

# AR AGREE REALTY CORPORATION

DEVELOP | ACQUIRE | PARTNER

**ADC**  
Listed  
**NYSE**  
THE NEW YORK STOCK EXCHANGE



# Safe Harbor

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**This presentation contains certain statements that are the Company's and Management's hopes, intentions, beliefs, expectations, or projections of the future and might be considered forward-looking statements under Federal Securities laws. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The Company's actual future results may differ significantly from the matters discussed in these forward-looking statements and we may not release revisions to these forward-looking statements to reflect changes after we've made the statements. Factors and risks that could cause actual results to differ materially from expectations are disclosed from time to time in greater detail in the company's filings with the SEC including, but not limited to, the Company's report on Form 10-K, as well as Company press releases.**

# Agree Realty Corporation (NYSE: ADC)

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**Retail net lease REIT focused on growth through the acquisition and development of high-quality retail properties**

## **Our Company**

- \$1.5 billion retail net lease REIT headquartered in Bloomfield Hills, MI and listed on the NYSE under ticker ADC
- 328 retail properties totaling approximately 6.3 million square feet in 42 states
- 48% investment grade tenants and 11.0 years average remaining lease term

## **Our History**

- 45 year operating history as a developer, owner and manager of retail properties
- IPO in 1994 to continue and expand business of predecessor company
- Formally launched acquisition platform in 2010 and Partner Capital Solutions (“PCS”) business in 2012

## **Our Business Plan**

- Opportunistically expand and diversify our high-quality retail net lease portfolio through a refined and disciplined investment strategy
- Generate consistent and sustainable earnings growth
- Provide a reliable income stream through a growing dividend
- Maintain a conservative and flexible capital structure

# Recent Highlights

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**Consistent execution has led to enhanced shareholder value**

**Sector leading total shareholder return of 48.1% year-to-date**

**Announced \$100 million of long-term, unsecured, fixed rate debt**

**Acquired \$79.5 million California-centric portfolio in June 2016**

- Over 50% of net operating income derived from California
- 80% of net operating income from properties near Los Angeles, San Francisco, Austin, Denver, Seattle and Orlando
- 11 properties concentrated in home improvement, grocery, discount apparel, craft & novelty and specialty retail
- 11.4 weighted average remaining lease term

**Increased 2016 acquisition guidance by 40% in May 2016 to a range of \$250 million to \$275 million**

**Surpassed \$1.0 billion equity market cap with May 2016 follow-on equity offering of \$115 million**

**Increased quarterly dividend by 3.2% to \$0.48/share, a 20% increase since 2011**

**Increased Q1 2016 FFO per share by 8.5% and Q1 2016 AFFO per share by 7.9%**



# Investment Strategy

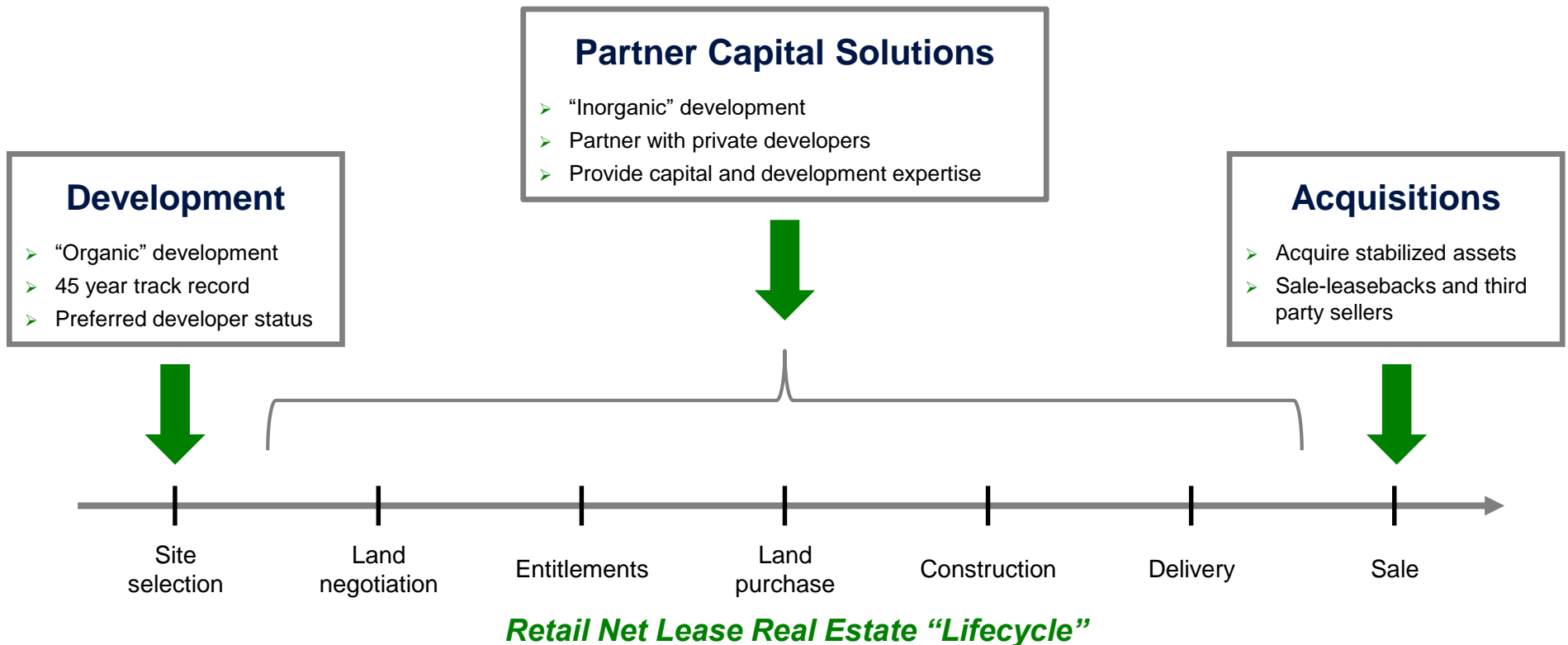


# Unique Real Estate Investment Strategy

Leverage real estate acumen and naturally overlapping investment platforms to identify best risk-adjusted retail net lease opportunities

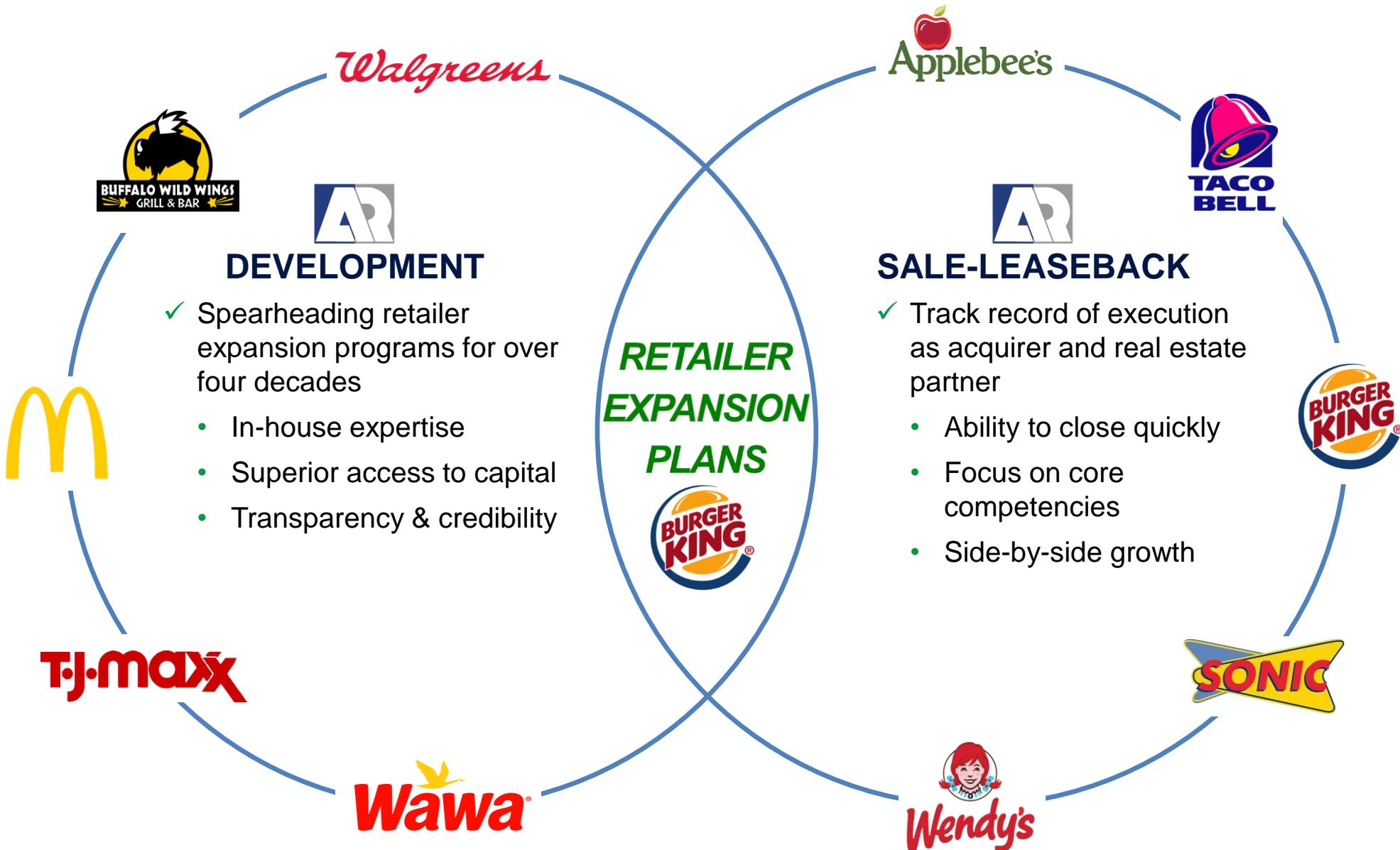
ADC's three investment platforms adhere to the same core principles while pursuing opportunities along the full spectrum of net lease asset origination

