

# 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**

- \$1.8 billion retail net lease REIT headquartered in Bloomfield Hills, MI and listed on the NYSE under ticker ADC
- 413 retail properties totaling approximately 7.9 million square feet in 43 states
- 44% investment grade tenants and 10.6 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**

**Declared a quarterly dividend of \$0.505 per share, a 5.2% year-over-year increase**

**Increased the low end of 2017 disposition guidance to a range of \$30 million to \$50 million**

**Raised 2017 acquisition guidance by 25% to a range of \$250 million to \$275 million**

**Completed June 2017 follow-on equity offering for gross proceeds of \$113 million**

**Increased Q2 2017 FFO per share by 10.2% to \$0.67, and Q2 2017 AFFO per share by 9.7% to \$0.67**

**Invested in 50 high-quality retail net lease assets for aggregate investment volume of \$201 million in the first six months of 2017**



# Investment Strategy

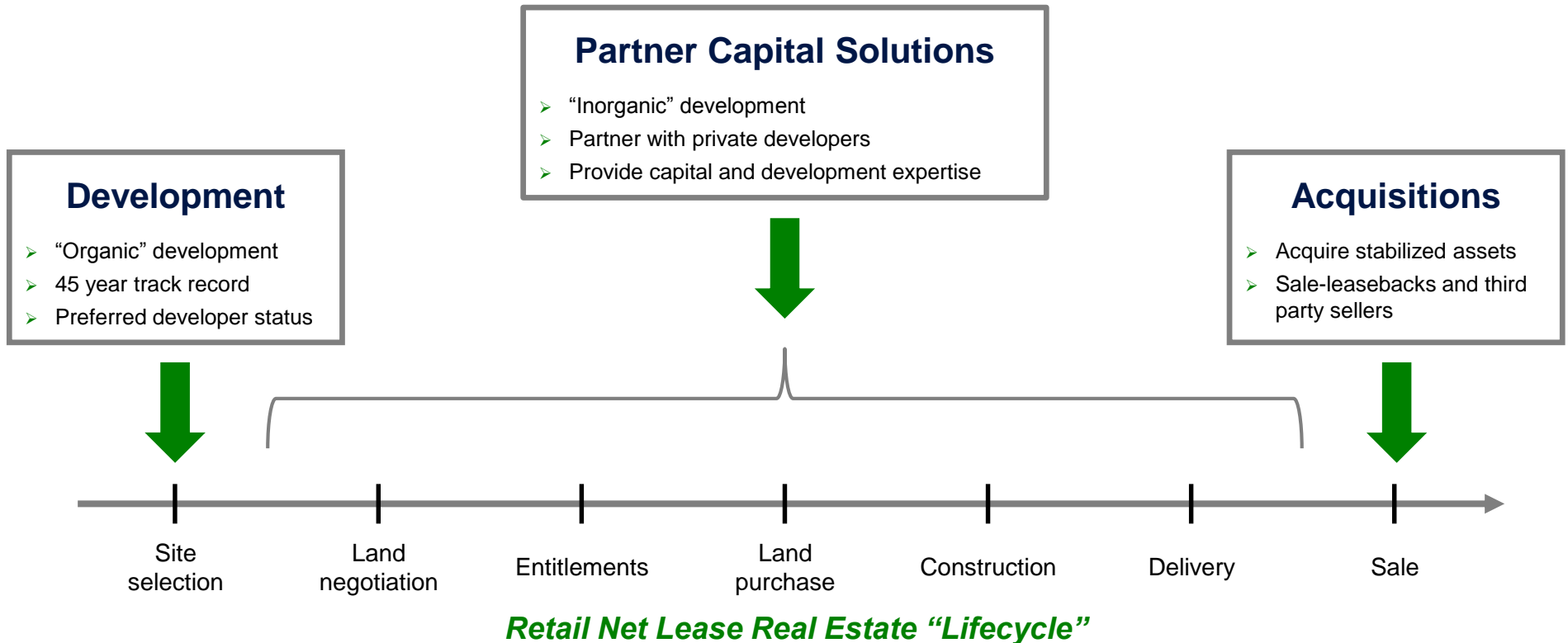


# Differentiated Real Estate Investment Strategy

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

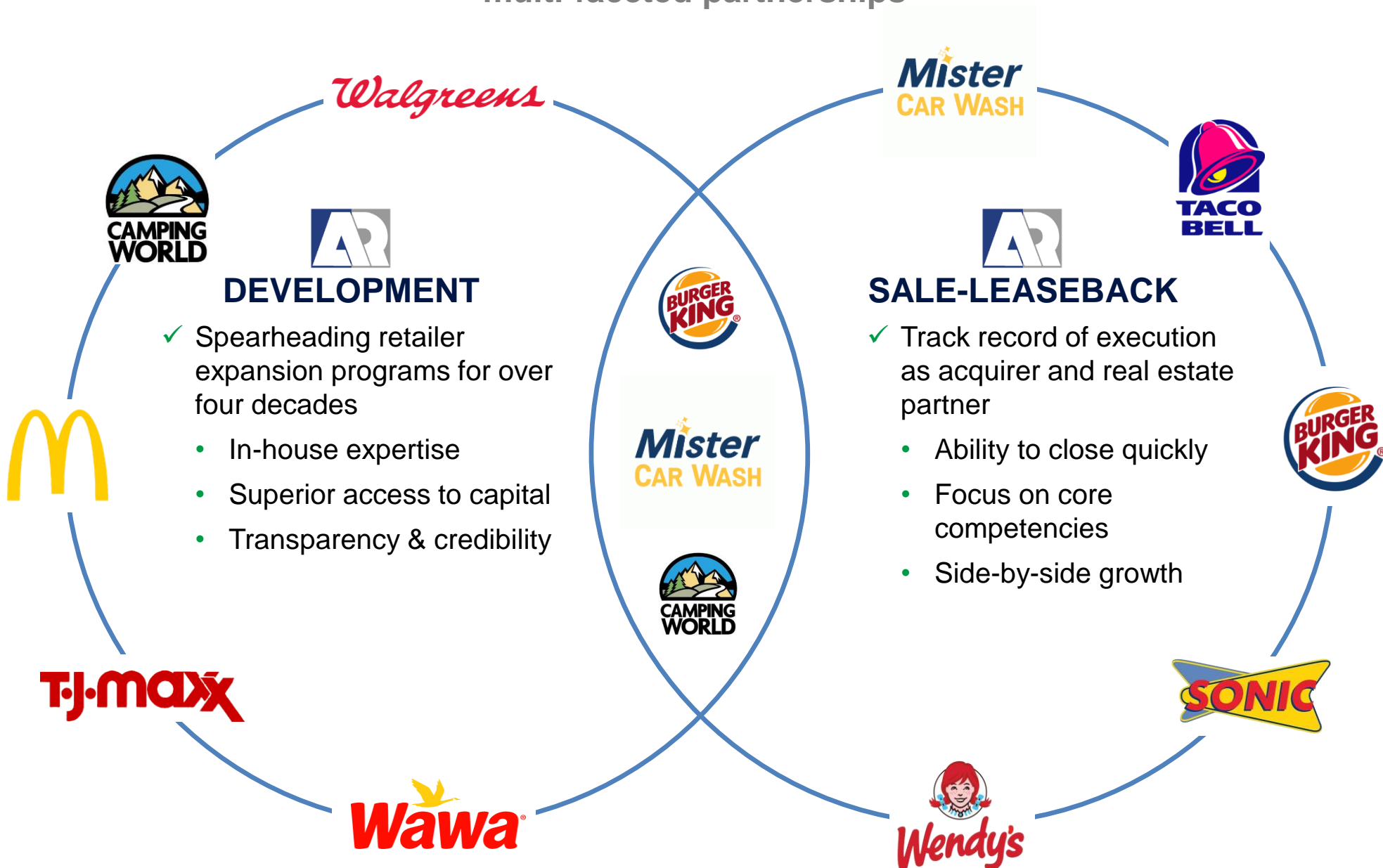
ADC's synergistic investment platforms adhere to the same core principles while pursuing opportunities along the full spectrum of net lease asset origination

