:** focus on fungible buildings and protect against unforeseen changes

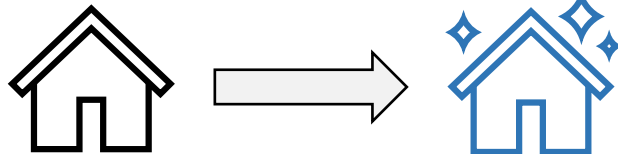
## Increase Ground Lease Acquisition

*Ground leases offer superior risk adjusted returns*

14.3%  
of total  
ABR

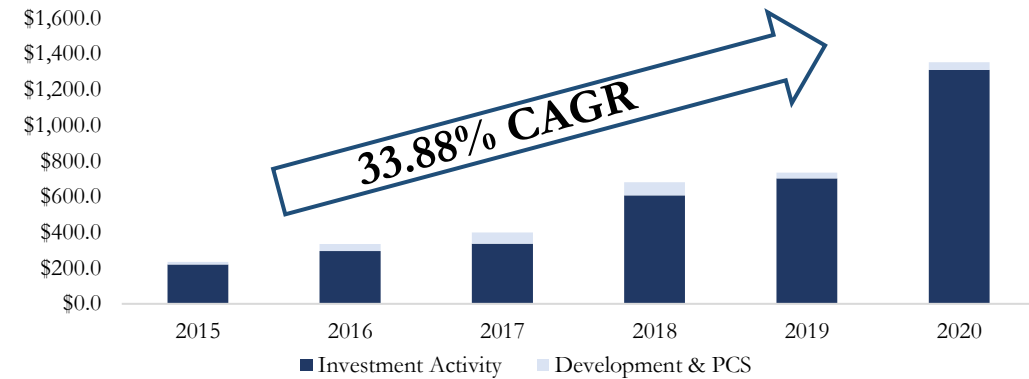
Landlords are able to sell the property on the land at a higher rate once the term of the lease expires because they can assume all improvements at that point.

12-year  
average  
lease  
term



## Investment Activity

*ADC has invested more than \$4.2 billion since 2010*



## Best in Class Retailers



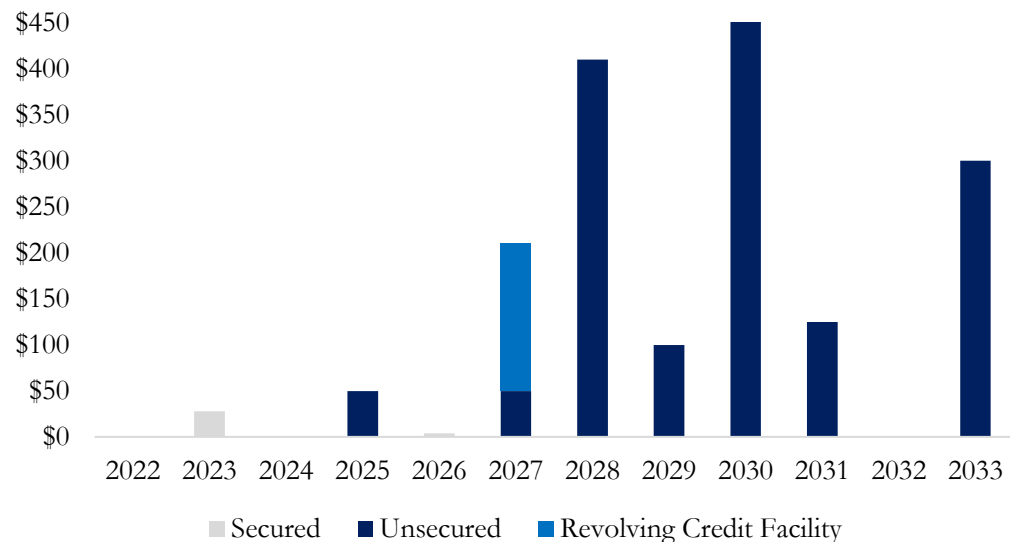
# “Fortress” Balance Sheet

## Liquidity

Agree has ample liquidity for continuous acquisitions

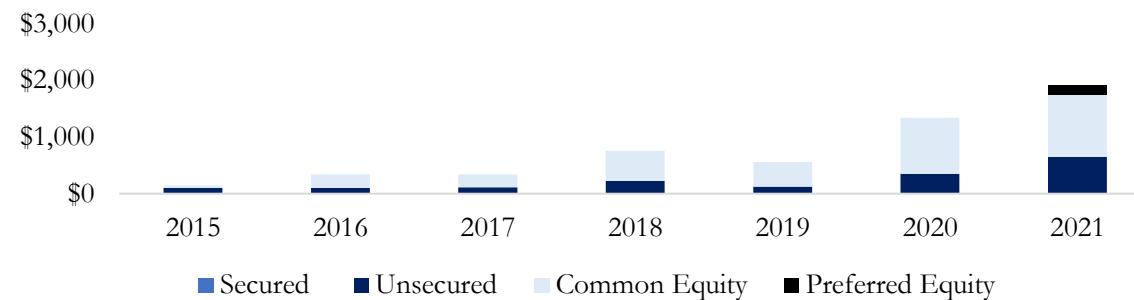
- Raised \$1.9 billion in capital markets through equity offerings and \$100 mm via asset sales
- Net debt to EBITDA is 4.9x sitting well below the safe level of 6.0x for REITs
- Increased unsecured revolving credit facility from \$500mm to \$1bn

