
Section 1: 8-K (FORM 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report: February 12, 2019

NATIONAL RETAIL PROPERTIES, INC.

(exact name of registrant as specified in its charter)

Maryland
**(State or other jurisdiction of
incorporation or organization)**

001-11290
**(Commission
File Number)**

56-1431377
**(I.R.S. Employment
Identification No.)**

450 South Orange Avenue, Suite 900, Orlando, Florida 32801
(Address of principal executive offices, including zip code)

(407) 265-7348
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On February 12, 2019, National Retail Properties, Inc. (the "Company"), issued a press release announcing its results of operations and financial condition for the quarter and year ended December 31, 2018. The press release is attached hereto as Exhibit 99.1 to this report and the supplemental data is attached hereto as Exhibit 99.2 to this report. The press release and the supplemental data are available on the Company's website.

The information in this Form 8-K is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of such section, nor shall such information be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 99.1 [Press Release, dated February 12, 2019, of National Retail Properties, Inc.](#)
- 99.2 [Supplemental Data, dated February 12, 2019, of National Retail Properties, Inc.](#)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

National Retail Properties, Inc.

Dated: February 12, 2019

By: /s/ Kevin B. Habicht

Kevin B. Habicht

Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated February 12, 2019, of National Retail Properties, Inc.
99.2	Supplemental Data, dated February 12, 2019, of National Retail Properties, Inc.

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Section 2: EX-99.1 (EXHIBIT 99.1)



NEWS RELEASE

For information contact:

Kevin B. Habicht

Chief Financial Officer

(407) 265-7348 FOR IMMEDIATE RELEASE

February 12, 2019

RECORD ANNUAL RESULTS ANNOUNCED BY NATIONAL RETAIL PROPERTIES, INC.

Orlando, Florida, February 12, 2019 – National Retail Properties, Inc. (NYSE: NNN), a real estate investment trust, today announced operating results for the quarter and year ended December 31, 2018. Highlights include:

Operating Results:

- Revenues and net earnings, FFO, Core FFO and AFFO available to common stockholders and diluted per share amounts:

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
	(in thousands, except per share data)			
Revenues	\$ 158,976	\$ 150,247	\$ 622,661	\$ 584,933
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Net earnings per common share	\$ 0.17	\$ 0.42	\$ 1.65	\$ 1.45
FFO available to common stockholders	\$ 82,491	\$ 95,267	\$ 395,337	\$ 359,179
FFO per common share	\$ 0.52	\$ 0.63	\$ 2.53	\$ 2.40
Core FFO available to common stockholders	\$ 101,001	\$ 95,459	\$ 414,590	\$ 376,991
Core FFO per common share	\$ 0.63	\$ 0.63	\$ 2.65	\$ 2.52
AFFO available to common stockholders	\$ 103,523	\$ 95,692	\$ 418,702	\$ 379,083
AFFO per common share	\$ 0.65	\$ 0.63	\$ 2.68	\$ 2.54

- Portfolio occupancy was 98.2% at December 31, 2018 as compared to 98.7% at September 30, 2018, and 99.1% at December 31, 2017

2018 Highlights:

- Increased annual net earnings per common share 13.8%

- Increased annual FFO per common share 5.4%
- Increased annual Core FFO per common share 5.2%
- Increased annual AFFO per common share 5.5%
- Dividend yield of 4.0% at December 31, 2018
- Annual dividend per common share increased 4.8% to \$1.95 marking the 29th consecutive year of annual dividend increases - making the company one of only three equity REITs and 86 publicly traded companies in America to have increased annual dividends for 29 or more consecutive years
- Maintained high occupancy levels at 98.2% with a weighted average remaining lease term of 11.5 years

2018 Highlights (continued):

- Invested \$715.6 million in 265 properties with an aggregate gross leasable area of approximately 2,167,000 square feet at an initial cash yield of 6.8%
- Sold 61 properties for \$147.6 million, producing \$65.1 million of gains on sale, at a cap rate of 5.1%
- Raised \$1,027.4 million of new long-term capital at attractive pricing
 - Raised \$341.5 million in net proceeds from the issuance of 7,689,211 common shares
 - Raised \$393.5 million in net proceeds from the issuance of 4.30% senior unsecured notes due 2028
 - Raised \$292.4 million in net proceeds from the issuance of 4.80% senior unsecured notes due 2048
- Paid off \$300 million principal amount of 5.500% senior unsecured notes due 2021
- \$900 million availability on bank credit facility at December 31, 2018
- 99.7% of properties are unencumbered with secured mortgage debt
- Total average annual shareholder return of 12.8% over the past 25 years exceeds industry and general equity averages