- 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



# ADC's Unique Dual Capabilities

Emphasis on comprehensive real estate solutions drive multi-faceted partnerships

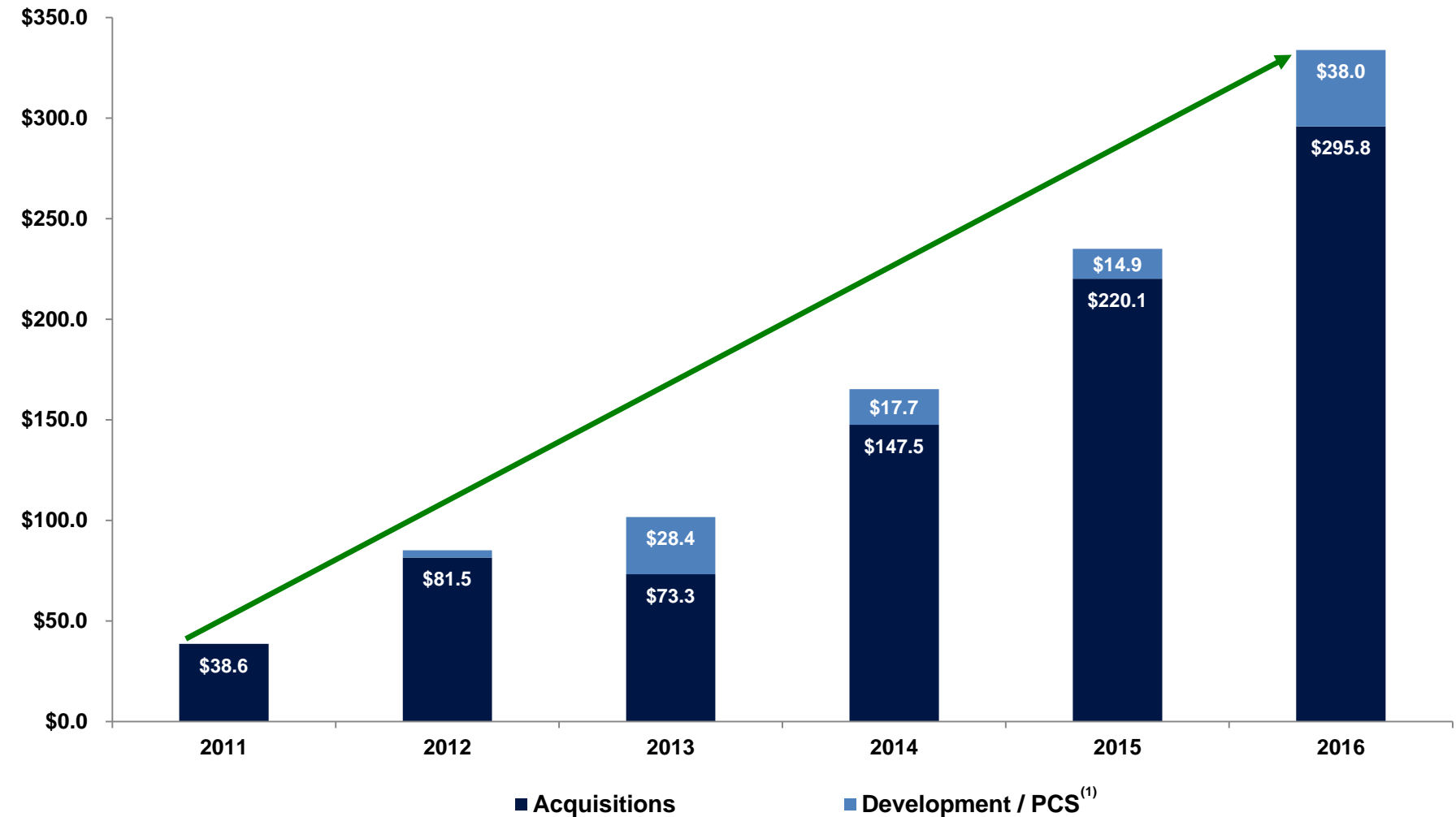


# Track Record of Execution

Since 2010, ADC has invested more than \$1.1 billion in high-quality retail net lease properties

## Investment Activity

\$ in millions



As of June 30, 2017.

