



NEWS RELEASE

Agree Realty Corporation Reports First Quarter 2024 Results

2024-04-23

Introduces 2024 AFFO Per Share Guidance of \$4.10 to \$4.13

ROYAL OAK, Mich., April 23, 2024 /PRNewswire/ -- Agree Realty Corporation (NYSE: ADC) (the "Company") today announced results for the quarter ended March 31, 2024. All per share amounts included herein are on a diluted per common share basis unless otherwise stated.

First Quarter 2024 Financial and Operating Highlights:

- Invested approximately \$140 million in 50 retail net lease properties
- Commenced four development or Developer Funding Platform ("DFP") projects for total committed capital of approximately \$18 million
- Net Income per share attributable to common stockholders decreased 2.4% to \$0.43
- Core Funds from Operations ("Core FFO") per share increased 3.5% to \$1.01
- Adjusted Funds from Operations ("AFFO") per share increased 4.6% to \$1.03
- Declared an April monthly dividend of \$0.250 per common share, a 2.9% year-over-year increase
- Balance sheet well positioned at 4.3 times proforma net debt to recurring EBITDA; 4.8 times excluding unsettled forward equity
- Ended the quarter with over \$920 million of total liquidity including availability on the revolving credit facility, outstanding forward equity, and cash on hand

Financial Results

Net Income Attributable to Common Stockholders

Net Income for the three months ended March 31, 2024 increased 8.2% to \$43.0 million, compared to \$39.8 million for the comparable period in 2023. Net Income per share for the three months ended March 31st decreased 2.4% to \$0.43 compared to \$0.44 for the comparable period in 2023.

Core FFO

Core FFO for the three months ended March 31, 2024 increased 14.6% to \$102.0 million, compared to Core FFO of \$89.0 million for the comparable period in 2023. Core FFO per share for the three months ended March 31st increased 3.5% to \$1.01, compared to Core FFO per share of \$0.98 for the comparable period in 2023.

AFFO

AFFO for the three months ended March 31, 2024 increased 15.9% to \$103.3 million, compared to AFFO of \$89.1 million for the comparable period in 2023. AFFO per share for the three months ended March 31st increased 4.6% to \$1.03, compared to AFFO per share of \$0.98 for the comparable period in 2023.

Dividend

In the first quarter, the Company declared monthly cash dividends of \$0.247 per common share for each of January, February and March 2024. The monthly dividends declared during the first quarter reflected an annualized dividend amount of \$2.964 per common share, representing a 2.9% increase over the annualized dividend amount of \$2.880 per common share from the first quarter of 2023. The dividends represent payout ratios of approximately 73% of Core FFO per share and 72% of AFFO per share, respectively.

Subsequent to quarter end, the Company declared a monthly cash dividend of \$0.25 per common share for April 2024. The monthly dividend reflects an annualized dividend amount of \$3.00 per common share, representing a 2.9% increase over the annualized dividend amount of \$2.916 per common share from the second quarter of 2023. The April dividend is payable on May 14, 2024 to stockholders of record at the close of business on April 30, 2024.

Additionally, subsequent to quarter end, the Company declared a monthly cash dividend on its 4.25% Series A Cumulative Redeemable Preferred Stock of \$0.08854 per depositary share, which is equivalent to \$1.0625 per annum. The dividend is payable on May 1, 2024 to stockholders of record at the close of business on April 19, 2024.

Earnings Guidance

	2024 Guidance
AFFO per share ⁽¹⁾	\$4.10 to \$4.13
General and administrative expenses (% of adjusted revenue) ⁽²⁾	5.7% to 6.0%
Non-reimbursable real estate expenses (% of adjusted revenue) ⁽²⁾	1.0% to 1.5%
Income and other tax expense	\$4 to \$5 million
Acquisition volume	Approximately \$600 million
Disposition volume	\$50 to \$100 million

The Company's 2024 guidance is subject to risks and uncertainties more fully described in this press release and in the Company's filings with the Securities and Exchange Commission.