- Bottoms-up underwriting → real estate and residuals matter
- 100% retail properties → superior real estate + longer term leases
- National and super-regional retailers → superior real estate + credit enhancement
- Emphasis on tenant real estate solutions → long-term relationships and repeat business



# Emphasis on Tenant Real Estate Solutions

Unique dual capabilities drive opportunistic value-add partnerships with retailers nationwide

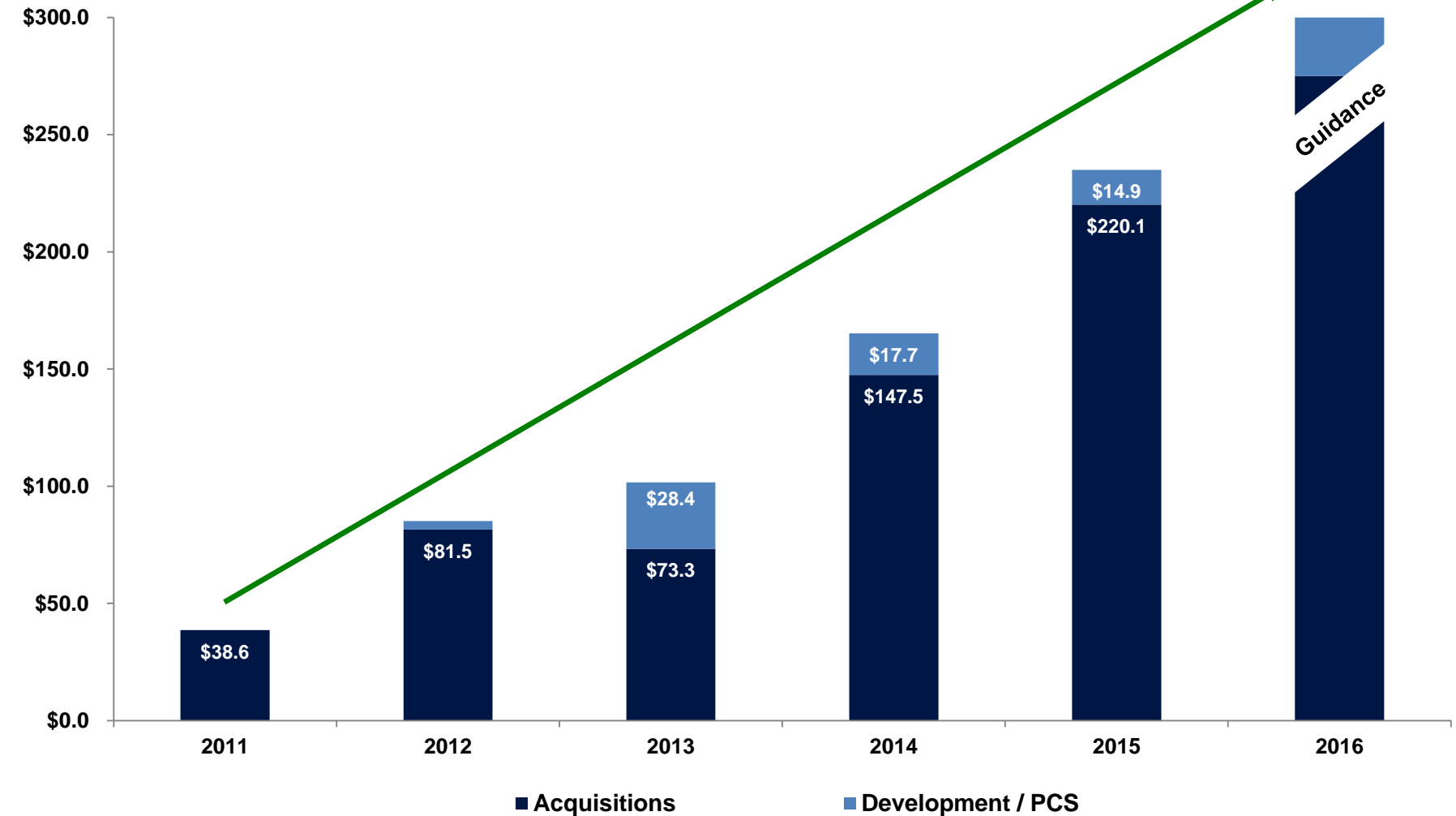


# Track Record of Execution

Since 2010, ADC has invested over \$800 million in high-quality retail net lease properties