Selected Highlights for the quarter ended December 31, 2018:

- Investments:
 - \$319.5 million in property investments, including the acquisition of 136 properties with an aggregate gross leasable area of approximately 902,000 square feet at an initial cash yield of 6.7%
- Dispositions:
 - Sold 15 properties with net proceeds of \$26.5 million, producing \$8.0 million of gains on sales at a cap rate of 6.2%
- Long-term capital:
 - Raised \$123.8 million in net proceeds from the issuance of 2,567,167 common shares

Jay Whitehurst, Chief Executive Officer, commented: "After a busy and productive fourth quarter, National Retail Properties once again delivered above average returns to our investors while taking below average risk. Our commitment to consistent per share growth on a multi-year basis produced an annual dividend increase of 4.8% and annual AFFO per share growth of 5.5% in 2018, all while maintaining our low leverage, conservatively financed balance sheet. Driven by our consistent strategy and focused execution, we are well positioned to continue producing total shareholder returns that we believe will exceed the REIT averages over the long term."

National Retail Properties invests primarily in high-quality retail properties subject generally to long-term, net leases. As of December 31, 2018, the company owned 2,969 properties in 48 states with a gross leasable area of approximately 30.5 million square feet and with a weighted average remaining lease term of 11.5 years. For more information on the company, visit www.nnnreit.com.

Management will hold a conference call on February 12, 2019, at 10:30 a.m. ET to review these results. The call can be accessed on the National Retail Properties web site live at <http://www.nnnreit.com>. For those unable to listen to the live broadcast, a replay will be available on the company's web site. In addition, a summary of any earnings guidance given on the call will be posted to the company's web site.

Statements in this press release that are not strictly historical are "forward-looking" statements. These statements generally are characterized by the use of terms such as "believe," "expect," "intend," "may," "estimated," or other similar words or expressions. Forward-looking statements involve known and unknown risks, which may cause the company's actual future results to differ materially from expected results. These risks include, among others, general economic conditions, local real estate conditions, changes in interest rates, increases in operating costs, the preferences and financial condition of the company's tenants, the availability of capital and risks related to the company's status as a REIT. Additional information concerning these and other factors that could cause actual results to differ materially from these forward-looking statements is contained from time to time in the company's Securities and Exchange Commission (the "Commission") filings, including, but not limited to, the company's Annual Report on Form 10-K. Copies of each filing may be obtained from the company or the Commission. Such forward-looking statements should be regarded solely as reflections of the company's current operating plans and estimates. Actual operating results may differ materially from what is expressed or forecast in this press release. National Retail Properties, Inc. undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date these statements were made.

The reported results are preliminary and not final and there can be no assurance that the results will not vary from the final information filed on Form 10-K with the Commission for the quarter and year ended December 31, 2018. In the opinion of management, all adjustments considered necessary for a fair presentation of these reported results have been made.

Funds From Operations, commonly referred to as FFO, is a relative non-GAAP financial measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") and is used by the company as follows: net earnings (computed in accordance with GAAP) plus depreciation and amortization of assets unique to the real estate industry, excluding gains (or

including losses), any applicable taxes and noncontrolling interests on the disposition of certain assets, the company's share of these items from the company's unconsolidated partnerships and any impairment charges on a depreciable real estate asset.

FFO is generally considered by industry analysts to be the most appropriate measure of performance of real estate companies. FFO does not necessarily represent cash provided by operating activities in accordance with GAAP and should not be considered an alternative to net earnings as an indication of the company's performance or to cash flow as a measure of liquidity or ability to make distributions. Management considers FFO an appropriate measure of performance of an equity REIT because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time, and because industry analysts have accepted it as a performance measure. The company's computation of FFO may differ from the methodology for calculating FFO used by other equity REITs, and therefore, may not be comparable to such other REITs. A reconciliation of net earnings (computed in accordance with GAAP) to FFO, as defined by NAREIT, is included in the financial information accompanying this release.