- (1) The Company does not provide guidance with respect to the most directly comparable GAAP financial measure or provide reconciliations to GAAP from its forward-looking non-GAAP financial measure of AFFO per share guidance due to the inherent difficulty of forecasting the effect, timing and significance of certain amounts in the reconciliation that would be required by Item 10(e)(1)(i)(B) of Regulation S-K. Examples of these amounts include impairments of assets, gains and losses from sales of assets, and depreciation and amortization from new acquisitions or developments. In addition, certain non-recurring items may also significantly affect net income but are generally adjusted for in AFFO. Based on our historical experience, the dollar amounts of these items could be significant, and could have a material impact on the Company's GAAP results for the guidance period.*
- (2) Adjusted revenue excludes the impact of the amortization of above and below market lease intangibles.*

CEO Comments

"We are pleased with our strong start to the year as evidenced by the introduction of full-year acquisition guidance of approximately \$600 million of high-quality retail net lease properties," said Joey Agree, President and Chief Executive Officer. "With total liquidity of over \$920 million, more than \$385 million of hedged capital and no material debt maturities until 2028, we enjoy ample balance sheet flexibility to execute our disciplined operating strategy. Our best-in-class portfolio and fortress balance sheet provide us with conviction that we can achieve 2024 AFFO per share between \$4.10 and \$4.13 without deviating from our core strategy or moving up the risk curve."

Portfolio Update

As of March 31, 2024, the Company's portfolio consisted of 2,161 properties located in 49 states and contained approximately 44.9 million square feet of gross leasable area. At quarter end, the portfolio was 99.6% leased, had a weighted-average remaining lease term of approximately 8.2 years, and generated 68.8% of annualized base rents from investment grade retail tenants.

Ground Lease Portfolio

As of March 31, 2024, the Company's ground lease portfolio consisted of 224 leases located in 35 states and totaled approximately 6.1 million square feet of gross leasable area. Properties ground leased to tenants represented 11.6% of annualized base rents.

At quarter end, the ground lease portfolio was fully occupied, had a weighted-average remaining lease term of approximately 10.3 years, and generated 88.0% of annualized base rents from investment grade retail tenants.

Acquisitions

Total acquisition volume for the first quarter was approximately \$123.5 million and included 31 select properties net leased to leading retailers operating in sectors including home improvement, auto parts, grocery stores, convenience stores and tire and auto service. The properties are located in 22 states and leased to tenants operating in 15 sectors.

The properties were acquired at a weighted-average capitalization rate of 7.7% and had a weighted-average remaining lease term of approximately 8.2 years. Approximately 64.0% of annualized base rents acquired were generated from investment grade retail tenants.

The Company anticipates acquisition volume for the full year 2024 to be approximately \$600 million.

Dispositions

During the first quarter, the Company sold six properties for gross proceeds of approximately \$22.3 million. The dispositions were completed at a weighted-average capitalization rate of 6.2%.

The Company anticipates disposition volume for the full year 2024 to be between \$50 and \$100 million.

Development and DFP

During the first quarter, the Company commenced four development or DFP projects, with total anticipated costs of approximately \$17.6 million. Construction continued during the quarter on 14 projects with anticipated costs totaling approximately \$56.3 million. The Company completed two projects during the quarter with total costs of approximately \$8.0 million.

For the three months ended March 31, 2024, the Company had 20 development or DFP projects completed or under construction with anticipated total costs of approximately \$81.9 million. The projects are leased to leading retailers including TJX Companies, Burlington, Starbucks, Gerber Collision, and Sunbelt Rentals.

The following table presents estimated costs for the Company's active or completed development or DFP projects for the quarter ended March 31, 2024:

	Three Months Ended March 31, 2024
Number of Projects	20
Costs Funded During Q1 2024	\$16,539
Costs Funded Prior to Q1 2024	31,610
Remaining Funding Costs	33,732
Anticipated Total Project Costs	\$81,881

Development and DFP project costs are in thousands. Any differences are the result of rounding. Costs Funded During Q1 2024 exclude any costs associated with projects that were completed in prior quarters. Remaining Funding Costs exclude any costs associated with projects that were completed in Q1 2024. Costs Funded Prior to Q1 2024 may include adjustments related to completed projects to arrive at the correct Anticipated Total Project Costs.

Leasing Activity and Expirations

During the first quarter, the Company executed new leases, extensions or options on approximately 405,000

square feet of gross leasable area throughout the existing portfolio. Notable new leases, extensions or options included a 46,000-square foot Best Buy in Danvers, Massachusetts, a 57,000-square foot Hobby Lobby in Port Arthur, Texas, and a 147,000-square foot Walmart Supercenter in Mena, Arkansas.