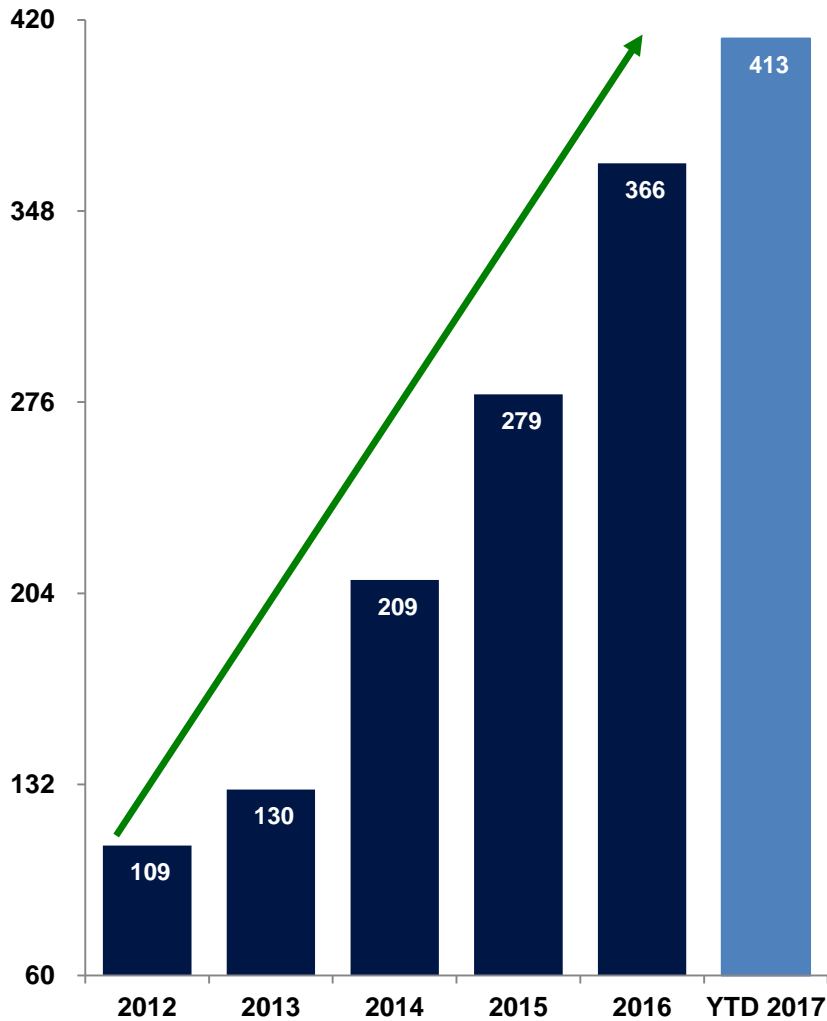
(1) Represents annual development and PCS activity, completed or commenced.