## Debt Maturities

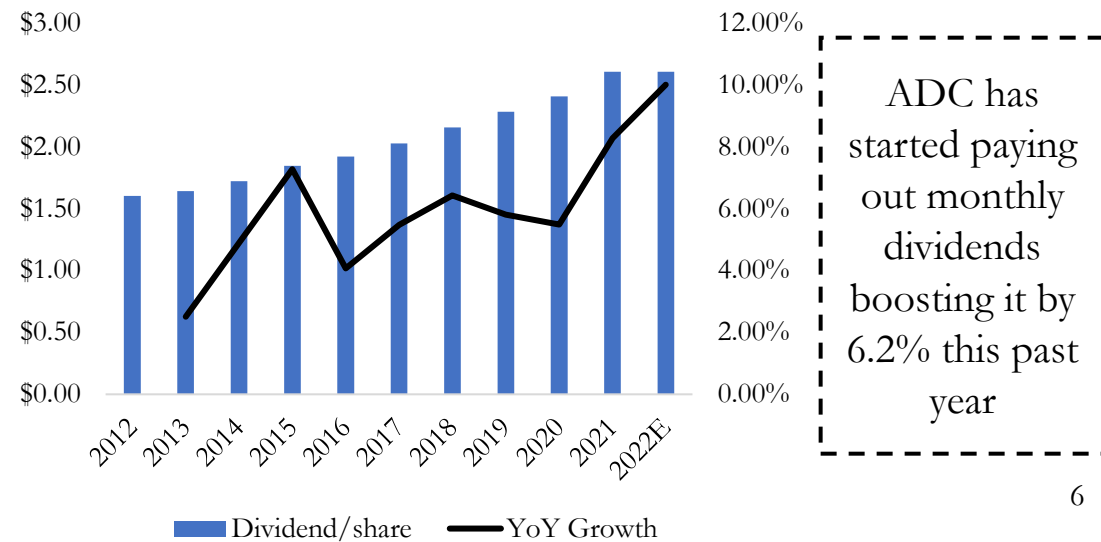


## Capital Markets Activity

Dilutive impact of equity offering is **only half a penny**, it represents a miniscule portion of their total company value, and is aimed **to support the continued growth of company**



## Consistent Dividend Payout



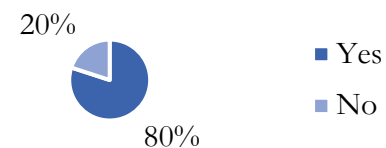
# ESG

## *Environmental*

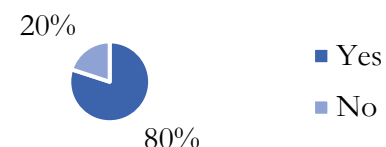
### Tenants Pioneering Environmentally Friendly Initiatives

- Requiring 100% of strategic partners have sustainable goals
- Engaging third party dumpsters auditors to ensure proper handling of waste
  - Reducing fuel usage by monitoring implementing an associate carpool program