As of March 31, 2024, the Company's 2024 lease maturities represented 0.4% of annualized base rents. The following table presents contractual lease expirations within the Company's portfolio as of March 31, 2024, 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>
2024	12	2,327	0.4 %	274	0.6 %
2025	70	15,818	2.8 %	1,598	3.6 %
2026	122	27,110	4.8 %	2,788	6.2 %
2027	156	34,329	6.1 %	3,134	7.0 %
2028	176	46,901	8.3 %	4,338	9.7 %
2029	192	58,384	10.3 %	5,613	12.6 %
2030	268	56,470	10.0 %	4,318	9.7 %
2031	185	44,152	7.8 %	3,252	7.3 %
2032	237	48,897	8.7 %	3,631	8.1 %
2033	198	46,102	8.2 %	3,557	8.0 %
Thereafter	721	184,462	32.6 %	12,169	27.2 %
Total Portfolio	2,337	\$564,952	100.0 %	44,672	100.0 %

The contractual lease expirations presented above exclude the effect of replacement tenant leases that had been executed as of March 31, 2024, but that had not yet commenced. 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, 2024, computed on a straight-line basis. Annualized Base Rent is not, and is not intended to be, a presentation in accordance with generally accepted accounting principles ("GAAP"). The Company believes annualized contractual minimum rent is useful to management, investors, and other interested parties in analyzing concentrations and leasing activity.

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, 2024:

Tenant	Annualized Base Rent ⁽¹⁾	Percent of Annualized Base Rent
Walmart	\$33,864	6.0 %
Tractor Supply	28,155	5.0 %
Dollar General	26,831	4.7 %
Best Buy	19,593	3.5 %
CVS	17,809	3.2 %
Dollar Tree	17,558	3.1 %
Kroger	16,802	3.0 %
TJX Companies	16,762	3.0 %
O'Reilly Auto Parts	16,411	2.9 %
Hobby Lobby	14,673	2.6 %
Lowe's	14,025	2.5 %
Burlington	13,080	2.3 %
Sunbelt Rentals	12,761	2.3 %
7-Eleven	12,431	2.2 %
Gerber Collision	11,710	2.1 %
Sherwin-Williams	11,423	2.0 %
Wawa	9,916	1.8 %
Home Depot	9,591	1.7 %
BJ's Wholesale Club	8,713	1.5 %
Other ⁽²⁾	252,844	44.6 %
Total Portfolio	\$564,952	100.0 %

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

(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 all the Company's retail sectors as of March 31, 2024:

Sector	Annualized Base Rent ⁽¹⁾	Percent of Annualized Base Rent
Grocery Stores	\$54,894	9.7 %
Home Improvement	49,349	8.7 %
Tire and Auto Service	47,363	8.4 %
Convenience Stores	46,072	8.2 %
Dollar Stores	42,881	7.6 %
Off-Price Retail	33,992	6.0 %
General Merchandise	32,331	5.7 %
Auto Parts	32,256	5.7 %
Farm and Rural Supply	29,883	5.3 %
Pharmacy	24,200	4.3 %
Consumer Electronics	21,723	3.9 %
Crafts and Novelties	16,952	3.0 %
Discount Stores	14,155	2.5 %
Warehouse Clubs	13,699	2.4 %
Equipment Rental	13,087	2.3 %
Dealerships	12,411	2.2 %
Health Services	11,500	2.0 %
Restaurants - Quick Service	9,109	1.6 %
Health and Fitness	9,034	1.6 %
Sporting Goods	7,450	1.3 %
Specialty Retail	6,620	1.2 %
Financial Services	6,612	1.2 %
Restaurants - Casual Dining	5,594	1.0 %
Theaters	3,854	0.7 %
Home Furnishings	3,702	0.7 %
Beauty and Cosmetics	3,465	0.6 %
Pet Supplies	3,430	0.6 %
Shoes	3,166	0.6 %
Entertainment Retail	2,323	0.4 %
Apparel	1,810	0.3 %
Miscellaneous	1,251	0.2 %
Office Supplies	784	0.1 %
Total Portfolio	\$564,952	100.0 %

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

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

Geographic Diversification

The following table presents annualized base rents for all states that represent 1.5% or greater of the Company's total annualized base rent as of March 31, 2024:

<u>State</u>	<u>Annualized Base Rent⁽¹⁾</u>	<u>Percent of Annualized Base Rent</u>
Texas	\$40,683	7.2 %
Florida	32,880	5.8 %
Illinois	31,676	5.6 %
North Carolina	30,782	5.4 %
Michigan	29,566	5.2 %
Ohio	29,434	5.2 %
Pennsylvania	27,204	4.8 %
New Jersey	23,525	4.2 %
California	22,746	4.0 %
New York	21,585	3.8 %
Georgia	20,813	3.7 %
Missouri	16,488	2.9 %
Wisconsin	16,039	2.8 %
Virginia	15,754	2.8 %
Louisiana	14,031	2.5 %
Kansas	13,668	2.4 %
Connecticut	12,653	2.2 %
South Carolina	12,402	2.2 %
Mississippi	12,218	2.2 %
Minnesota	11,796	2.1 %
Massachusetts	11,351	2.0 %
Tennessee	10,387	1.8 %
Alabama	9,404	1.7 %
Oklahoma	9,194	1.6 %
Indiana	8,905	1.6 %
Kentucky	8,633	1.5 %
Other ⁽²⁾	71,135	12.8 %
Total Portfolio	\$564,952	100.0 %

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

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

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

Capital Markets, Liquidity and Balance Sheet

Capital Markets

During the first quarter, the Company entered into forward sale agreements in connection with its ATM program to sell an aggregate of 20,743 shares of common stock for net proceeds of approximately \$1.3 million. To date, the Company has not received any proceeds from the sale of shares of its common stock by the forward purchasers.

The following table presents the Company's outstanding forward equity offerings as of March 31, 2024:

Forward Equity Offerings	Shares Sold	Shares Settled	Shares Remaining	Net Proceeds Received	Anticipated Net Proceeds Remaining
Q4 2023 ATM Forward Offerings	3,833,871	-	3,833,871	-	\$235,493,226
Q1 2024 ATM Forward Offerings	20,743	-	20,743	-	\$1,275,278
Total Forward Equity Offerings	3,854,614	-	3,854,614	-	\$236,768,504

Liquidity

As of March 31, 2024, the Company had total liquidity of over \$920 million, which includes \$670.0 million of availability under its revolving credit facility, \$236.8 million of outstanding forward equity, and \$15.4 million of cash on hand. The Company's \$1.0 billion revolving credit facility includes an accordion option that allows the Company to request additional lender commitments of up to \$750 million, or an aggregate of \$1.75 billion.

Balance Sheet

As of March 31, 2024, the Company's net debt to recurring EBITDA was 4.8 times. The Company's proforma net debt to recurring EBITDA was 4.3 times when deducting the \$236.8 million of anticipated net proceeds from the outstanding forward equity offerings from the Company's net debt of \$2.5 billion as of March 31, 2024. The Company's fixed charge coverage ratio was 4.9 times at quarter end.

The Company's total debt to enterprise value was 30.0% as of March 31, 2024. Enterprise value is calculated as the sum of net debt, the liquidation value of the Company's preferred stock, and the market value of the Company's outstanding shares of common stock, assuming conversion of Agree Limited Partnership (the "Operating Partnership" or "OP") common units into common stock of the Company.

For the three months ended March 31, 2024, the Company's fully diluted weighted-average shares outstanding were 100.3 million. The basic weighted-average shares outstanding for the three months ended March 31, 2024 were 100.3 million.

For the three months ended March 31, 2024, the Company's fully diluted weighted-average shares and units outstanding were 100.7 million. The basic weighted-average shares and units outstanding for the three

months ended March 31, 2024 were 100.6 million.

The Company's assets are held by, and its operations are conducted through, the Operating Partnership, of which the Company is the sole general partner. As of March 31, 2024, there were 347,619 Operating Partnership common units outstanding, and the Company held a 99.7% common interest in the Operating Partnership.

Conference Call/Webcast

The Company will host its quarterly analyst and investor conference call on Wednesday, April 24, 2024 at 9:00 AM ET. To participate in the conference call, please dial (800) 836-8184 approximately ten minutes before the call begins.

Additionally, a webcast of the conference call will be available via 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 Investors section of the website. A replay of the conference call webcast will be archived and available online through the Investors section of www.agreerealty.com.