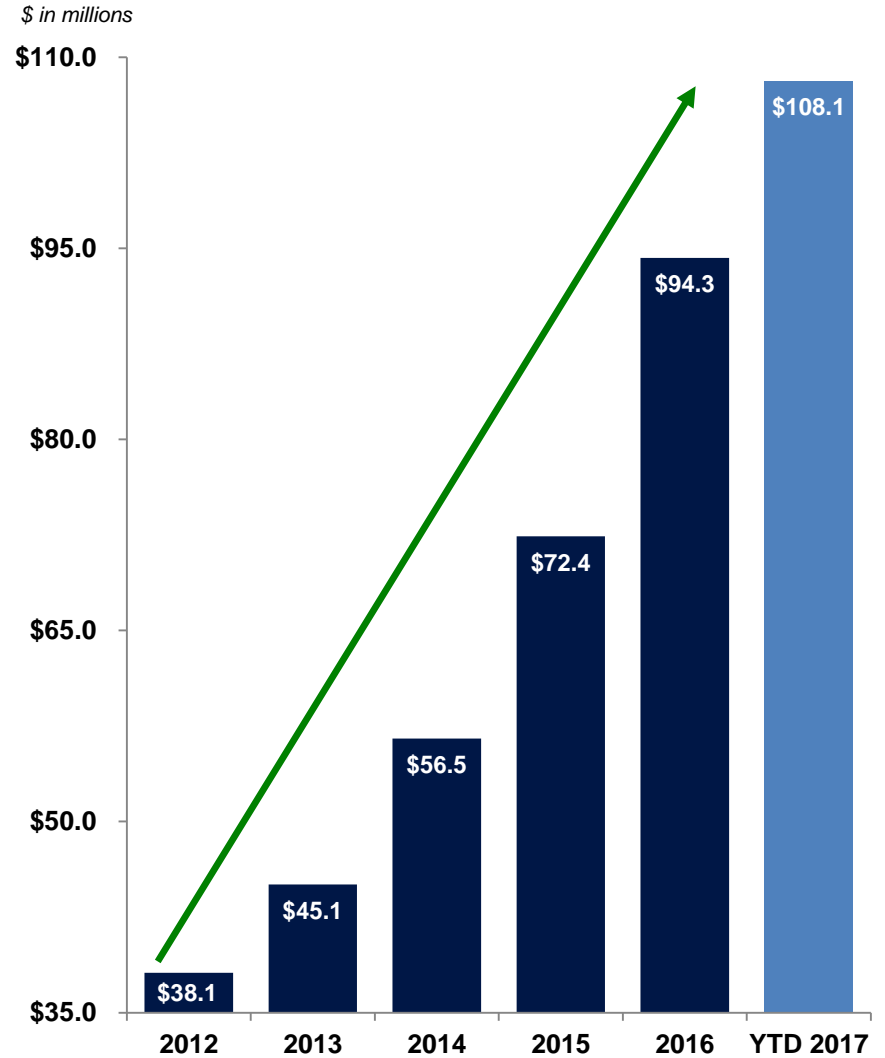
# Accelerating Growth

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

### # of Properties



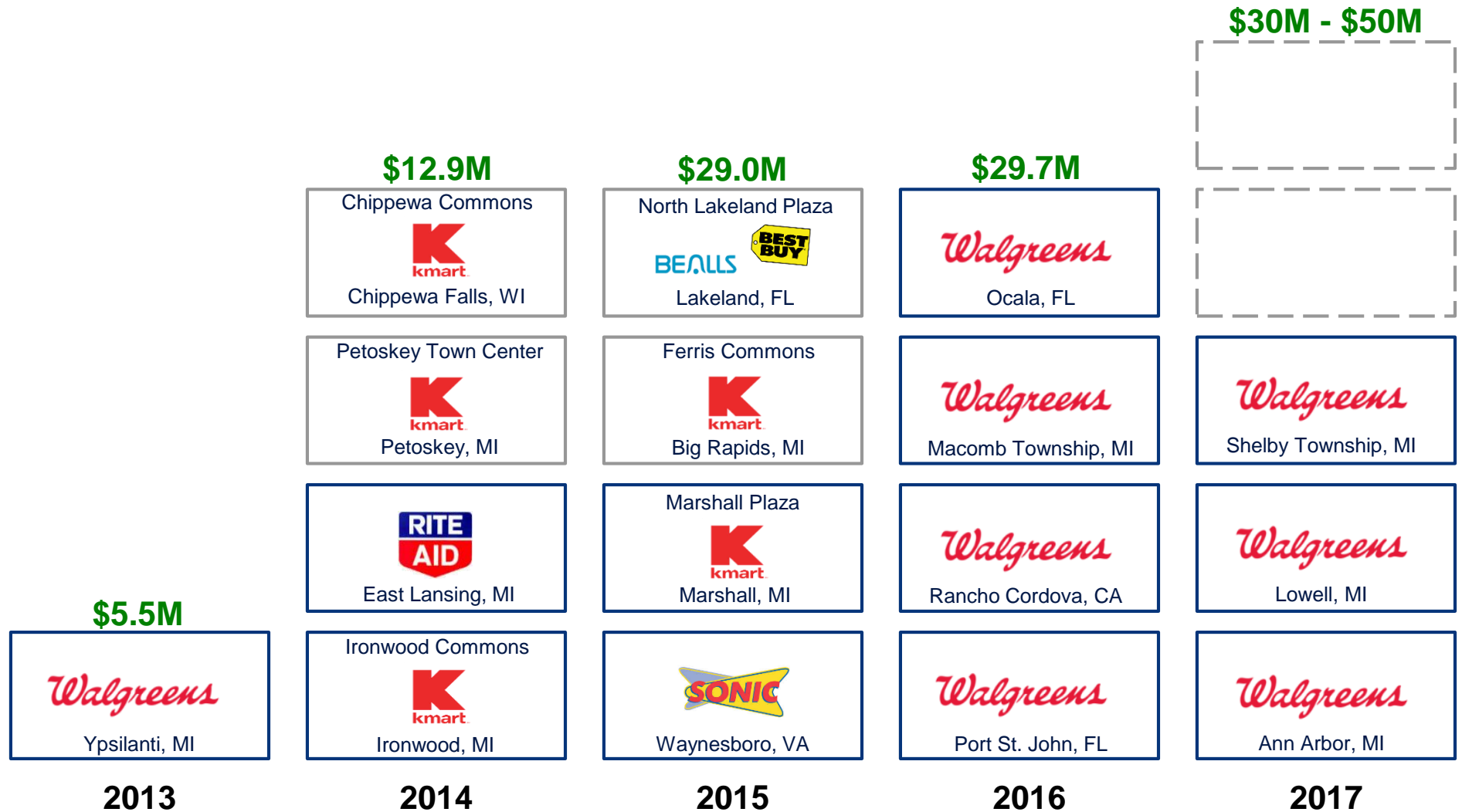
### Annualized Base Rent ("ABR")



# Active Portfolio Management

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

**Total Dispositions 2011-2017: \$124M**



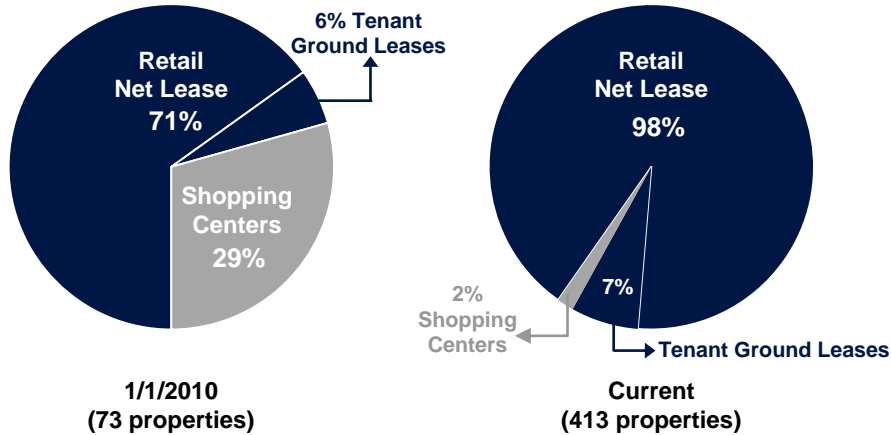
# Portfolio Summary



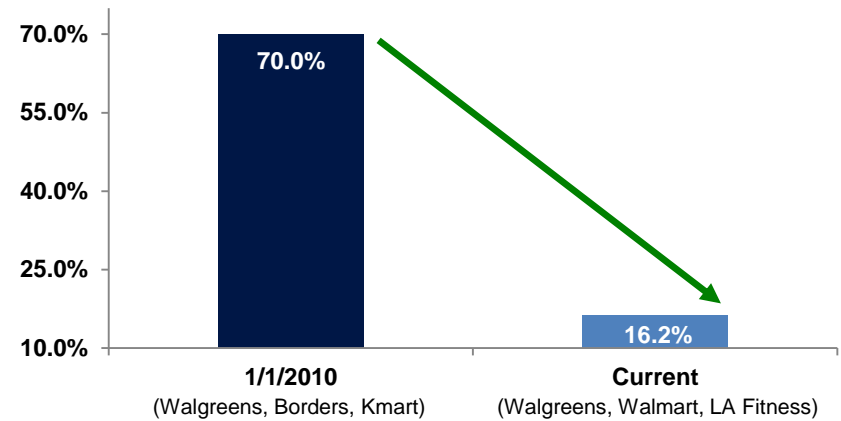
# Portfolio Transformation

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

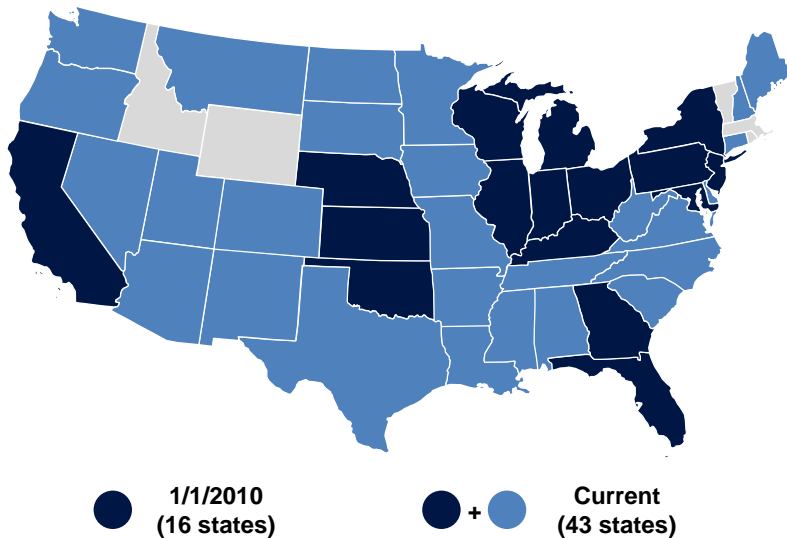
## Property Type (% ABR)