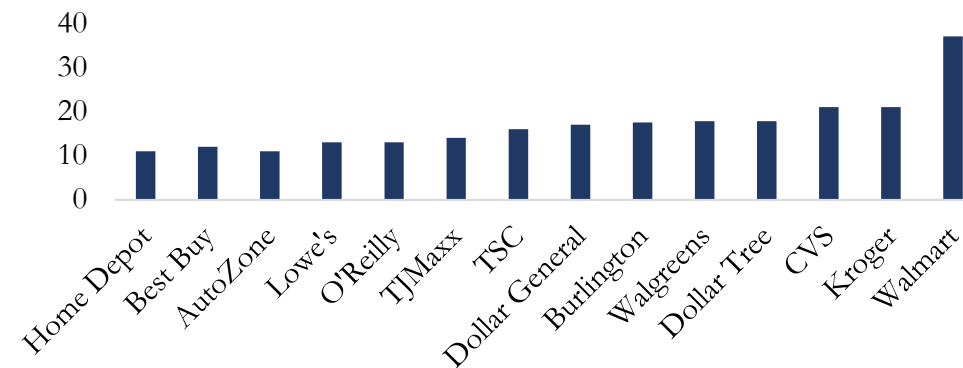
### Resource Reduction Policy



### Waste Reduction Initiatives



### ESG Risk Rating



## *Social*

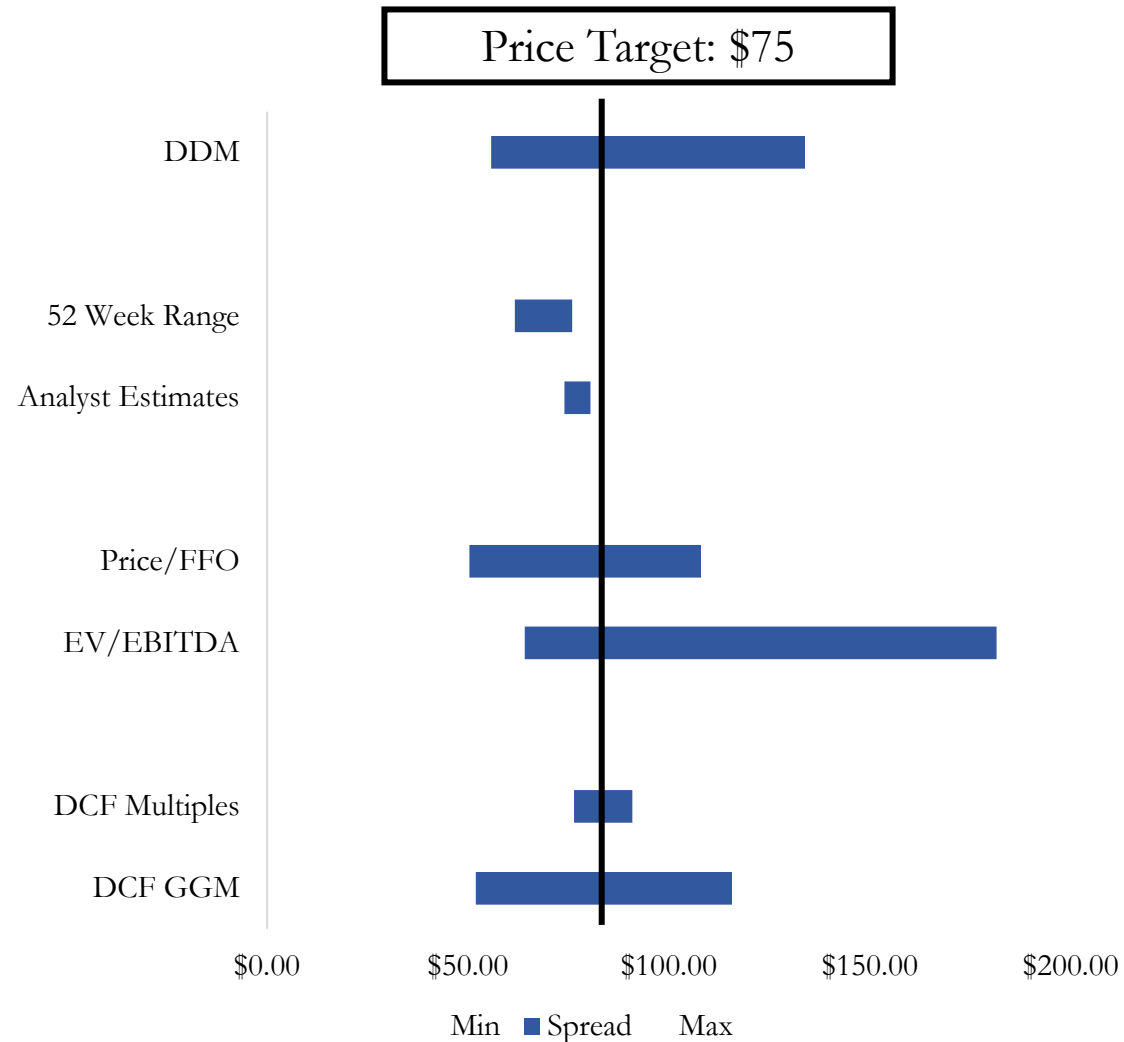
### Agree Wellness

- 1 **Community Partnerships:** Kids Kicking Cancer, Leader Dogs for the Blind, Children's Hospital Adopt-A-Family program
- 2 **Agree Financial Wellness:** employees paid salaries, cash bonuses, and sometimes awarded long term equity compensation
- 3 **Agree Health Wellness:** medical insurance, health insurance, dental & vision insurance, short- and long-term disability, life insurance, simple IRA

## *Governance*

- ADC's board has **7** out of 9 **independent** directors
- The board recently implemented a **Clawback Policy**, providing them the ability to recover compensation in the invent of fraud, intentional misconduct, or lack of sufficient oversight
- Stock ownership guidelines requiring executive officers have stock ownership **three times** their annual compensation and Directors **four times** their annual compensation

## Sensitivity Analysis



	Multiples				
	14.5x	15.0x	15.5x	16.0x	16.5x
\$83.60					
5.06%	\$78.07	\$81.29	\$84.50	\$87.72	\$90.94
5.16%	\$77.65	\$80.85	\$84.06	\$87.26	\$90.46
5.26%	\$77.24	\$80.42	\$83.61	\$86.80	\$89.99
5.36%	\$76.82	\$80.00	\$83.17	\$86.35	\$89.52
5.46%	\$76.41	\$79.57	\$82.73	\$85.89	\$89.06

	Growth Rate				
	2.50%	2.75%	3.00%	3.25%	3.50%
\$73.84					
5.06%	\$63.83	\$72.59	\$83.49	\$97.39	\$115.75
5.16%	\$60.51	\$68.57	\$78.50	\$91.02	\$107.31
5.26%	\$57.44	\$64.87	\$73.95	\$85.28	\$99.84
5.36%	\$54.58	\$61.45	\$69.78	\$80.09	\$93.17
5.46%	\$51.91	\$58.29	\$65.96	\$75.37	\$87.18

	Cost of Equity				
	4.64%	5.14%	5.64%	6.14%	6.64%
\$78.62					
1.50%	91.22	78.69	69.19	61.73	55.73
1.75%	99.11	84.50	73.63	65.25	58.58
2.00%	108.50	91.22	78.69	69.19	61.73
2.25%	119.85	99.11	84.50	73.63	65.25
2.50%	133.85	108.50	91.22	78.69	69.19



# Risks and Mitigants

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**Rising interest rates may affect Agree's ability to finance their acquisitions**

ADC has an ample amount of liquidity, \$1.4 billion, through their continued capital markets activity

**Inflation may affect Agree Realty's earnings and overall operations**

Agree Realty has rent escalations and REITs in general tend to outperform the S&P during high inflation periods

**COVID cases increase shutting down retail stores and creates financial hardship**

ADC focuses on investing in companies that are recession resistant and continue to reduce exposure to businesses that would be affected by a lockdown

# Summary

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Buy: ADC

Price: \$64

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Upside: 17%

Questions?