## Investment Activity

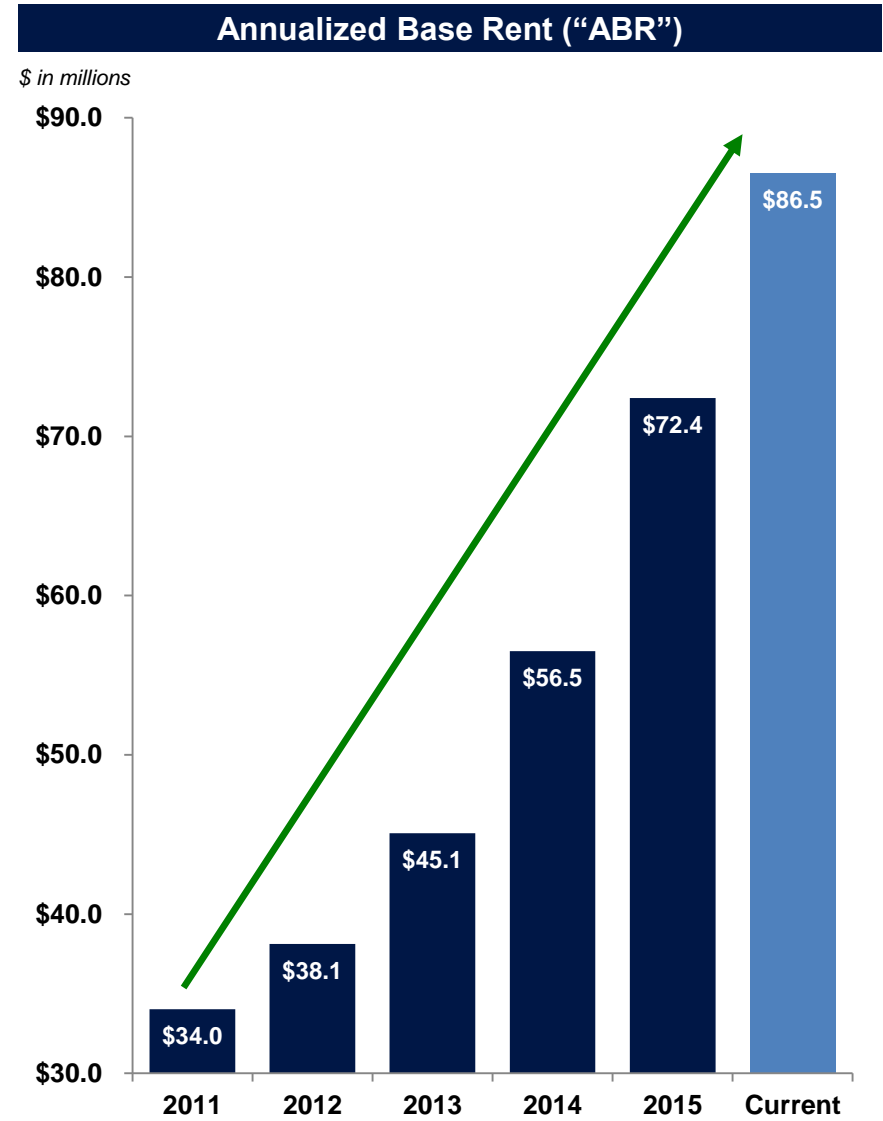
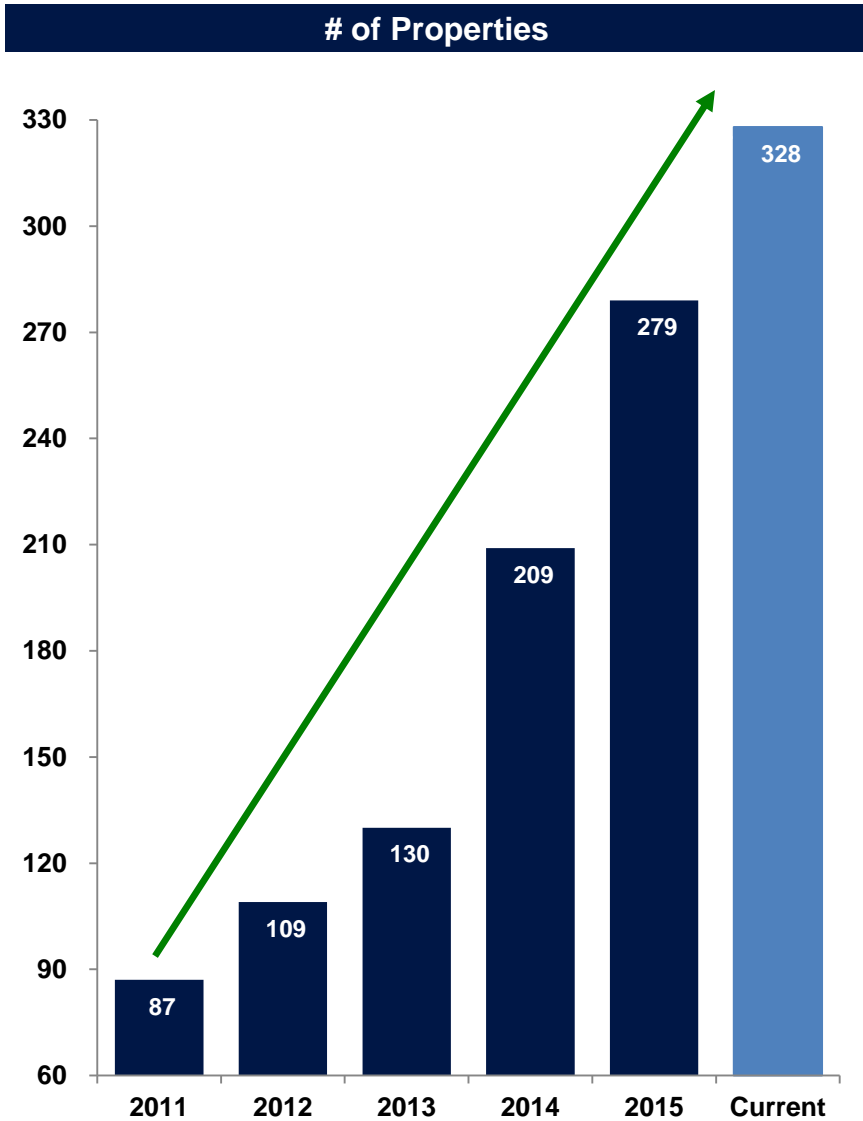
\$ in millions





# Accelerating Growth

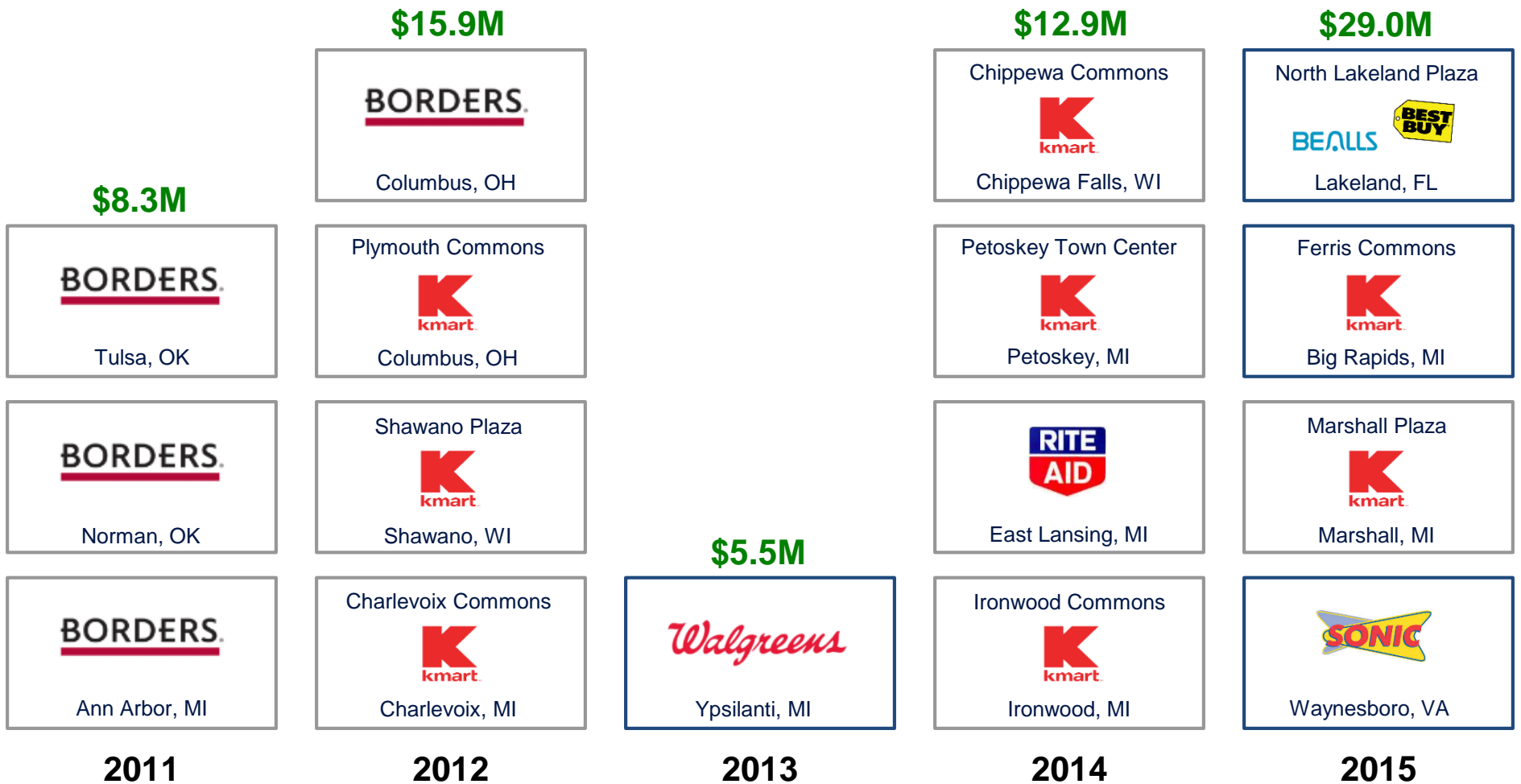
Established real estate capabilities and growing market presence driving increased investment opportunities