## 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
	✓ Theaters
	✓ Auto Parts
	✓ Financial Services
	✓ Health Services
	✓ 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




# Portfolio Transformation

## January 2015

## June 2017

Top Sectors

	Pharmacy	29.7%
	QSRs	7.5%
	Apparel	6.1%

	Pharmacy	13.7%
	Grocery	7.3%
	QSRs	6.3%

Top Tenants

	21.9%
	4.4%
	4.4%

	8.8%
	3.9%
	3.4%

# of Properties

Enterprise Value

209 properties

413 properties



















\$0.8 billion

\$1.8 billion



# Current Portfolio Snapshot

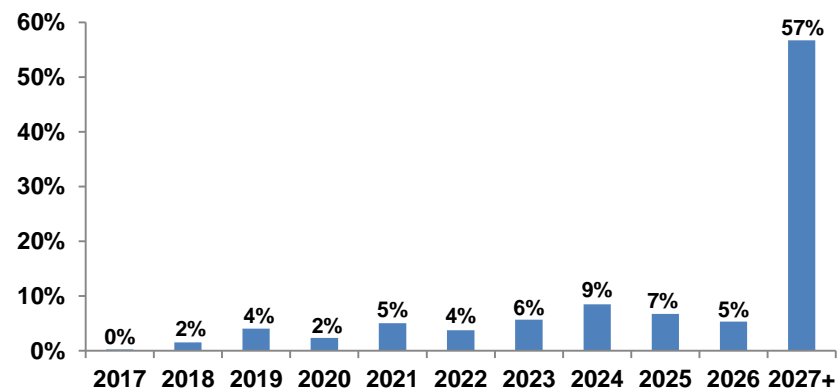
## Tenants

\$ in millions		
Tenant / Concept	Annualized Base Rent <sup>(1)</sup>	% of Total
 Walgreens	\$9.6	8.8%
 Walmart	4.2	3.9%
 LA FITNESS	3.7	3.4%
 Lowe's	3.1	2.9%
 CVS pharmacy™	2.7	2.5%
 Wawa	2.7	2.5%
 Mister CAR WASH	2.6	2.4%
 Smart & Final	2.5	2.3%
 DOLLAR GENERAL	2.4	2.2%
 TSC TRACTOR SUPPLY CO	2.2	2.0%
 HOBBY LOBBY	2.2	2.0%
 DAVE & BUSTERS	2.1	1.9%
 Academy SPORTS+OUTDOORS	2.0	1.8%
 DOLLAR TREE	1.9	1.8%
 BURGER KING	1.9	1.8%
 RITE AID	1.9	1.7%
 24 FITNESS	1.8	1.6%
 BJ'S WHOLESALE CLUB	1.7	1.6%
Other	57.1	52.9%
<b>Total</b>	<b>\$108.1</b>	<b>100.0%</b>

As of June 30, 2017.

(1) Based on GAAP annualized base rent.

## Lease Expirations



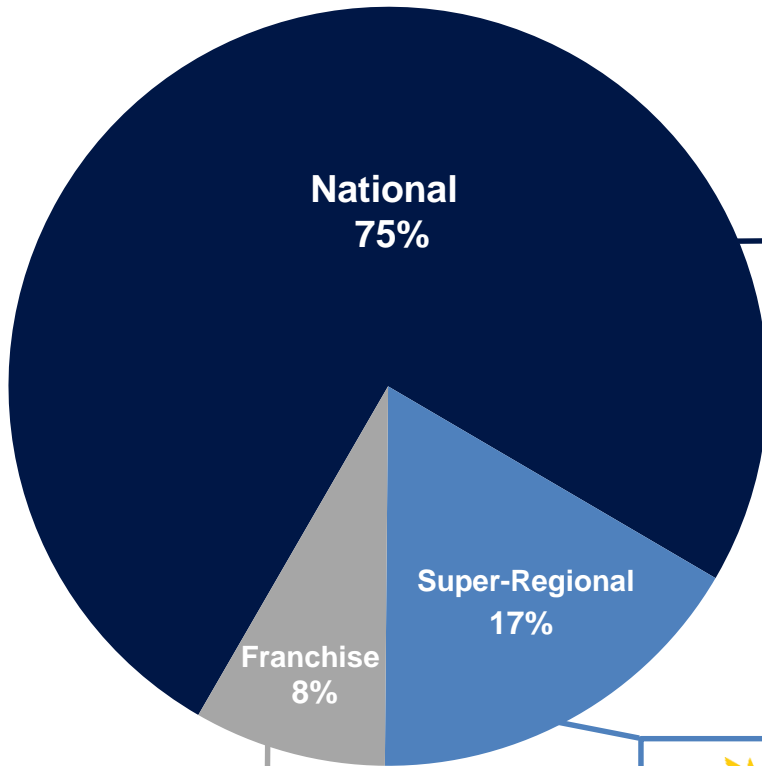
## Retail Sectors

\$ in millions		
Tenant Sector	Annualized Base Rent <sup>(1)</sup>	% of Total
Pharmacy	\$14.8	13.7%
Grocery Stores	7.8	7.3%
Restaurants – Quick Service	6.8	6.3%
Discount Apparel	6.1	5.7%
Auto Service	6.0	5.5%
Health & Fitness	5.8	5.4%
Home Improvement	4.4	4.1%
Convenience Stores	4.4	4.0%
Specialty Retail	4.3	3.9%
General Merchandise	4.0	3.7%
Warehouse Clubs	3.7	3.5%
Crafts and Novelties	3.5	3.3%
Auto Parts	3.4	3.2%
Farm and Rural Supply	3.4	3.1%
Sporting Goods	3.2	2.9%
Dollar Stores	3.1	2.9%
Health Services	3.1	2.8%
Theaters	3.0	2.8%
Home Furnishings	2.9	2.7%
Other	14.5	13.2%
<b>Total</b>	<b>\$108.1</b>	<b>100.0%</b>