Core Funds From Operations ("Core FFO") is a non-GAAP measure of operating performance that adjusts FFO to eliminate the impact of certain GAAP income and expense amounts that the company believes are infrequent and unusual in nature and/or not related to its core real estate operations. Exclusion of these items from similar FFO-type metrics is common within the REIT industry, and management believes that presentation of Core FFO provides investors with a potential metric to assist in their evaluation of the company's operating performance across multiple periods and in comparison to the operating performance of its peers because it removes the effect of unusual items that are not expected to impact the company's operating performance on an ongoing basis. Core FFO is used by management in evaluating the performance of the company's core business operations and is a factor in determining management compensation. Items included in calculating FFO that may be excluded in calculating Core FFO may include items like transaction related gains, income or expense, impairments on land or commercial mortgage residual interests, preferred stock redemption costs or other non-core amounts as they occur. The company's computation of Core FFO may differ from the methodology for calculating Core FFO used by other equity REITs, and therefore, may not be comparable to such other REITs. A reconciliation of net earnings (computed in accordance with GAAP) to Core FFO is included in the financial information accompanying this release.

Adjusted Funds From Operations ("AFFO") is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. AFFO adjusts FFO for certain non-cash items that reduce or increase net income in accordance with GAAP. AFFO should not be considered an alternative to net earnings, as an indication of the company's performance or to cash flow as a measure of liquidity or ability to make distributions. Management considers AFFO a useful supplemental measure of the company's performance. 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. A reconciliation of net earnings (computed in accordance with GAAP) to AFFO is included in the financial information accompanying this release.

National Retail Properties, Inc.
(in thousands, except per share data)
(unaudited)

	Quarter Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Income Statement Summary				
Revenues:				
Rental and earned income	\$ 153,684	\$ 145,187	\$ 604,615	\$ 568,083
Real estate expense reimbursement from tenants	5,143	4,338	16,784	15,512
Interest and other income from real estate transactions	149	722	1,262	1,338
	<u>158,976</u>	<u>150,247</u>	<u>622,661</u>	<u>584,933</u>
Operating expenses:				
General and administrative	8,267	8,712	34,248	33,805
Real estate	7,649	6,465	25,099	23,105
Depreciation and amortization	44,117	43,843	174,398	173,720
Impairment losses – real estate and other charges, net of recoveries	18,494	7,708	28,211	8,955
Retirement severance costs	270	192	1,013	7,845
	<u>78,797</u>	<u>66,920</u>	<u>262,969</u>	<u>247,430</u>
Gain on disposition of real estate	8,020	15,791	65,070	36,655
Earnings from operations	<u>88,199</u>	<u>99,118</u>	<u>424,762</u>	<u>374,158</u>
Other expenses (revenues):				
Interest and other income	(1,553)	(83)	(1,810)	(322)
Interest expense	34,940	27,016	115,847	109,109
Loss on early extinguishment of debt	18,240	—	18,240	—
	<u>51,627</u>	<u>26,933</u>	<u>132,277</u>	<u>108,787</u>
Net earnings	36,572	72,185	292,485	265,371
Earnings attributable to noncontrolling interests	(10)	(17)	(38)	(398)
Net earnings attributable to NNN	36,562	72,168	292,447	264,973
Series D preferred stock dividends	—	—	—	(3,598)
Series E preferred stock dividends	(4,097)	(4,097)	(16,387)	(16,387)
Series F preferred stock dividends	(4,485)	(4,485)	(17,940)	(17,940)
Excess of redemption value over carrying value of Series D preferred shares redeemed	—	—	—	(9,855)
Net earnings available to common stockholders	<u>\$ 27,980</u>	<u>\$ 63,586</u>	<u>\$ 258,120</u>	<u>\$ 217,193</u>
Weighted average common shares outstanding:				
Basic	<u>159,193</u>	<u>151,791</u>	<u>155,745</u>	<u>149,111</u>
Diluted	<u>159,772</u>	<u>152,148</u>	<u>156,296</u>	<u>149,433</u>
Net earnings per share available to common stockholders:				
Basic	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 1.65</u>	<u>\$ 1.45</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 1.65</u>	<u>\$ 1.45</u>