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# Appendix A: Balance Sheet

Agree Realty Corp (NYSE: ADC) Cash Flow Statement (in \$mm)	FY 2018	FY 2019	FY2020	FY2021
<b>Real Estate Investments</b>				
Land	\$ 553,704	\$ 735,991	\$ 1,094,550	\$ 1,559,434
Buildings	1,194,985	1,600,293	2,371,553	3,034,391
Less accumulated depreciation	(100,312)	(127,748)	(172,577)	(233,862)
Real estate investments excluding property under development	1,648,377	2,208,536	3,293,526	4,359,963
Property under development	12,957	10,056	10,653	7,148
Net Real Estate Investments	1,661,334	2,218,592	3,304,179	4,367,111
Real Estate Held for Sale, net		3,750	1,199	5,676
Cash and Cash Equivalents	53,955	15,603	6,137	43,252
Cash Held in Escrows	20	26,554	1,818	1,998
Accounts Receivable - Tenants	21,547	26,808	37,808	53,442
Lease Intangibles, net of accumulated amortization of \$125,995 and \$89,118 at December 31, 2020 and December 31, 2019, respectively	280,153	343,514	473,592	672,020
Other Assets, net	11,180	29,709	61,450	83,407
<b>Total Assets</b>	<b>2,028,189</b>	<b>2,664,530</b>	<b>3,886,183</b>	<b>5,226,906</b>
<b>LIABILITIES</b>				
Mortgage Notes Payable, net	60,926	36,698	33,122	32,429
Unsecured Term Loans, net	256,419	237,403	237,849	0
Senior Unsecured Notes, net	384,064	509,198	855,328	1,495,200
Unsecured Revolving Credit Facility	19,000	89,000	92,000	160,000
Dividends and Distributions Payable	21,031	25,014	34,545	16,881
Accounts Payable, Accrued Expenses, and Other Liabilities	21,045	48,987	71,390	70,005
Lease Intangibles, net of accumulated amortization of \$24,651 and \$19,307 at December 31, 2020 and December 31, 2019, respectively	27,218	26,668	35,700	33,075
<b>Total Liabilities</b>	<b>789,703</b>	<b>972,968</b>	<b>1,359,934</b>	<b>1,807,590</b>
<b>EQUITY</b>				
Common stock, \$.0001 par value, 90,000,000 shares authorized, 60,021,483 and 45,573,623 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	4	5	6	175,000
Preferred Stock, \$.0001 par value per share, 4,000,000 shares authorized				7
Additional paid-in-capital	1,277,592	1,752,912	2,652,090	3,395,549
Dividends in excess of net income	(42,945)	(57,094)	(91,343)	(147,366)
Accumulated other comprehensive income (loss)	1,424	(6,492)	(36,266)	(5,503)
Total Equity - Agree Realty Corporation	1,236,075	1,689,331	2,524,487	3,417,687
Non-controlling interest	2,411	2,231	1,762	1,629
<b>Total Equity</b>	<b>1,238,486</b>	<b>1,691,562</b>	<b>2,526,249</b>	<b>3,419,316</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,028,189</b>	<b>\$ 2,664,530</b>	<b>\$ 3,886,183</b>	<b>\$ 5,226,906</b>