# Active Portfolio Management

Our focus on real estate fundamentals guides non-core asset sales and capital recycling

**Total Dispositions 2011-2015: \$71.6M**



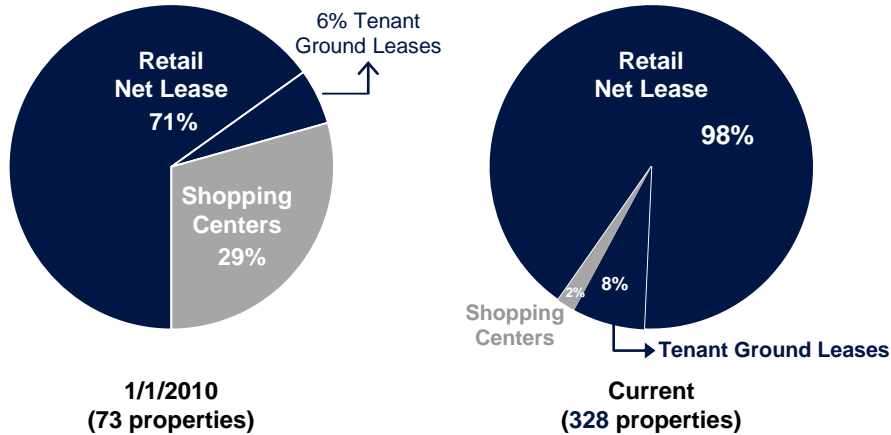
# Portfolio Summary



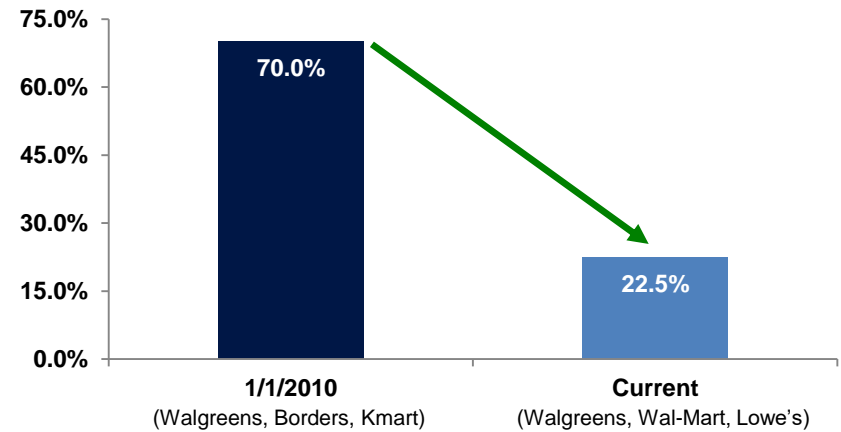
# Portfolio Transformation

Execution has led to increased portfolio diversification and improved quality of rental income

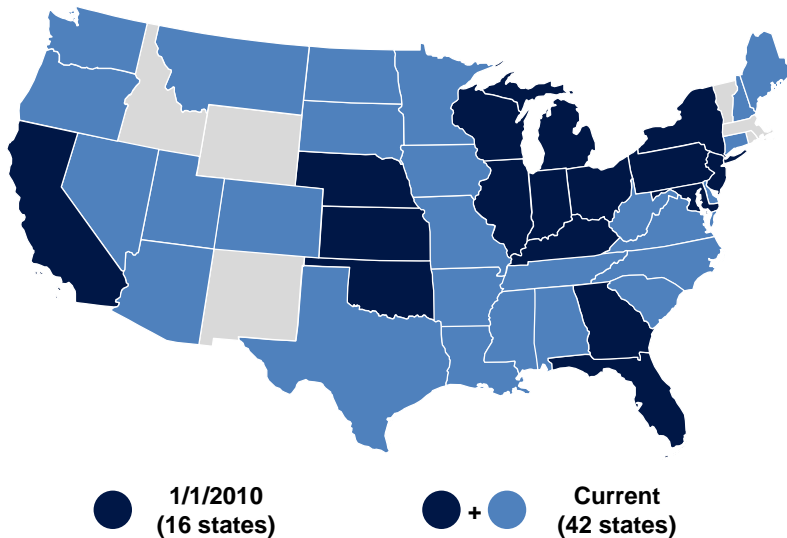
## Property Type (% ABR)



## Top 3 Tenant Concentration (% ABR)



## Geographic Diversification




















## Retail Sector Exposure

1/1/2010	Current
✓ Pharmacy	✓ Pharmacy
✓ Bookstores	✓ QSRs
✓ General Merchandise	✓ Health & Fitness
✓ Casual Dining	✓ Grocery Stores
✓ Financial Services	✓ Warehouse Clubs
✓ Auto Parts	✓ Discount Apparel
	✓ Convenience Stores
	✓ Casual Dining
	✓ Specialty Retail
	✓ Home Improvement
	✓ Theater
	✓ Auto Parts
	✓ Financial Services
	✓ Healthcare
	✓ Auto Service
	✓ Entertainment Retail
	✓ Crafts & Novelties
	✓ Dollar Stores
	✓ Pet Supplies
	✓ General Merchandise
	✓ Discount Stores
	✓ Sporting Goods
	✓ Home Furnishings
	✓ Office Supplies
	✓ Consumer Electronics
	✓ Farm & Rural Supply

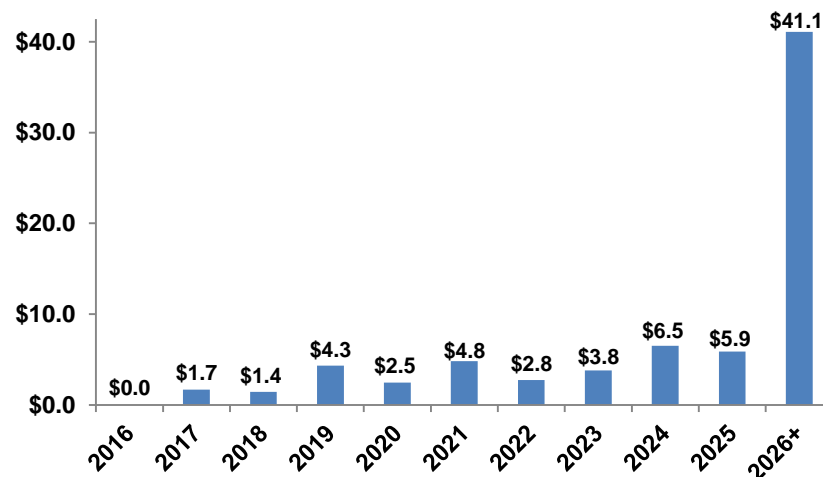
# Q1 2016 Portfolio Snapshot

## Tenants

\$ in millions		
Tenant / Concept	Annualized Base Rent <sup>(1)</sup>	% of Total
 Walgreens	\$12.3	16.5%
 Walmart	3.9	5.2%
 Wawa	2.5	3.3%
 CVS/pharmacy	2.5	3.3%
 Academy	2.0	2.7%
 RITE AID PHARMACY	1.9	2.5%
 LOWE'S	1.8	2.5%
 DOLLAR GENERAL	1.8	2.4%
 24 FITNESS	1.8	2.4%
 BJ'S WHOLESALE CLUB	1.7	2.3%
 LA FITNESS	1.7	2.3%
 TACO BELL <sup>(2)</sup>	1.5	2.1%
 DOLLAR TREE	1.4	1.9%
 BURGER KING <sup>(3)</sup>	1.2	1.7%
 KOHL'S	1.2	1.6%
 AutoZone	1.2	1.6%
 DICK'S SPORTING GOODS	1.1	1.5%
Other	33.3	44.0%
<b>Total</b>	<b>\$74.8</b>	<b>100.0%</b>

## Lease Expirations

\$ in millions



## Retail Sectors

\$ in millions

Tenant Sector	Annualized Base Rent <sup>(1)</sup>	% of Total
Pharmacy	\$16.7	22.3%
Restaurants - Quick Service	5.7	7.6%
Specialty Retail	4.0	5.4%
General Merchandise	4.0	5.3%
Apparel	3.9	5.2%
Grocery Stores	3.8	5.1%
Warehouse Clubs	3.7	5.0%
Health & Fitness	3.6	4.8%
Sporting Goods	3.1	4.2%
Convenience Stores	2.6	3.5%
Restaurants - Casual Dining	2.4	3.2%
Dollar Stores	2.3	3.0%
Auto Parts	2.3	3.0%
Crafts and Novelty	2.0	2.6%
Home Improvement	1.8	2.5%
Other	12.9	17.3%
<b>Total</b>	<b>\$74.8</b>	<b>100.0%</b>

As of March 31, 2016.