# National and Super-Regional Retailers

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

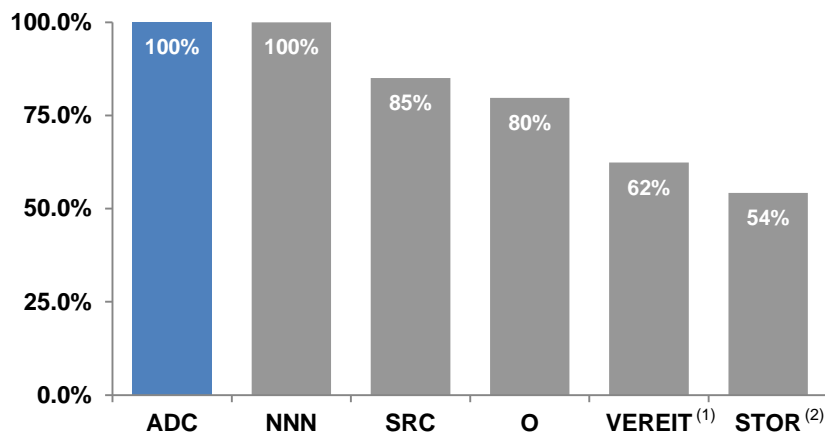
Retail Tenant Type (% ABR)



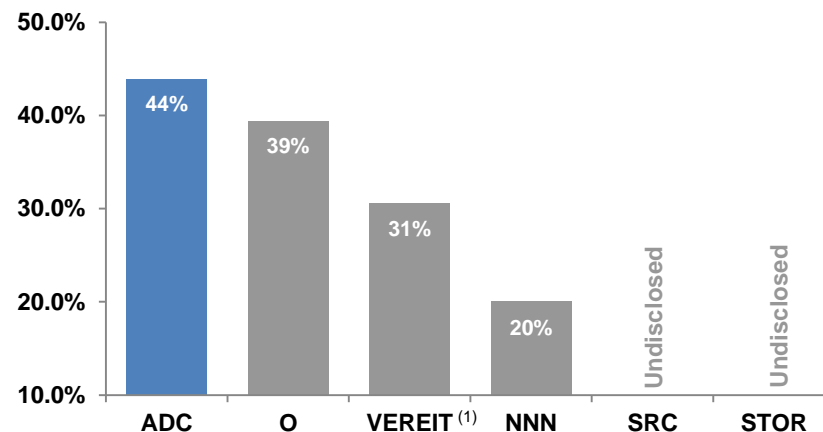
# Leading, Pure-Play Retail Net Lease REIT

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

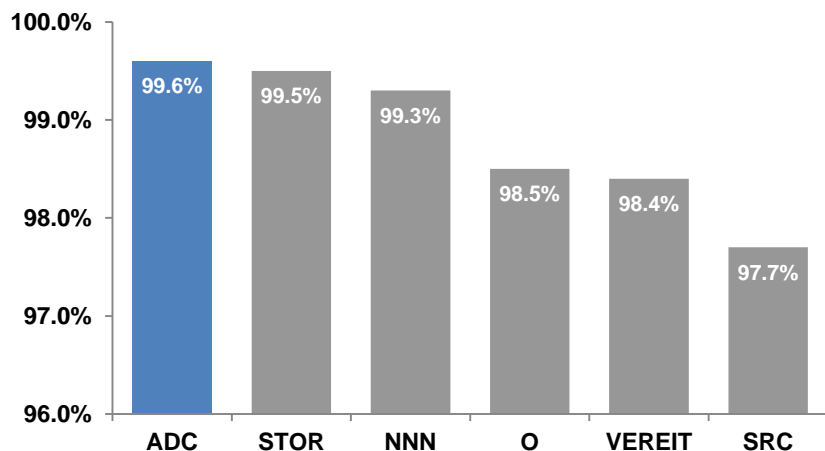
### Retail % of Total Portfolio



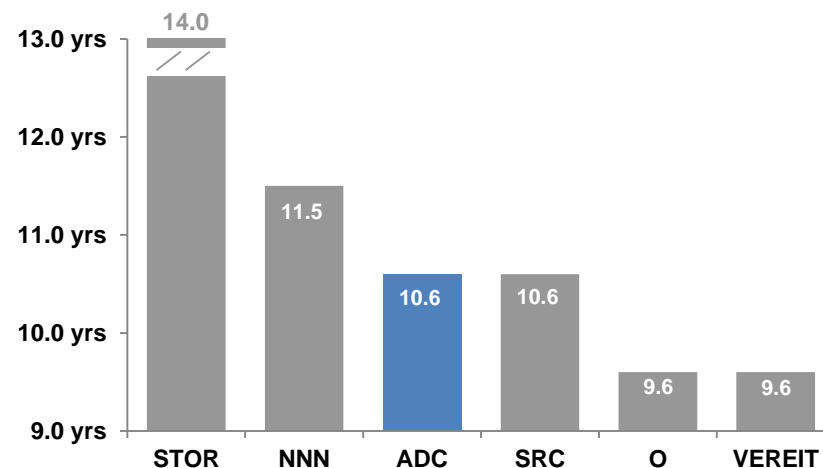
### Retail Investment Grade Tenants



### Occupancy



### Weighted-Average Lease Term



ADC data as of June 30, 2017.

Peer data from first or second quarter 2017 supplemental or company SEC filings.

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

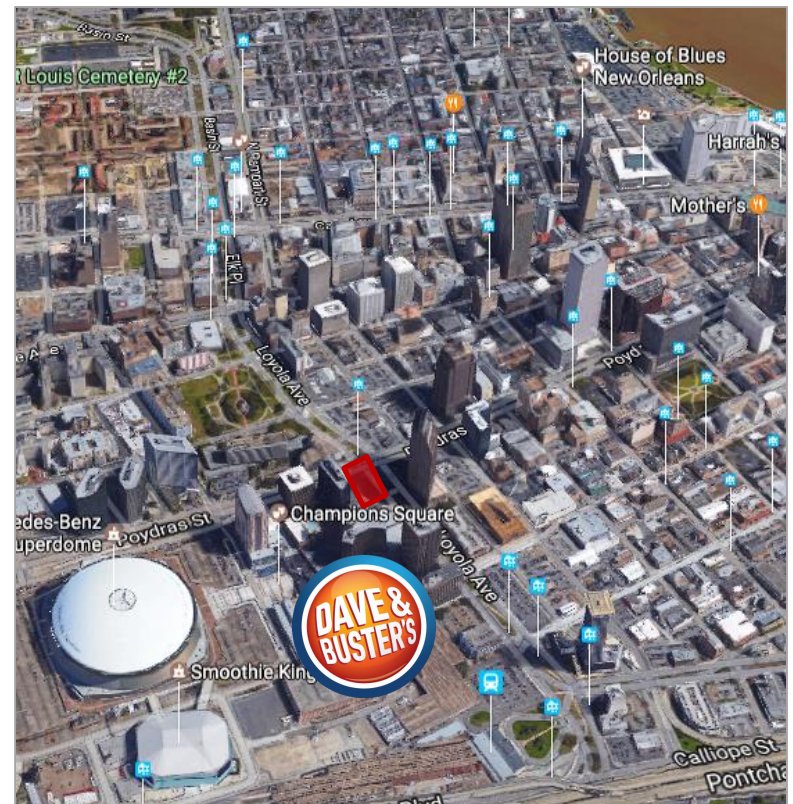
(2) Excludes Manufacturing, Early Childhood Education Centers, Colleges and Professional Schools and All Other Service Industries, as disclosed.