# Appendix B: Income Statement

Agree Realty Corp (NYSE: ADC)									
Income Statement (in \$mm)	FY 2018	FY 2019	FY2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
<b>Revenues</b>									
Rental income	\$ 136,884	\$ 187,279	\$ 248,309	339,067	448,555	583,691	750,505	956,670	1,211,811
as a % of sales	99.8%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%
Other	238	199	259	256	468	609	783	998	1,264
as a % of sales	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total Revenues</b>	<b>137,122</b>	<b>187,478</b>	<b>248,568</b>	<b>339,323</b>	<b>449,023</b>	<b>584,300</b>	<b>751,288</b>	<b>957,668</b>	<b>1,213,075</b>
<b>Operating Expenses</b>									
Real estate taxes	10,721	15,520	21,428	25,513	36,187	47,089	60,547	77,179	97,762
as a % of sales	7.8%	8.3%	8.6%	7.5%	8.1%	8.1%	8.1%	8.1%	8.1%
Property operating expenses	5,645	6,749	9,023	13,996	16,165	21,035	27,046	34,476	43,671
as a % of sales	4.1%	3.6%	3.6%	4.1%	3.6%	3.6%	3.6%	3.6%	3.6%
Land lease expense	645	1,242	1,301	1,552	2,245	2,922	3,756	4,788	6,065
as a % of sales	0.5%	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
General and administrative	11,756	15,566	20,793	25,456	33,677	43,823	56,347	71,825	90,981
as a % of sales	8.6%	8.3%	8.4%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Depreciation and amortization	33,030	45,703	66,758	95,729	116,224	151,238	194,461	247,879	313,988
as a % of capex	24.1%	24.4%	26.9%	28.2%	25.9%	25.9%	25.9%	25.9%	25.9%
Provision for impairment	2,319	1,609	4,137	1,919	2,694	3,506	4,508	5,746	7,278
as a % of sales	1.7%	0.9%	1.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Total Operating Expenses	64,116	86,389	123,440	164,165	207,191	269,612	346,665	441,894	559,746
<b>Income from Operations</b>	<b>73,006</b>	<b>101,089</b>	<b>125,128</b>	<b>175,158</b>	<b>241,832</b>	<b>314,688</b>	<b>404,623</b>	<b>515,774</b>	<b>653,329</b>
<b>Other (Expense) Income</b>									
Interest expense, net	(24,872)	(33,094)	(40,097)	(50,378)	(61,965)	(80,633)	(103,678)	(132,158)	(167,404)
as a % of sales	18.1%	17.7%	16.1%	14.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Gain (loss) on sale of assets, net	11,180	13,306	8,004	15,111	26,941	35,058	45,077	57,460	72,784
as a % of sales	8.2%	7.1%	3.2%	4.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Net income before income tax expense	59,314	81,301	93,035	139,891	206,808	269,113	346,023	441,076	558,709
Income tax (expense) benefit	(516)	(538)	(1,086)	(2,401)	(4,136)	(5,382)	(6,920)	(8,822)	(11,174)
tax rate	0.9%	0.7%	1.2%	1.7%	2.0%	2.0%	2.0%	2.0%	2.0%
Other (expense) income	0	0	23	0	0	0	0	0	0
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loss on early extinguishment of term loans and settlement of related interest rate swaps	0	0	0	(14,614)	0	0	0	0	0
Net Income	58,798	80,763	91,972	122,876	202,672	263,730	339,102	432,254	547,535
Less: net income attributable to non-controlling interest	626	682	591	603	898	1,169	1,503	1,915	2,426
as a % of sales	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Less: Series A Preferred Stock Dividends				2,148					
<b>Net Income Attributable to Agree Realty Corporation</b>	<b>\$ 58,172</b>	<b>\$ 80,081</b>	<b>\$ 91,381</b>	<b>\$ 120,125</b>	<b>\$ 201,774</b>	<b>\$ 262,562</b>	<b>\$ 337,600</b>	<b>\$ 430,339</b>	<b>\$ 545,109</b>

# Appendix C: Cash Flow Statement 1

Agree Realty Corp (NYSE: ADC) Cash Flow Statement (in \$mm)	FY 2018	FY 2019	FY2020	FY2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
<b>Cash Flows from Operating Activities</b>									
Net income	\$ 58,798	\$ 80,763	\$ 91,972	\$ 122,876	\$ 201,774	\$ 262,562	\$ 337,600	\$ 430,339	\$ 120,125
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>									
Depreciation and amortization	43,698	59,204	92,643	120,013	161,648	178,796	439,504	689,521	1,116,029
<i>as a % of capex</i>	<i>203.4%</i>	<i>242.4%</i>	<i>472.3%</i>	<i>289.4%</i>	<i>240.0%</i>	<i>180.0%</i>	<i>130.0%</i>	<i>120.0%</i>	<i>115.0%</i>
Amortization from above (below) market lease intangibles, net	10,668	13,501	15,885	24,284					
Amortization from financing and credit facility costs	1,055	1,284	1,444	2,360					
Stock-based compensation	2,948	3,980	4,702	4,798					
Provision for impairment	2,319	1,609	4,137	1,919					
Settlement of interest rate swaps	0	788	(22,668)	16,748					
(Gain) loss on sale of assets	(11,180)	(13,306)	(8,004)	(14,941)					
(Increase) decrease in accounts receivable	(6,855)	(6,071)	(11,983)	(16,304)					
(Increase) decrease in other assets	(463)	(2,150)	(1,503)	(3,231)					
Increase (decrease) in accounts payable, accrued expenses, and other liabilities	2,927	606	2,216	10,827					
Write-off of unamortized finance costs upon debt extinguishment	0	0	0	1,250					
Net Cash Provided by Operating Activities	103,915	140,208	168,841	270,599					
<b>Cash Flows from Investing Activities</b>									
Acquisition of real estate investments and other assets	(611,129)	(708,144)	(1,326,696)	(1,400,685)					
Development of real estate investments and other assets (including capitalized interest of \$172 in 2020, \$410 in 2019, and \$448 in 2018)	(21,481)	(24,428)	(19,617)	(41,464)	(67,353)	(99,331)	(338,080)	(574,601)	(970,460)
<i>as a % of sales</i>	<i>15.7%</i>	<i>13.0%</i>	<i>7.9%</i>	<i>12.2%</i>	<i>15.0%</i>	<i>17.0%</i>	<i>45.0%</i>	<i>60.0%</i>	<i>80.0%</i>
Payment of leasing costs	(1,337)	(411)	(1,227)	(468)					
Net proceeds from sale of assets	65,830	65,464	47,698	56,002					
Net Cash Used in Investing Activities	(568,117)	(667,519)	(1,299,842)	(1,386,615)					