(1) Based on GAAP annualized base rent.

(2) Franchise restaurants operated by Charter Foods North, LLC.

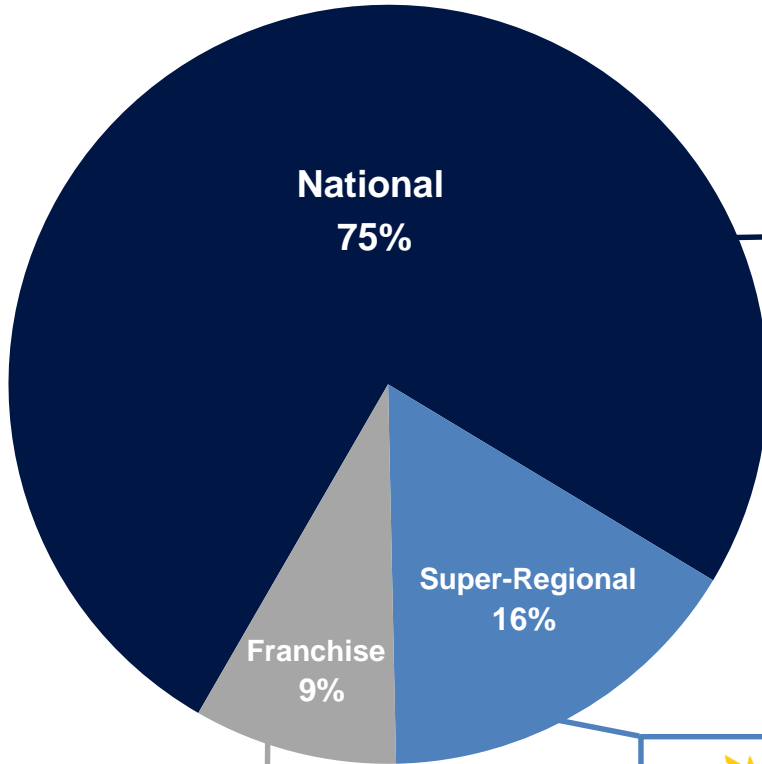
(3) Franchise restaurants operated by Meridian Restaurants Unlimited, L.C.



# National and Super-Regional Retailers

Industry leading brands and retailers operating in e-commerce resistant sectors

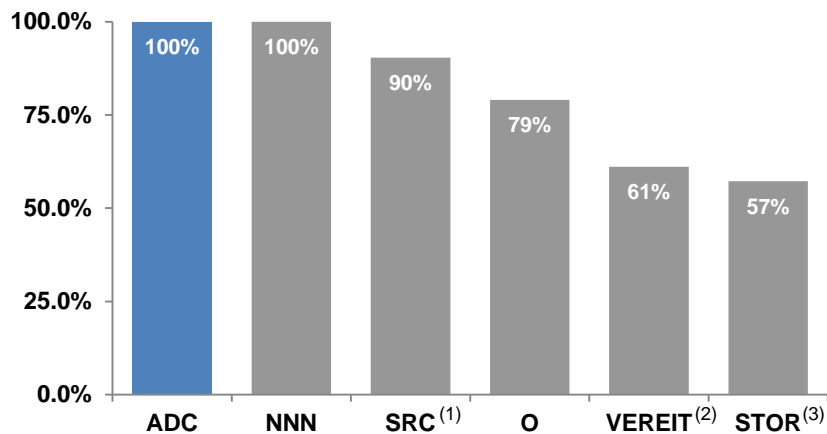
Retail Tenant Type (% ABR)



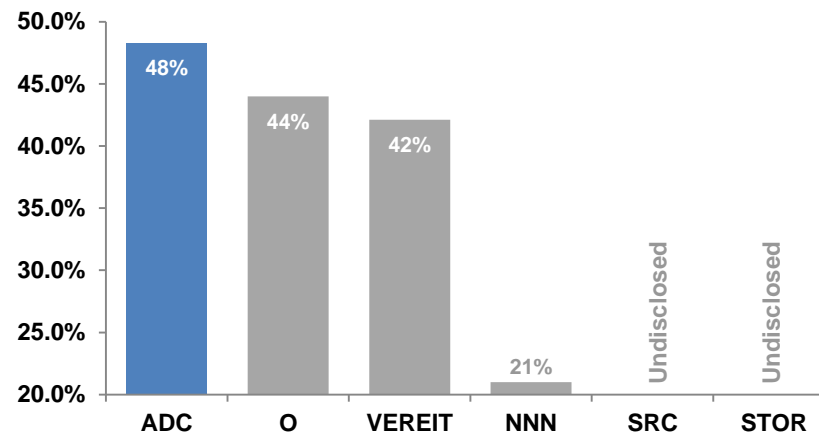
# Leading, Pure-Play Retail Net Lease REIT

Diversified portfolio of high-quality retail properties occupied by superior credit tenants under long term leases

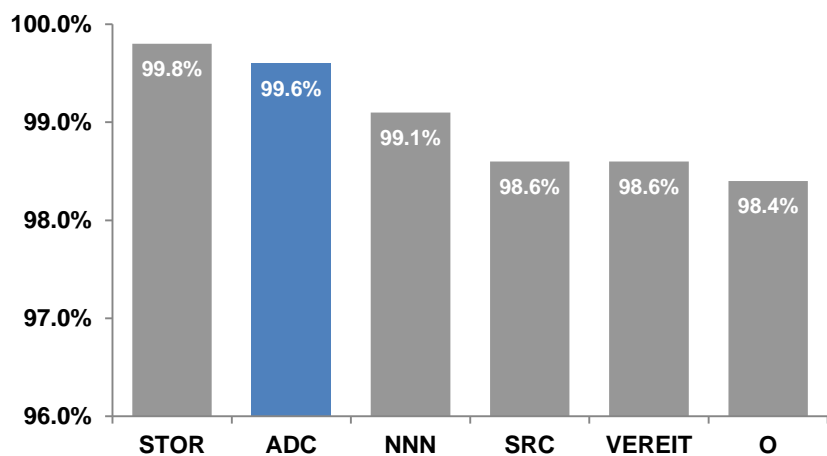
### Retail % of Total Portfolio



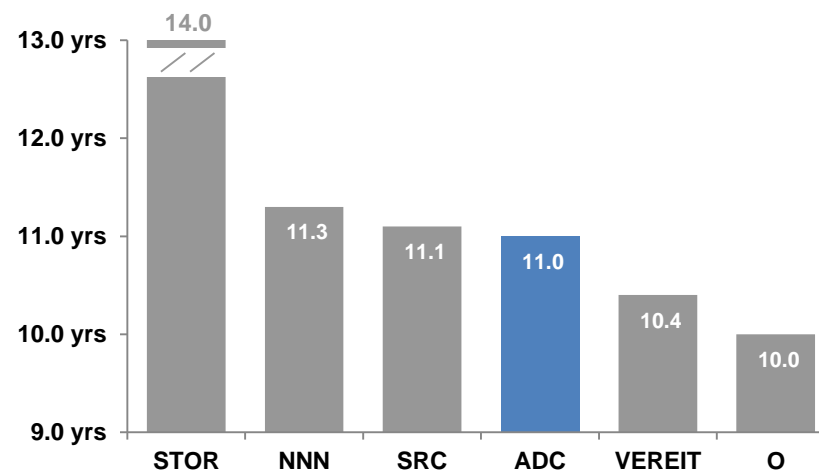
### Investment Grade Tenants



### Occupancy



### Weighted-Average Lease Term



Peer data from first quarter 2016 supplemental or company SEC filings.

(1) Excludes Medical/Other Office, Education, Distribution and Manufacturing, as disclosed.

(2) Excludes Office, Industrial and Distribution, as disclosed.

(3) Excludes Industrial, Early Childhood Education Centers, Colleges and Professional Schools and All Other Service Industries, as disclosed.