About Agree Realty Corporation

Agree Realty Corporation is a publicly traded real estate investment trust that is **RETHINKING RETAIL** through the acquisition and development of properties net leased to industry-leading, omni-channel retail tenants. As of March 31, 2024, the Company owned and operated a portfolio of 2,161 properties, located in 49 states and containing approximately 44.9 million square feet of gross leasable area. The Company's common stock is listed on the New York Stock Exchange under the symbol "ADC". For additional information on the Company and **RETHINKING RETAIL**, please visit www.agreerealty.com.

Forward-Looking Statements

This press release contains forward-looking statements, including statements about projected financial and operating results, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "can," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "approximately," "believe," "could," "project," "predict," "forecast," "continue," "assume," "plan," "outlook" or other similar words or expressions. Forward-looking statements, including our 2024 guidance, are based on certain assumptions and can include future expectations, future plans and strategies, financial and operating projections or other forward-looking information. Although these forward-looking statements are based on good faith beliefs, reasonable assumptions and the Company's best judgment reflecting current information, you should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect the Company's results of operations, financial condition, cash flows, performance or future achievements or events. Currently, some of the most significant factors, include the potential adverse effect of ongoing worldwide economic uncertainties and increased inflation and interest rates on the financial condition, results of operations, cash flows and performance of the Company and its tenants, the real estate market and the global economy and financial markets. The extent to which these conditions will impact the Company and its tenants will depend on future developments, which are highly uncertain and cannot be predicted with

confidence. Moreover, investors are cautioned to interpret many of the risks identified in the risk factors discussed in the Company's Annual Report on Form 10-K and subsequent quarterly reports filed with the Securities and Exchange Commission (the "SEC"), as well as the risks set forth below, as being heightened as a result of the ongoing and numerous adverse impacts of the macroeconomic environment. Additional important factors, among others, that may cause the Company's actual results to vary include the general deterioration in national economic conditions, weakening of real estate markets, decreases in the availability of credit, increases in interest rates, adverse changes in the retail industry, the Company's continuing ability to qualify as a REIT and other factors discussed in the Company's reports filed with the SEC. The forward-looking statements included in this press release are made as of the date hereof. Unless legally required, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, changes in the Company's expectations or assumptions 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 Investor Relations section of the Company's website at www.agreerealty.com.

The Company defines the "weighted-average capitalization rate" for acquisitions and dispositions as the sum of contractual fixed annual rents computed on a straight-line basis over the primary lease terms and anticipated annual net tenant recoveries, divided by the purchase and sale prices for occupied properties.

References to "Core FFO" and "AFFO" in this press release are representative of Core FFO attributable to OP common unitholders and AFFO attributable to OP common unitholders. Detailed calculations for these measures are shown in the Reconciliation of Net Income to FFO, Core FFO and Adjusted FFO table as "Core Funds From Operations – OP Common Unitholders" and "Adjusted Funds from Operations – OP Common Unitholders".

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

	March 31, 2024	December 31, 2023
Assets:		
Real Estate Investments:		
	\$	\$
Land	2,305,313	2,282,354
Buildings	4,937,878	4,861,692
Accumulated depreciation	(463,827)	(433,958)
Property under development	42,109	33,232
Net real estate investments	6,821,473	6,743,320
Real estate held for sale, net	5,416	3,642
Cash and cash equivalents	6,314	10,907
Cash held in escrows	9,120	3,617
Accounts receivable - tenants, net	91,301	82,954
Lease Intangibles, net of accumulated amortization of \$383,456 and \$360,061 at March 31, 2024 and December 31, 2023, respectively	840,984	854,088
Other assets, net	94,057	76,308
	\$ 7,868,665	\$ 7,774,836
Liabilities:		
Mortgage notes payable, net	42,666	42,811
Unsecured term loans, net	346,947	346,798
Senior unsecured notes, net	1,794,874	1,794,312
Unsecured revolving credit facility	330,000	227,000
Dividends and distributions payable	25,561	25,534
Accounts payable, accrued expenses and other liabilities	112,385	101,401
Lease intangibles, net of accumulated amortization of \$42,684 and \$42,813 at March 31, 2024 and December 31, 2023, respectively	36,757	36,827
	\$ 2,689,190	\$ 2,574,683
Equity:		
Preferred Stock, \$.0001 par value per share, 4,000,000 shares authorized, 7,000 shares Series A outstanding, at stated liquidation value of \$25,000 per share, at March 31, 2024 and December 31, 2023	175,000	175,000