# Appendix D: Cash Flow Statement 2

## Cash Flows from Financing Activities

Proceeds from Series A preferred stock offering, net	0	0	0	170,308
Proceeds from common stock offerings, net	339,744	472,746	896,118	744,847
Repurchase of common shares	(1,145)	(1,406)	(1,641)	(1,813)
Unsecured revolving credit facility borrowings (repayments), net	5,000	70,000	3,000	68,000
Payments of mortgage notes payable	(27,576)	(24,404)	(3,683)	(799)
Unsecured term loan proceeds	100,000	0	0	(240,000)
Payments of unsecured term loans	(761)	(18,543)	0	640,623
Senior unsecured notes proceeds	125,000	125,000	349,745	(1,529)
Dividends paid	(67,638)	(90,257)	(116,112)	(194,296)
Distributions to non-controlling interest	(737)	(782)	(824)	(1,042)
Payments for financing costs	(1,824)	(3,360)	(3,919)	(6,704)
Net Cash Provided by Financing Activities	470,063	528,994	1,122,684	1,177,595
Net Increase (Decrease) in Cash and Cash Equivalents and Cash Held in Escrow	(4,807)	(11,818)	(34,202)	37,295
Cash and cash equivalents and cash held in escrow, beginning of period	58,782	53,975	42,157	7,955
Cash and cash equivalents and cash held in escrow, end of period	53,975	42,157	7,955	45,250

## Supplemental Disclosure of Cash Flow Information

Cash paid for interest (net of amounts capitalized)	23,015	29,925	37,710	56,150
Cash paid for income tax	452	666	1,150	1,816

## Supplemental Disclosure of Non-Cash Investing and Financing Activities

Operating lease right of use assets added upon implementation of leases standard on January 1, 2019	0	7,505	0	0
Additional operating lease right of use assets added under new ground leases after January 1, 2019	0	12,167	1,064	6,302
Operating lease right of use assets disposed of upon acquisition of underlying ground leased land	0	(3,059)	0	0
Dividends and limited partners' distributions declared and unpaid	21,031	25,014	34,545	16,881
Accrual of development, construction and other real estate investment costs	\$ 1,768	\$ 4,330	\$ 10,465	(5,537)

# Appendix E: Revenue Build

Revenue Build										
Year	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Revenue	11,517	137,122	187,478	248,568	339,323	449,023	584,300	751,288	957,668	1,213,075
Properties	436	645	836	1,129	1,404	1,689	1,989	2,304	2,634	2,979
Properties Added		209	191	293	275	285	300	315	330	345
<i>% growth</i>		47.9%	29.6%	35.0%	24.4%	34.2%	34.2%	34.2%	34.2%	34.2%
Revenue / Properties	26.4	212.6	224.3	220.2	241.7	265.9	293.8	326.1	363.6	407.2
<i>% growth</i>		704.8%	5.5%	-1.8%	9.8%	10.0%	10.5%	11.0%	11.5%	12.0%

# Appendix F: Net Working Capital

NWC Projections	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b><u>Current Assets</u></b>									
Accounts Receivables	21,547	26,808	37,808	53,442	68,446	89,066	114,521	145,980	184,912
<i>AR Days</i>	57.4	52.2	55.5	57.5	55.6	55.6	55.6	55.6	55.6
Other Current Assets	11,180	29,709	61,450	83,407	110,689	144,036	185,200	236,075	299,035
<i>as a % of revenue</i>	8.15%	15.85%	24.72%	24.58%	24.65%	24.65%	24.65%	24.65%	24.65%
<b>Total Current Assets</b>	<b>32,727</b>	<b>26,808</b>	<b>37,808</b>	<b>53,442</b>	<b>68,446</b>	<b>89,066</b>	<b>114,521</b>	<b>145,980</b>	<b>184,912</b>
<b><u>Current Liabilities</u></b>									
Lease Intangibles	27,218	26,668	35,700	33,075	55,208	71,841	92,372	117,747	149,150
<i>as a % of COGS</i>	42.5%	30.9%	28.9%	20.1%	26.6%	26.6%	26.6%	26.6%	26.6%
Accounts Payable	21,045	48,987	71,390	70,005	77,981	128,069	164,670	209,905	265,887
<i>AP Days</i>	119.8	207.0	211.1	155.6	173.4	173.4	173.4	173.4	173.4
<b>Total Current Liabilities</b>	<b>48,263</b>	<b>48,987</b>	<b>71,390</b>	<b>70,005</b>	<b>77,981</b>	<b>128,069</b>	<b>164,670</b>	<b>209,905</b>	<b>265,887</b>
NWC	-15,536	-22,179	-33,582	-16,563	-9,535	-39,003	-50,150	-63,926	-80,975
<b><i>ΔNWC</i></b>		<b>-6,643</b>	<b>-11,403</b>	<b>17,019</b>	<b>7,028</b>	<b>-29,468</b>	<b>-11,147</b>	<b>-13,776</b>	<b>-17,049</b>