# Executing Growth Through Strategic Investments

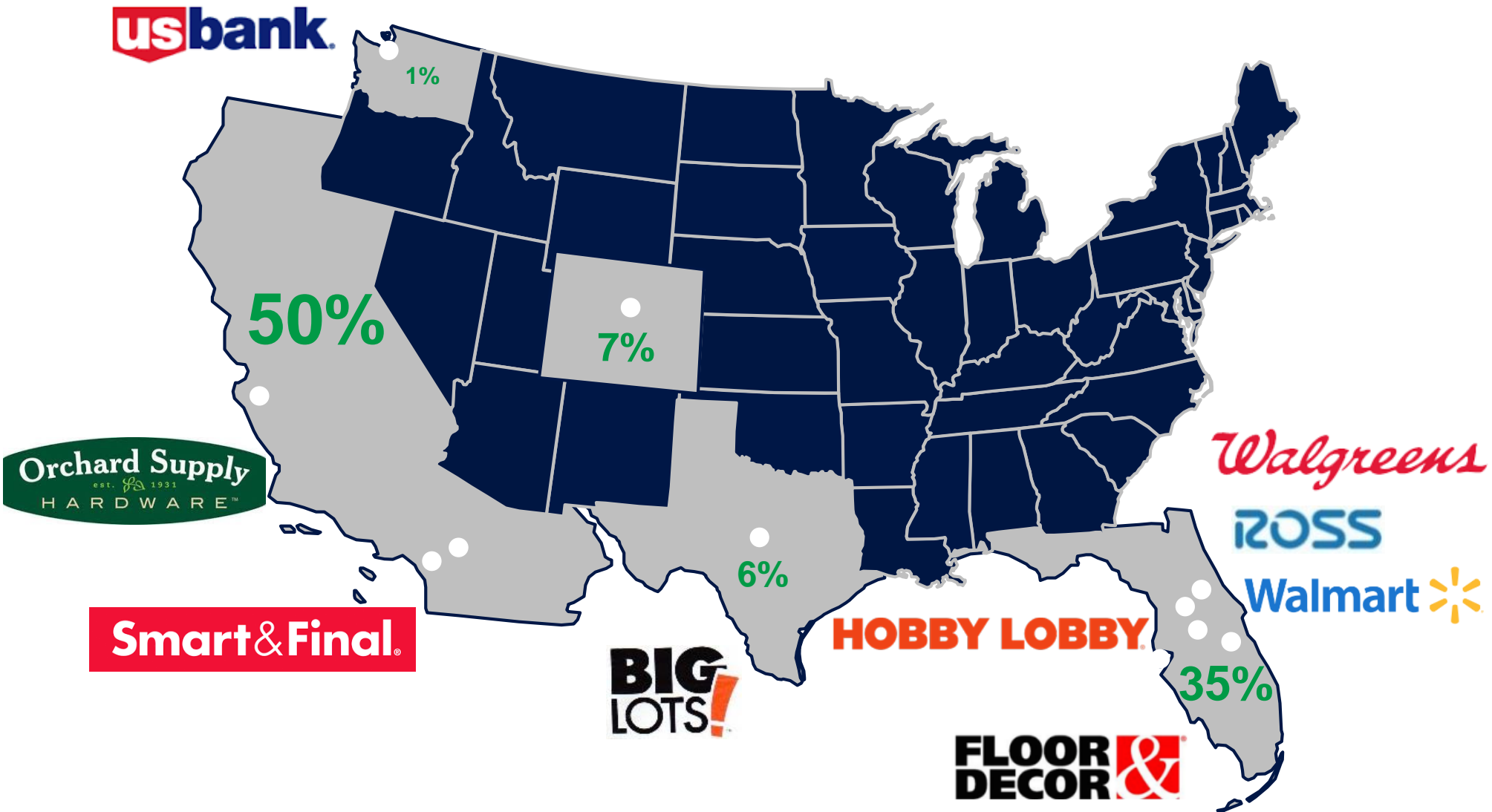


## 11 Property Portfolio

- Purchase Price: \$79.5 million
- Over 50% concentration in California
- Weighted average remaining lease term of 11.4 years
- Nearly 40% of net operating income from investment grade tenants
- E-commerce resistant sectors: Grocery, Warehouse Clubs, Home Improvement, Specialty Retail, Crafts & Novelties and Discount Apparel

# Executing Growth Through Strategic Investments

Unique opportunity to invest in a highly diversified portfolio with over 50% of the portfolio's net operating income derived from California





# High-Quality Retail Real Estate = Stronger Residual Values



## Sunnyvale, California

- Corporate guarantee from Lowe's Companies, Inc. (S&P: A-)
- In the heart of Silicon Valley, only 1.5 miles from Apple's new corporate headquarters
- Terrific demographics
  - \$127K median household income within a 3-mile radius
  - 3-mile population density of 219K





# Executing Growth Through Strategic Relationships



## Multi-State Portfolio

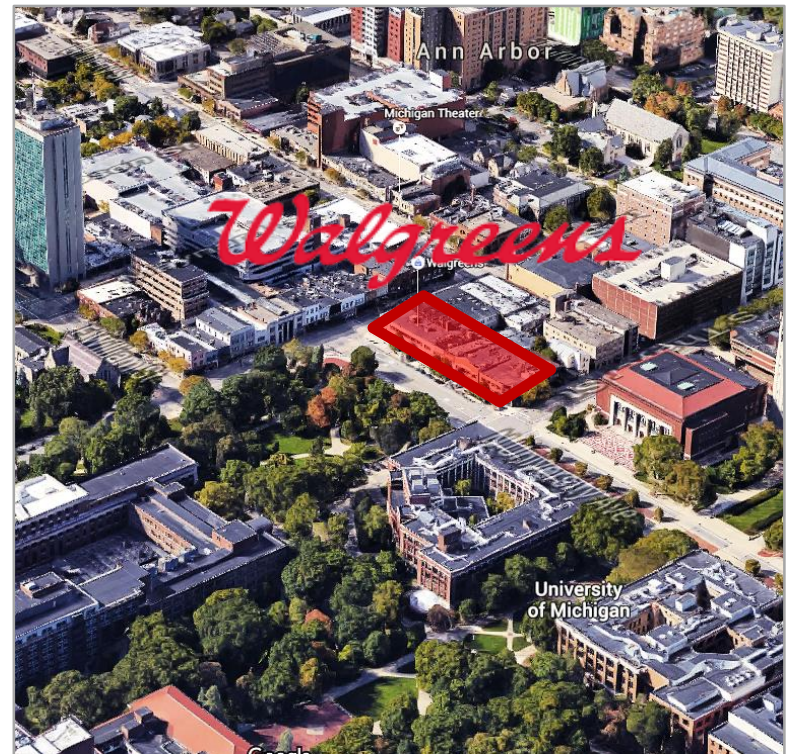
- Purchase Price: \$32.3 million
- 5 Properties
- Texas, Maine, Iowa and Ohio
- E-commerce resistant sectors: Grocery, Warehouse Clubs, Casual Dining and Specialty Retail
- Executed two early lease extensions with relationship tenants

# High-Quality Retail Real Estate = Stronger Residual Values

# Walgreens

## Ann Arbor, Michigan

- Redevelopment of 1937 historic building into flagship campus store
- Off-market transaction
- Centrally located on the hard corner directly across from the Diag on the University of Michigan's Central Campus
- Strong demographics with a 3-mile population density of 145K





# High-Quality Retail Real Estate = Stronger Residual Values



## Lake Zurich, Illinois

- Completed off-market acquisition from repeat seller
- Located at signalized intersection within dominant retail corridor
- Benefits from strong demographics and traffic counts
- Excellent demographics with \$124K median household income within a 3-mile radius



# High-Quality Retail Real Estate = Stronger Residual Values



## Charlotte, North Carolina

- Acquisition of ground floor retail condominium
- Located within downtown Charlotte, near upper income condominium and multi-family developments
- Small format urban grocery component of a larger mixed-use development
- Credit upgrade in 2015 with Kroger's acquisition of Harris Teeter
- Outstanding demographics with a 3-mile population density of 158K<sup>(1)</sup>



(1) Represents daytime population.