# Leading E-Commerce Resistant Retailers



## New Orleans, Louisiana

- Acquisition of top-floor urban retail condominium
- Subject to a new 15-year net lease with Dave & Buster's
- Purchased at an 8.8% cap rate; more than 200 basis points wide of recent sale-leasebacks
- Located within downtown New Orleans near the Mercedes-Benz Superdome and the Smoothie King Center





# Leading E-Commerce Resistant Retailers

# Publix



**Oxford, Alabama**

- \$11 million off-market transaction
- Acquired at a 7.4% year-one cap rate
- Sourced through a longstanding developer relationship
- Located at major freeway interchange within the dominant retail corridor





# Leading E-Commerce Resistant Retailers



# LA | FITNESS

## Grandview Heights, Ohio

- Located within one of the fastest growing areas of the Columbus MSA
- Part of Grandview Yard mixed-use development, which includes Nationwide's new corporate campus with over 3,500 employees
- Three-mile daytime population density of 416K

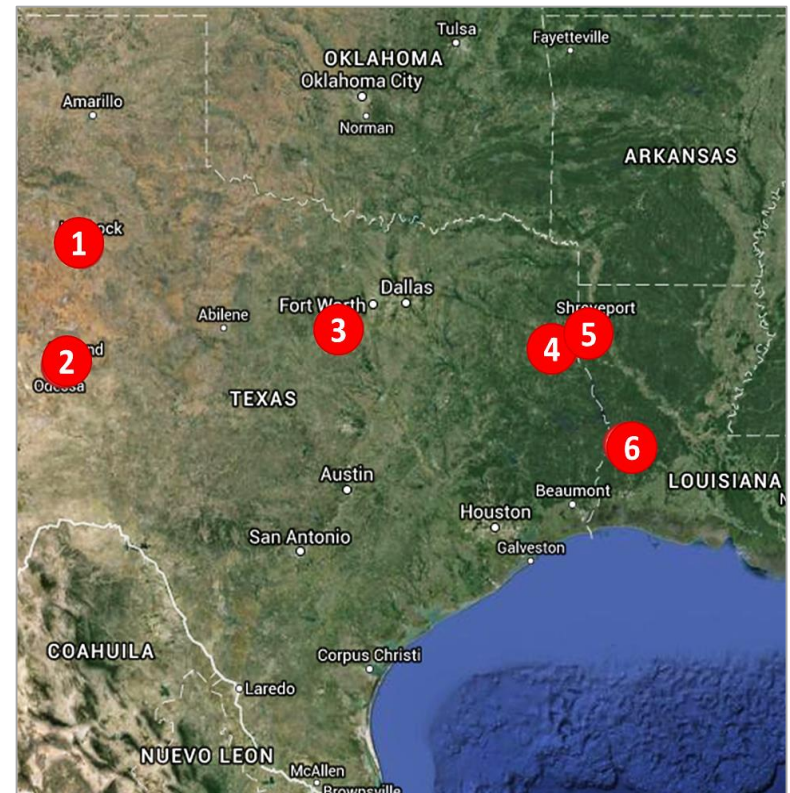
# Leading E-Commerce Resistant Retailers



## Six-Property Portfolio

- \$20 million portfolio of six Tractor Supply stores located in Texas and Louisiana
- Negotiated off-market transaction with liquidating non-traded REIT
- Negotiated early lease extensions that created \$5 million in market value
- Added more than nine years to the portfolio's weighted average lease term

	Term	Cash Cap Rate	GAAP Cap Rate
Before Extensions	5.4 years	7.5%	7.8%
After Extensions	15.0 years	7.5%	7.9%
Market Comps	15.0 years	5.8% <sup>(1)</sup>	Varies



(1) Based on a weighted average of comparable Tractor Supply properties sold since 2014, with at least 13 years of term. Data provided by JLL and The Boulder Group.



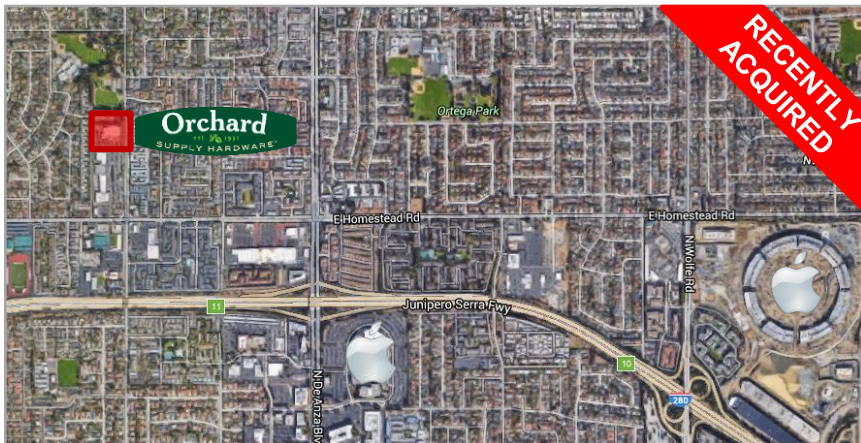
# Leading E-Commerce Resistant Retailers