# Appendix G: AFFO Calculation

Reconciliation from Net Income to Funds from Operations									
Year	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Net Income	58,798	80,763	91,972	120,728	201,774	262,562	337,600	430,339	545,109
Depreciation of rental estate assets	24,553	34,349	48,367	66,732	64,584	64,584	64,584	64,584	64,584
		0	0	0	0	0	0	0	0
Amortization of lease intangibles - in-place leases and leasing costs	8,271	11,071	17,882	28,379	28,379	28,379	28,379	28,379	28,379
<i>as a % of lease intangibles</i>	<i>3%</i>	<i>3%</i>	<i>4%</i>	<i>4%</i>					
Provision for impairment	2,319	1,609	4,137	1,919	2,694	3,506	4,508	5,746	7,278
(Gain) loss on sale of assets	(11,180)	(13,306)	(8,004)	(15,111)	(26,941)	(35,058)	(45,077)	(57,460)	(72,784)
<b>Funds from operations</b>	<b>82,761</b>	<b>114,486</b>	<b>154,354</b>	<b>202,647</b>	<b>270,489</b>	<b>323,973</b>	<b>389,993</b>	<b>471,588</b>	<b>572,566</b>
Loss on Extinguishment of debt and settlement of related hedges				14,614					
Amortization of above (below) market lease intangibles, net	10,668	13,501	15,885	24,284	25,166	26,055	26,992	27,960	28,958
<i>as a % of lease intangibles</i>	<i>4%</i>	<i>4%</i>	<i>3%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>
<b>Core Funds from Operations</b>	<b>93,429</b>	<b>127,987</b>	<b>170,239</b>	<b>241,545</b>	<b>295,655</b>	<b>350,028</b>	<b>416,985</b>	<b>499,547</b>	<b>601,524</b>
Straight-line accrued rent	(4,648)	(7,093)	(7,818)	(11,857)	(10,324)	(13,835)	(18,540)	(24,846)	0
<i>as a % of ABR</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>
Deferred tax expense (benefit)	-	(475)	-	-	-	-	-	-	-
Stock based compensation expense	3,227	4,106	4,995	5,467	10,089	13,128	16,880	21,517	27,255
	<i>6%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>
Amortization of financing costs	578	706	826	1,197	0	0	0	0	0
	<i>55%</i>	<i>55%</i>	<i>57%</i>	<i>51%</i>	<i>55%</i>	<i>55%</i>	<i>55%</i>	<i>55%</i>	<i>55%</i>
Non-real estate depreciation	146	283	509	618	808	894	2,198	3,448	5,580
<i>D&amp;A</i>	<i>0.33%</i>	<i>0.48%</i>	<i>0.55%</i>	<i>0.51%</i>	<i>0.50%</i>	<i>0.50%</i>	<i>0.50%</i>	<i>0.50%</i>	<i>0.50%</i>
<b>Adjusted funds from operations</b>	<b>92,732</b>	<b>125,989</b>	<b>168,751</b>	<b>236,970</b>	<b>296,228</b>	<b>350,215</b>	<b>417,522</b>	<b>499,666</b>	<b>634,359</b>

# Appendix H: Comparable Companies (LTM)

Agree Realty													
Comparable Companies (\$ in Thousands)													
Company	Ticker	Share Price	Shares Outstanding	Equity Value	Cash	Debt	Enterprise Value	EBITDA	Funds from Operations	FFO/share	Price/FFO	EV/EBITDA	
Agree Realty	ADC	\$64.12	71,285	\$4,570,794.20	\$43,252	\$1,495,200	\$6,022,742	\$255,800	\$241,500	\$3.39	18.9x	23.5x	
National Retail Properties	NNN	\$43.08	175,635	\$7,566,355.80	\$171,322	\$3,735,769	\$11,130,803	\$449,096	\$387,697	\$2.21	19.5x	24.8x	
Realty Income	O	\$66.90	591,320	\$39,559,308.00	\$258,579	\$12,499,709	\$51,800,438	\$1,794,100	\$1,241,300	\$2.10	31.9x	28.9x	
Spirit Realty Capital	SRC	\$45.12	127,745	\$5,763,854.40	\$188,816	\$2,718,641	\$8,293,679	\$157,736	\$387,697	\$3.03	14.9x	52.6x	
Store Capital Corp	STOR	\$29.07	274,775	\$7,987,709.25	\$64,269	\$4,376,158	\$12,299,598	\$218,557	\$509,054	\$1.85	15.7x	56.3x	

min												14.9x	23.5x
Q1												15.7x	24.8x
median												18.9x	28.9x
average												20.2x	37.2x
Q3												19.5x	52.6x
max												31.9x	56.3x

Price/FFO	Share Price
14.9x	\$50.37
15.7x	\$53.16
18.9x	\$64.12
19.5x	\$66.12
20.2x	<b>\$68.35</b>
31.9x	\$107.97

EV/EBITDA	Share Price
23.5x	\$64.12
24.8x	\$68.57
28.9x	<b>\$83.24</b>
37.2x	\$113.16
52.6x	\$168.31
56.3x	\$181.57

# Appendix J: Realty Income vs Agree Realty

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## Realty income

- 15.5% compound annual shareholder return since 1994
- 4.4% compound annual dividend growth rate
- More exposure to businesses affect by recessions
- 5.9% cap rate
- 1.9% bn in liquidity
- 3% dividend growth in 2021
- Acquisition volume more volatile than Agrees
- Total debt/EV = 30%
- Rental collection 93.6%
- AFFO per share increased 5.9%
- Operating margin 25%

## Agree Realty

- 13% compound annual shareholder return since 1994
- 5.5% compound annua dividend growth rate
- 6.3% cap rate
- 1.4% bn in liquidity
- 3% dividend growth in 2021
- Acquisition volume more volatile than Agrees
- Total debt/EV = 27%
- Rental collection 93.7%
- AFFO per share increased 9.2%
- Operating margin 80%

# Appendix K: Dividend Discount Model

ADC - Agree Realty Dividend Growth				
Year End	Dividend per Share	YoY Dividend Increase	YoY Growth	
2012	\$1.60			
2013	\$1.64	\$0.04	2.50%	
2014	\$1.72	\$0.08	4.88%	
2015	\$1.85	\$0.13	7.27%	
2016	\$1.92	\$0.08	4.07%	
2017	\$2.03	\$0.11	5.47%	
2018	\$2.16	\$0.13	6.42%	
2019	\$2.28	\$0.13	5.80%	
2020	\$2.41	\$0.13	5.48%	
2021	\$2.60	\$0.20	8.27%	
2022E	\$2.86	\$0.26	10.00%	
<b>Historical Average from 2012-2021</b>			<b>\$0.13</b>	<b>5.57%</b>