# High-Quality Retail Real Estate = Stronger Residual Values



## New Lenox, Illinois

- Partner Capital Solutions project
- Acquired land post-permit & pre-commencement and then completed construction
- Inorganic development opportunity achieved superior yield & credit
- Healthy demographics with \$101K median household income within a 3-mile radius



# Representative Acquisitions

## Single Tenant Net Lease



**Lowe's**  
Concord, NC



**KeyBank**  
Elyria, OH



**H-E-B**  
Brenham, TX



**AutoZone Portfolio (14)**  
6 states

## Multi-Tenant Net Lease



**Mattress Firm / ULTA Beauty**  
Columbus, MS



**Academy Sports + Outdoors /  
Jo-Ann Fabrics / Orscheln**  
Topeka, KS



**Michaels / PetSmart**  
Anderson, SC



**Bed Bath & Beyond / Michaels**  
Midland, TX

## Franchise Restaurants



**Taco Bell Portfolio (4)**  
Ohio, Virginia & West Virginia



**Wendy's Portfolio (3)**  
Georgia & South Carolina



**Golden Corral**  
Springfield, IL



**Burger King Portfolio (11)**  
North Dakota & Minnesota



# Recent Development and PCS Projects



**Starbucks**  
Lakeland, FL



**Chick-fil-A**  
Frankfort, KY



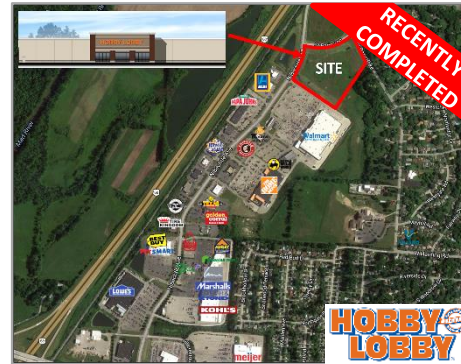
**Wawa**  
Orlando, FL



**Burger King**  
Devil's Lake, ND



**Cash & Carry Smart Foodservice**  
Salem, OR



**Hobby Lobby**  
Springfield, OH



**Burger King**  
Farr West, UT



**Cash & Carry Smart Foodservice**  
Burlington, WA



**Buffalo Wild Wings**  
St. Augustine, FL



**McDonald's**  
East Palatka, FL



# Financial Overview





# Balance Sheet Positioned for Growth

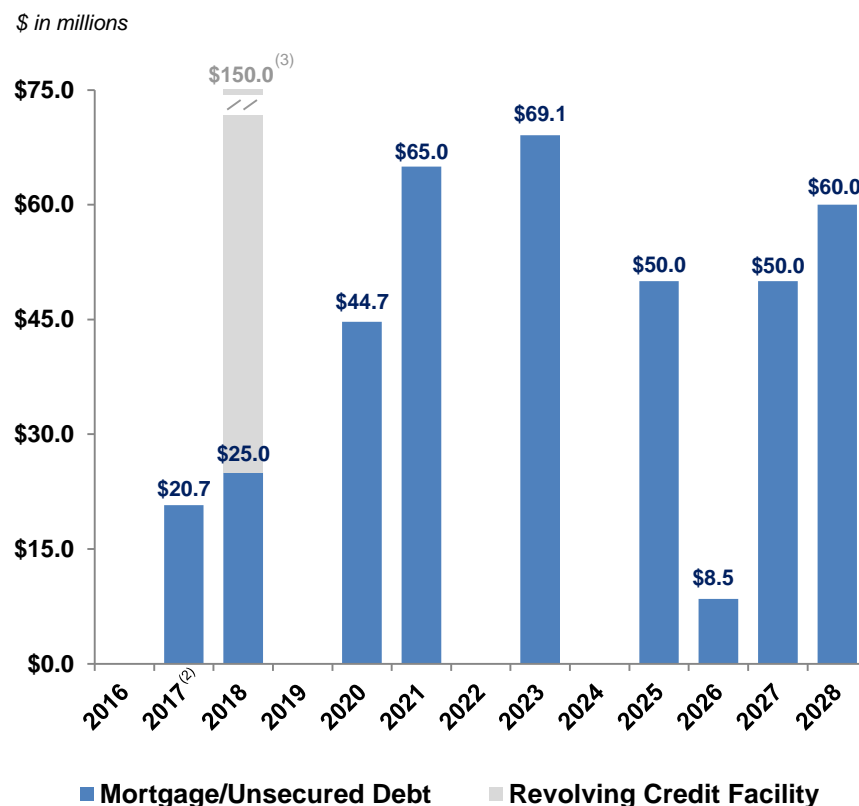
## Pro Forma Capitalization<sup>(1)</sup>

<i>\$ in millions</i>	Principal Amt.
<b>Debt</b>	
Newly Announced Long-Term Debt	\$ 100.0
Mortgage Payable	\$ 92.3
Unsecured Term Loans	100.0
Senior Unsecured Notes	100.0
Total Pro Forma Debt	\$ 392.3

	Shares/ Units	Price/ Share	Principal Amt.
<b>Equity</b>			
New Equity Offering, net	2,875	\$ 48.70	\$ 109.7
Common Stock	20,763	\$ 48.70	\$ 1,011.2
OP Units	348	\$ 48.70	16.9
Total Pro Forma Equity	23,985		\$ 1,137.8

<b>Total Pro Forma Equity Market Capitalization</b>	<b>\$ 1,138</b>
<b>Total Pro Forma Enterprise Value</b>	<b>\$ 1,530</b>

## Debt Maturities<sup>(1)</sup>



## Capital Structure at March 31, 2016 and Pro Forma<sup>(1)</sup>

	March 31	Pro Forma
Equity Market Capitalization	\$0.8B	\$1.1B
Total Enterprise Value	\$1.2B	\$1.5B

(1) Reflects information as of March 31, 2016, as adjusted to be pro forma for the Company's March 4, 2016 equity offering using the closing stock price as of July 1, 2016 and/or the Company's announced \$100 million of long-term, unsecured, fixed rate debt; assumes no additional investments and any excess cash is used to reduce the balance on the credit facility.

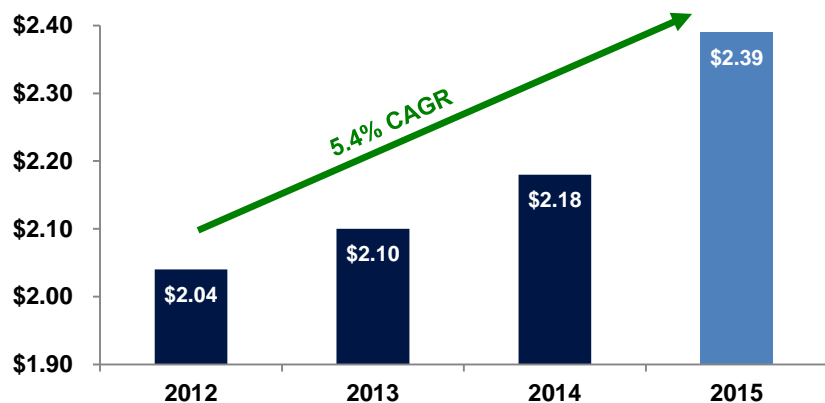
(2) Mortgage note payable may be extended, at the Company's election, for two years to May 2019, subject to certain conditions.

(3) Reflects the total commitments under the Company's revolving credit facility, which, at the Company's election, may be extended for one year to July 2019, subject to certain conditions.