Common stock, \$.0001 par value, 180,000,000 shares
 authorized,
 100,628,975 and 100,519,355 shares issued and outstanding at
 March
 31, 2024 and December 31, 2023, respectively

	10	10
Additional paid-in-capital	5,354,362	5,354,120
Dividends in excess of net income	(378,205)	(346,473)
Accumulated other comprehensive income (loss)	27,430	16,554
	<u>\$</u>	<u>\$</u>
Total Equity - Agree Realty Corporation	5,178,597	5,199,211
Non-controlling interest	878	942
	<u>\$</u>	<u>\$</u>
Total Equity	5,179,475	5,200,153
	<u>\$</u>	<u>\$</u>
Total Liabilities and Equity	7,868,665	7,774,836

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

	Three months ended March 31,	
	2024	2023
Revenues		
Rental Income	\$ 149,422	\$ 126,609
Other	31	9
Total Revenues	\$ 149,453	\$ 126,618
Operating Expenses		
Real estate taxes	\$ 10,701	\$ 9,432
Property operating expenses	7,373	6,782
Land lease expense	415	430
General and administrative	9,515	8,821
Depreciation and amortization	48,463	40,646
Provision for impairment	4,530	-
Total Operating Expenses	\$ 80,997	\$ 66,111
Gain (loss) on sale of assets, net	2,096	-
Gain (loss) on involuntary conversion, net	(55)	-
Income from Operations	\$ 70,497	\$ 60,507
Other (Expense) Income		
Interest expense, net	\$ (24,451)	\$ (17,998)
Income and other tax (expense) benefit	(1,149)	(783)
Other (expense) income	117	48
Net Income	\$ 45,014	\$ 41,774
Less net income attributable to non-controlling interest	155	160
Net Income Attributable to Agree Realty Corporation	\$ 44,859	\$ 41,614
Less Series A Preferred Stock Dividends	1,859	1,859
Net Income Attributable to Common Stockholders	\$ 43,000	\$ 39,755
Net Income Per Share Attributable to Common Stockholders		
Basic	\$ 0.43	\$ 0.44
Diluted	\$ 0.43	\$ 0.44

Other Comprehensive Income

Net Income	\$ 45,014	\$ 41,774
Amortization of interest rate swaps	(629)	(629)
Change in fair value and settlement of interest rate swaps	11,543	-
Total Comprehensive Income (Loss)	<u>55,928</u>	<u>41,145</u>
Less comprehensive income attributable to non-controlling interest	193	158
Comprehensive Income Attributable to Agree Realty Corporation	<u>\$ 55,735</u>	<u>\$ 40,987</u>
Weighted Average Number of Common Shares Outstanding - Basic	100,284,588	90,028,255
Weighted Average Number of Common Shares Outstanding - Diluted	100,336,600	90,548,172

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	
	March 31,	
	2024	2023
	\$	\$
Net Income	45,014	41,774
Less Series A Preferred Stock Dividends	1,859	1,859
Net Income attributable to OP Common Unitholders	43,155	39,915
Depreciation of rental real estate assets	31,966	26,584
Amortization of lease intangibles - in-place leases and leasing costs	15,996	13,770
Provision for impairment	4,530	-
(Gain) loss on sale or involuntary conversion of assets, net	(2,041)	-
	\$	\$
Funds from Operations - OP Common Unitholders	93,606	80,269
Amortization of above (below) market lease intangibles, net and assumed mortgage debt discount, net	8,379	8,695
	\$	\$
Core Funds from Operations - OP Common Unitholders	101,985	88,964
Straight-line accrued rent	(2,847)	(3,039)
Stock based compensation expense	2,425	1,831
Amortization of financing costs and original issue discounts	1,186	1,029
Non-real estate depreciation	501	292
	\$	\$
Adjusted Funds from Operations - OP Common Unitholders	103,250	89,077
	\$	\$
Funds from Operations Per Common Share and OP Unit - Basic	0.93	0.89
	\$	\$
Funds from Operations Per Common Share and OP Unit - Diluted	0.93	0.88
	\$	\$
Core Funds from Operations Per Common Share and OP Unit - Basic	1.01	0.98
Core Funds from Operations Per Common Share and OP Unit - Diluted	1.01	0.98
	\$	\$
Adjusted Funds from Operations Per Common Share and OP Unit - Basic	1.03	0.99
Adjusted Funds from Operations Per Common Share and OP Unit - Diluted	1.03	0.98