## ADC - Agree Realty CAPM Calculation

5 Year Beta	0.47
Market Return	10.00%
Risk-free Rate	1.78%
Market Risk Premium	8.22%
Cost of Equity	5.64%

## Traditional DDM

Expected Dividend per Share	\$2.86
Cost of Equity	5.64%
Dividend Growth Rate	2.00%

## Supernormal Growth DDM

Cost of Equity	5.64%
Supernormal Dividend Growth	10.00%
Terminal Dividend Growth	2.00%

D0	\$2.60	\$0.00	\$2.60
D1	\$2.86	\$1.00	\$2.48
D2	\$3.15	\$2.00	\$2.69
D3	\$3.46	\$3.00	\$2.91
D4	\$3.81	\$4.00	\$3.15
D5	\$4.19	\$5.00	\$3.40
			<b>\$89.09</b>

# Appendix L: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis (\$ USD in thousands)									
Year	FY 2018	FY 2019	FY2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
EBIT	73,006	101,089	125,128	175,158	241,832	314,688	404,623	515,774	653,329
(1 - T)	0.87%	0.66%	1.17%	1.72%	2.00%	2.00%	2.00%	2.00%	2.00%
Plus: D&A	43,698	59,204	92,643	120,013	161,648	178,796	439,504	689,521	1,116,029
Less: Capex	(21,481)	(24,428)	(19,617)	(41,464)	(67,353)	(99,331)	(338,080)	(574,601)	(970,460)
Less: ΔNWC	0	(6,643)	(11,403)	17,019	7,028	(29,468)	(11,147)	(13,776)	(17,049)
<b>FCFF</b>	<b>22,852</b>	<b>42,088</b>	<b>85,890</b>	<b>64,536</b>	<b>92,103</b>	<b>115,227</b>	<b>120,663</b>	<b>139,012</b>	<b>175,684</b>
<i>% growth</i>		84%	104%	-25%	43%	25%	5%	15%	26%

Discount Factor					0.5	1.5	2.5	3.5	4.5
PV of Cash Flows					\$89,772	\$106,695	\$106,143	\$116,170	\$139,476

Gordon Growth	
Terminal CF	175,684
WACC	5.26%
Terminal Growth Rate	3.00%
Terminal Value	7,997,882
PV of TV	6,349,548
Enterprise Value	6,907,803
Less: Debt	1,687,629
Plus: Cash	43,252
Equity Value	5,263,426
Diluted Shares Out.	71,285
<b>Price per share</b>	<b>\$73.84</b>

Multiple Method	
FFO	572,566
Terminal Multiple	15.5x
Terminal Value	8,874,770
PV of Terminal Value	7,045,712
Enterprise Value	7,603,967
Less: Debt	1,687,629
Plus: Cash	43,252
Equity Value	5,959,590
Diluted Shares Out.	71,285
<b>Price per share</b>	<b>\$83.60</b>

WACC	5.26%
Terminal Growth Rate	3.00%
Price / FFO	<b>15.5x</b>

# Appendix M: DCF Sensitivity Analysis

		Multiples				
		14.5x	15.0x	15.5x	16.0x	16.5x
WACC	\$83.60					
	5.06%	\$78.07	\$81.29	\$84.50	\$87.72	\$90.94
	5.16%	\$77.65	\$80.85	\$84.06	\$87.26	\$90.46
	5.26%	\$77.24	\$80.42	\$83.61	\$86.80	\$89.99
	5.36%	\$76.82	\$80.00	\$83.17	\$86.35	\$89.52
	5.46%	\$76.41	\$79.57	\$82.73	\$85.89	\$89.06

		Growth Rate				
		2.50%	2.75%	3.00%	3.25%	3.50%
WACC	\$73.84					
	5.06%	\$63.83	\$72.59	\$83.49	\$97.39	\$115.75
	5.16%	\$60.51	\$68.57	\$78.50	\$91.02	\$107.31
	5.26%	\$57.44	\$64.87	\$73.95	\$85.28	\$99.84
	5.36%	\$54.58	\$61.45	\$69.78	\$80.09	\$93.17
	5.46%	\$51.91	\$58.29	\$65.96	\$75.37	\$87.18

# Appendix N: WACC

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<b>WACC</b>	
<b>Cost of Equity</b>	
Beta	0.47
Risk Free Rate	2.41%
Expected Market Return	10%
Risk Premium	7.59%
<b>Cost of Equity</b>	<b>6.00%</b>
<b>Cost of Debt</b>	
Market Value of Debt	1,687,629
Risk Free Rate	1.78%
Credit Spread	1.59%
Pre-Tax Cost of Debt	3.37%
Tax Rate	1.00%
<b>Cost of Debt</b>	<b>3.34%</b>
Shares Outstanding	67,486
Share Price	\$64.96
Equity Value	4,383,891
Cash	43,252
Debt Outstanding	1,687,629
<b>Enterprise Value</b>	<b>6,028,268</b>
Weight of Equity	72%
Weight of Debt	28%
<b>WACC</b>	<b>5.26%</b>