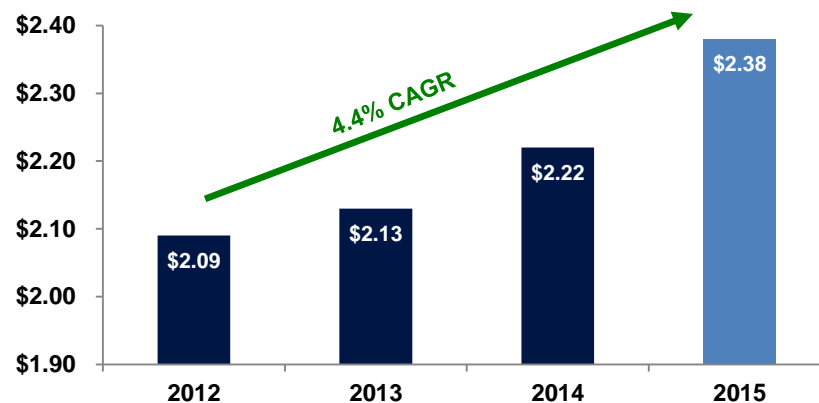
# Consistent Performance

Management is focused on delivering consistent earnings and dividend growth

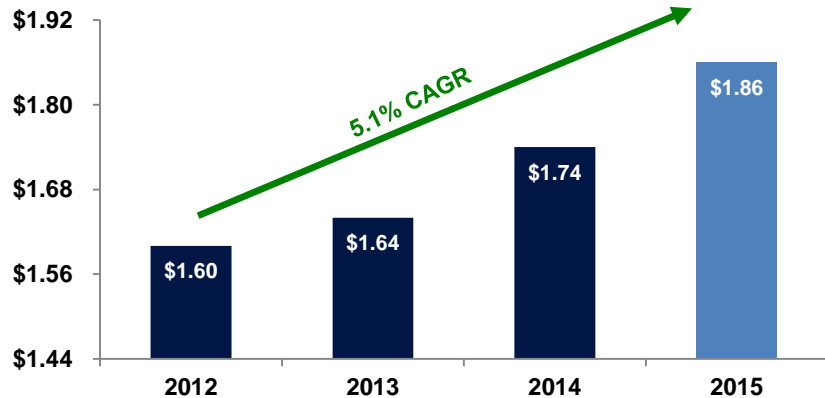
### FFO per Share



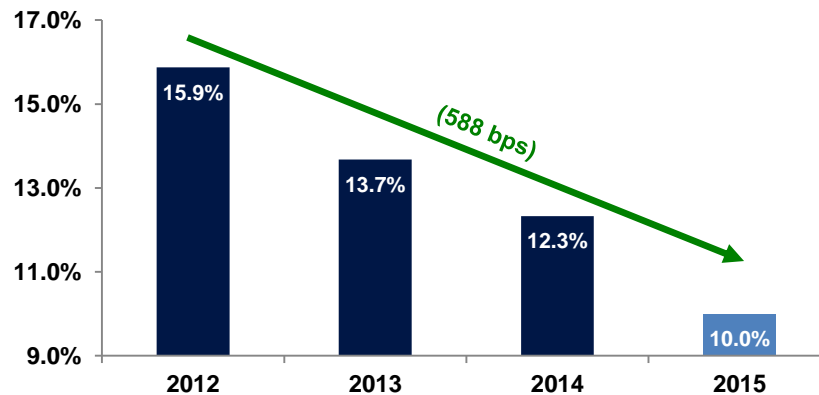
### AFFO per Share



### Dividends per Share



### G&A % of Total Revenue

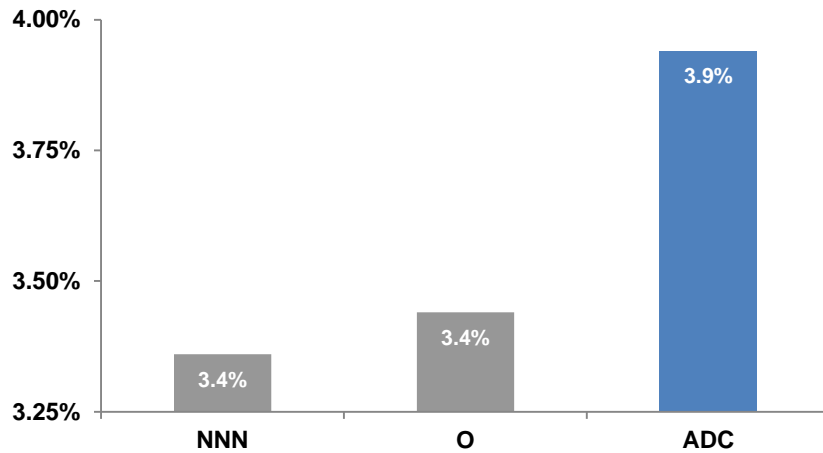




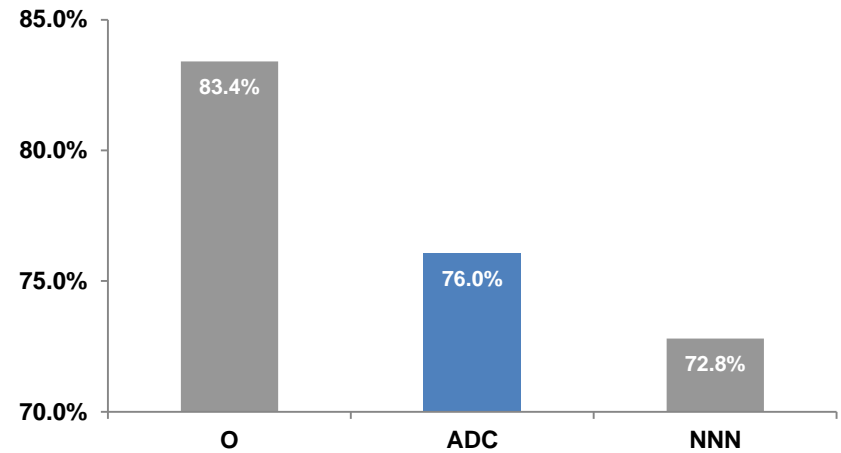
# Attractive Relative Value

ADC offers a well covered dividend and valuation opportunity

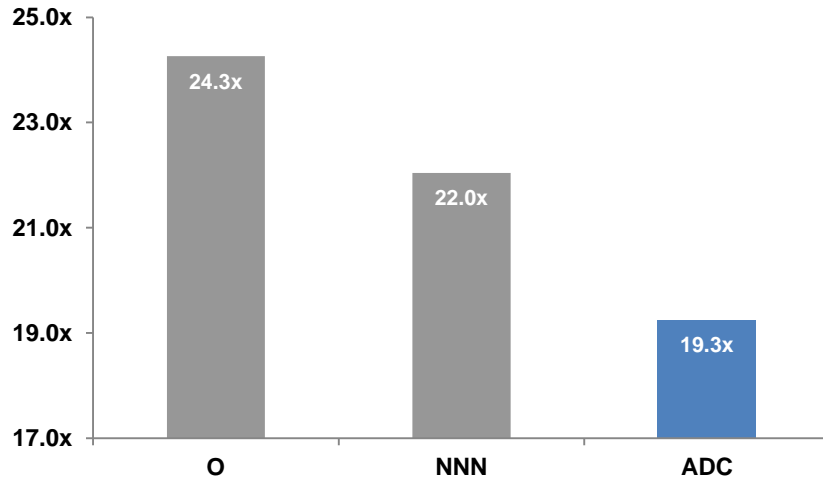
Current Dividend Yield



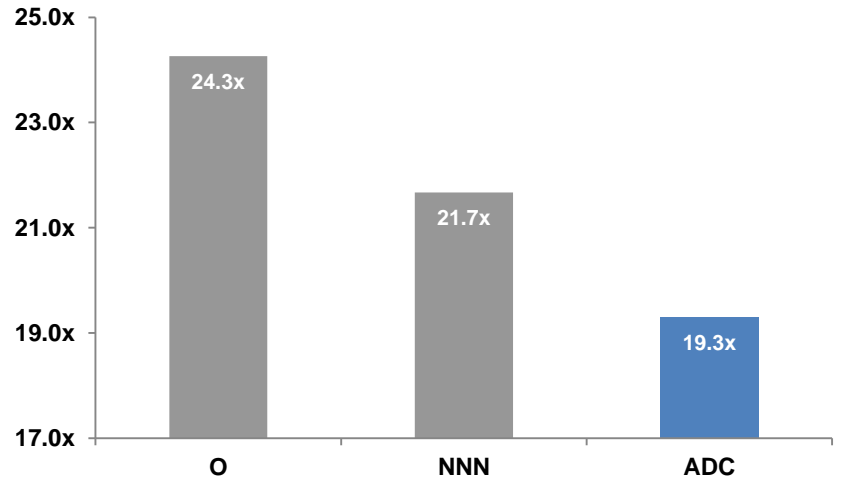
2016E AFFO Payout Ratio



2016E FFO Multiple



2016E AFFO Multiple



# Investment Summary Highlights

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- **Highest quality retail real estate**
- **Most secure cash flows**
- **Strongest balance sheet**
- **Proven track record of execution**
- **Consistent dividend growth**
- **Robust growth trajectory**



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