Weighted Average Number of Common Shares and OP Units

Outstanding - Basic	100,632,207	90,375,874
Weighted Average Number of Common Shares and OP Units		
Outstanding - Diluted	100,684,219	90,895,791

Additional supplemental disclosure

	\$	\$
Scheduled principal repayments	235	221
Capitalized interest	304	539
Capitalized building improvements	493	702

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 (i) noncash amortization of acquisition purchase price related to above- and below- market lease intangibles and discount on assumed debt and (ii) certain infrequently occurring items that reduce or increase net income in accordance with GAAP. 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 items that reduce or increase net income computed 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 its 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 Non-GAAP Financial Measures
(\$ in thousands, except share and per-share data)
(Unaudited)

	Three months ended March 31, 2024
Mortgage notes payable, net	\$ 42,666
Unsecured term loans, net	346,947
Senior unsecured notes, net	1,794,874
Unsecured revolving credit facility	330,000
Total Debt per the Consolidated Balance Sheet	\$ 2,514,487
Unamortized debt issuance costs and discounts, net	20,145
Total Debt	\$ 2,534,632
Cash and cash equivalents	\$ (6,314)
Cash held in escrows	(9,120)
Net Debt	\$ 2,519,198
Anticipated Net Proceeds from ATM Forward Offerings	(236,769)
Proforma Net Debt	\$ 2,282,429
Net Income	\$ 45,014
Interest expense, net	24,451
Income and other tax expense	1,149
Depreciation of rental real estate assets	31,966
Amortization of lease intangibles - in-place leases and leasing costs	15,996
Non-real estate depreciation	501
Provision for impairment	4,530
(Gain) loss on sale or involuntary conversion of assets, net	(2,041)
EBITDA _{re}	\$ 121,566
Run-Rate Impact of Investment, Disposition and Leasing Activity	\$ 1,376
Amortization of above (below) market lease intangibles, net	8,295
Recurring EBITDA	\$ 131,237
Annualized Recurring EBITDA	\$ 524,948
Total Debt per the Consolidated Balance Sheet to Annualized Net Income	14.0x

Net Debt to Recurring EBITDA	4.8x
Proforma Net Debt to Recurring EBITDA	4.3x

Non-GAAP Financial Measures

Total Debt and Net Debt

The Company defines Total Debt as debt per the consolidated balance sheet excluding unamortized debt issuance costs, original issue discounts and debt discounts. Net Debt is defined as Total Debt less cash, cash equivalents and cash held in escrows. The Company considers the non-GAAP measures of Total Debt and Net Debt to be key supplemental measures of the Company's overall liquidity, capital structure and leverage because they provide industry analysts, lenders and investors useful information in understanding our financial condition. The Company's calculation of Total Debt and Net Debt may not be comparable to Total Debt and Net Debt reported by other REITs that interpret the definitions differently than the Company. The Company presents Net Debt on both an actual and proforma basis, assuming the net proceeds of the Forward Offerings (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 the Forward Offerings on the Company's capital structure, its future borrowing capacity, and its ability to service its debt.

Forward Offerings

The Company has 3,854,614 shares remaining to be settled under the ATM Forward Offerings. Upon settlement, the offerings are anticipated to raise net proceeds of approximately \$236.8 million based on the applicable forward sale prices as of March 31, 2024. The applicable forward sale price varies depending on the offering. The Company is contractually obligated to settle the offerings by January 2025.

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.

Annualized Net Income

Represents net income for the three months ended March 31, 2024, on an annualized basis.

Agree Realty Corporation
Rental Income
(\$ in thousands, except share and per share-data)
(Unaudited)

	Three months ended March 31,	
	2024	2023
Rental Income Source⁽¹⁾		
Minimum rents ⁽²⁾	\$ 137,033	\$ 115,790
Percentage rents ⁽²⁾	1,368	1,246
Operating cost reimbursement ⁽²⁾	16,469	15,145
Straight-line rental adjustments ⁽³⁾	2,847	3,039
Amortization of (above) below market lease intangibles ⁽⁴⁾	(8,295)	(8,611)
Total Rental Income	\$ 149,422	\$ 126,609

(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.

SOURCE Agree Realty Corporation