## Corporate Guarantee from Lowe's Companies, Inc. (S&P: A-)

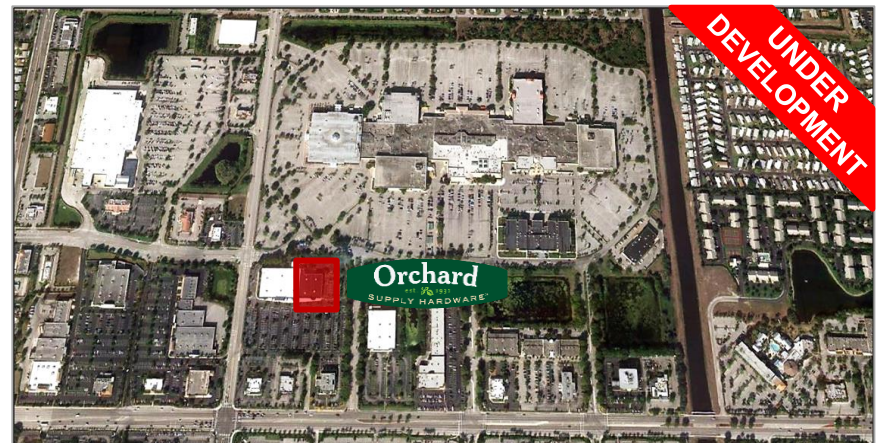
### Sunnyvale, California

- Located in Silicon Valley
- Acquired as part of the \$79.5 million portfolio transaction completed in June 2016
- Demographics
  - \$128K median household income within a five-mile radius
  - Five-mile population density of 474K



### Boynton Beach, Florida

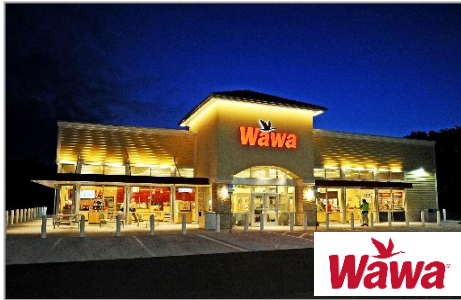
- Located in Southeast Florida
- Former site of regional shoe retailer currently being expanded and redeveloped
- Demographics
  - \$106K median household income within a five-mile radius
  - Five-mile population density of 247K



# Development and PCS Projects

Completed or commenced 7 projects totaling \$45.9 million in the first half of 2017

## Recently Completed



**Wawa**  
Orlando, FL



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



**Starbucks**  
North Lakeland, FL



**Burger King**  
Heber, UT



**Texas Roadhouse**  
Mount Pleasant, MI



**Camping World**  
Georgetown, KY

## Under Construction



**Art Van Furniture**  
Canton, MI



**Orchard Supply Hardware**  
Boynton Beach, FL



**Mister Car Wash (2)**  
Urbandale, IA & Bernalillo, NM



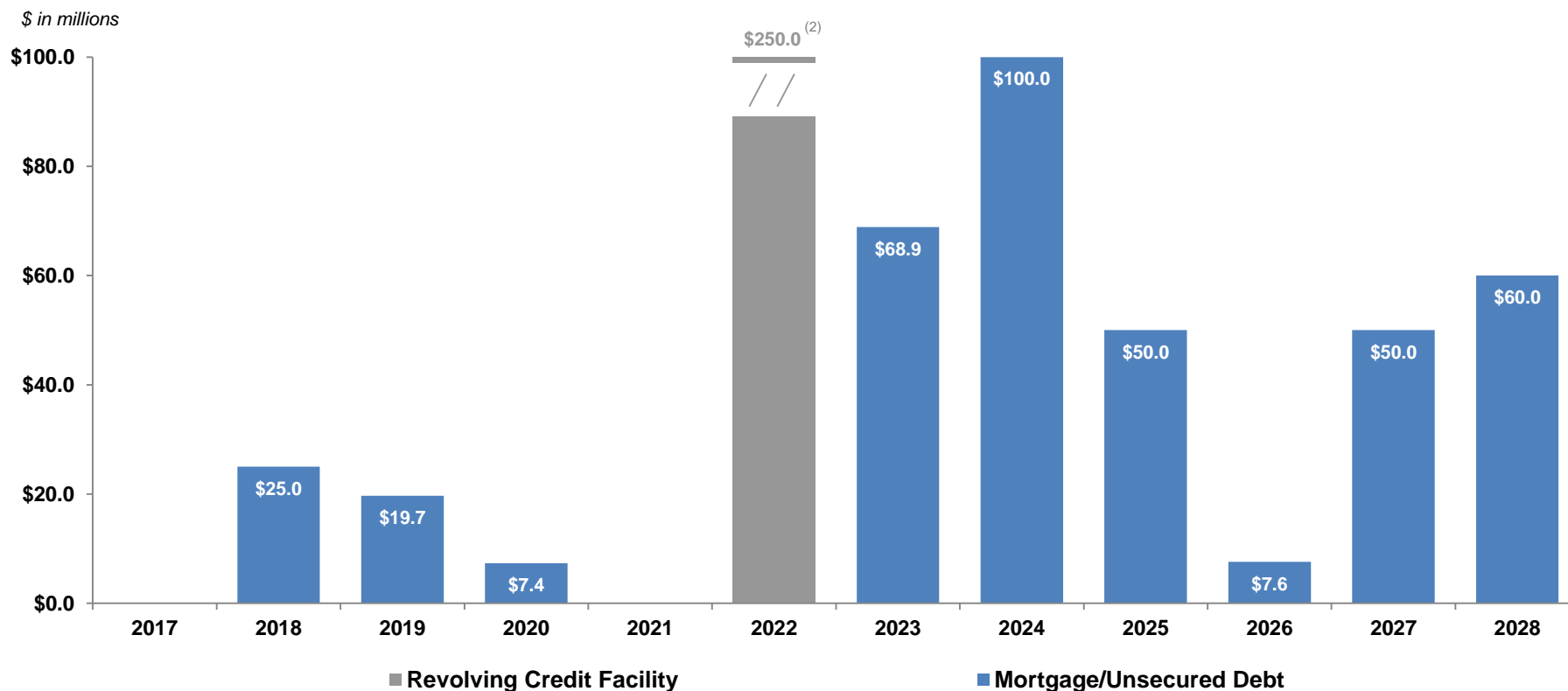
# Financial Overview





# Capital Structure, Financial Ratios

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



## Capitalization Statistics<sup>(1)</sup>

Equity Market Capitalization	\$1.3B
Total Enterprise Value	\$1.8B

## Financial Ratios<sup>(1)</sup>

Fixed Charge Coverage Ratio	4.0x
Net Debt / Adjusted EBITDA	4.6x
Total Debt to Total Market Capitalization	25%

(1) As of June 30, 2017.

(2) Reflects the total commitments under the Company's \$250 million Revolving Credit Facility.

# 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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