National Retail Properties, Inc.
(in thousands, except per share data)
(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<u>Funds From Operations (FFO) Reconciliation:</u>				
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Real estate depreciation and amortization:	44,037	43,764	174,076	173,404
Gain on disposition of real estate, net of noncontrolling interests	(8,020)	(15,791)	(65,070)	(36,258)
Impairment losses – depreciable real estate, net of recoveries	18,494	3,708	28,211	4,840
Total FFO adjustments	<u>54,511</u>	<u>31,681</u>	<u>137,217</u>	<u>141,986</u>
FFO available to common stockholders	<u>\$ 82,491</u>	<u>\$ 95,267</u>	<u>\$ 395,337</u>	<u>\$ 359,179</u>
FFO per common share:				
Basic	<u>\$ 0.52</u>	<u>\$ 0.63</u>	<u>\$ 2.54</u>	<u>\$ 2.41</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.63</u>	<u>\$ 2.53</u>	<u>\$ 2.40</u>
<u>Core Funds from Operations Reconciliation:</u>				
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Total FFO adjustments	<u>54,511</u>	<u>31,681</u>	<u>137,217</u>	<u>141,986</u>
FFO available to common stockholders	82,491	95,267	395,337	359,179
Excess of redemption value over carrying value of preferred share redemption	—	—	—	9,855
Impairment losses – non-depreciable real estate	—	—	—	112
Retirement severance costs	270	192	1,013	7,845
Loss on early extinguishment of debt	<u>18,240</u>	<u>—</u>	<u>18,240</u>	<u>—</u>
Total Core FFO adjustments	<u>18,510</u>	<u>192</u>	<u>19,253</u>	<u>17,812</u>
Core FFO available to common stockholders	<u>\$ 101,001</u>	<u>\$ 95,459</u>	<u>\$ 414,590</u>	<u>\$ 376,991</u>
Core FFO per common share:				
Basic	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 2.66</u>	<u>\$ 2.53</u>
Diluted	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 2.65</u>	<u>\$ 2.52</u>

National Retail Properties, Inc.
(in thousands, except per share data)
(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<u>Adjusted Funds From Operations (AFFO) Reconciliation:</u>				
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Total FFO adjustments	54,511	31,681	137,217	141,986
Total Core FFO adjustments	18,510	192	19,253	17,812
Core FFO available to common stockholders	101,001	95,459	414,590	376,991
Straight-line accrued rent	124	(552)	(747)	(1,752)
Net capital lease rent adjustment	220	223	874	884
Below market rent amortization	(288)	(659)	(2,622)	(3,355)
Stock based compensation expense	2,641	1,962	9,282	8,750
Capitalized interest expense	(175)	(741)	(2,675)	(2,435)
Total AFFO adjustments	2,522	233	4,112	2,092
AFFO available to common stockholders	\$ 103,523	\$ 95,692	\$ 418,702	\$ 379,083
AFFO per common share:				
Basic	\$ 0.65	\$ 0.63	\$ 2.69	\$ 2.54
Diluted	\$ 0.65	\$ 0.63	\$ 2.68	\$ 2.54
<u>Other Information:</u>				
Percentage rent	\$ 543	\$ 715	\$ 1,561	\$ 1,700
Amortization of debt costs	\$ 1,917	\$ 891	\$ 4,611	\$ 3,502
Scheduled debt principal amortization (excluding maturities)	\$ 138	\$ 130	\$ 538	\$ 510
Non-real estate depreciation expense	\$ 83	\$ 82	\$ 332	\$ 327

2019 Earnings Guidance (Unchanged from November 2018):

Guidance is based on current plans and assumptions and subject to risks and uncertainties more fully described in this press release and the company's reports filed with the Securities and Exchange Commission.

2019 Guidance

Net earnings per common share excluding any gains on disposition of real estate and impairment charges	\$1.60 - \$1.65 per share
Real estate depreciation and amortization per share	\$1.11 per share
Core FFO per share	\$2.71 - \$2.76 per share
AFFO per share	\$2.76 - \$2.81 per share
G&A expenses	\$35.5 - \$36.5 Million
Real estate expenses, net of tenant reimbursements	\$8.5 - \$9.0 Million
Acquisition volume	\$550 - \$650 Million
Disposition volume	\$80 - \$120 Million

National Retail Properties, Inc.
(in thousands)
(unaudited)

	December 31, 2018	December 31, 2017
Balance Sheet Summary		
Assets:		
Real estate:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 6,853,757	\$ 6,403,638
Accounted for using the direct financing method	8,069	9,650
Real estate held for sale	13,606	29,373
Cash and cash equivalents	114,267	1,364
Receivables, net of allowance	3,797	4,317
Accrued rental income, net of allowance	25,387	25,916
Debt costs, net of accumulated amortization	4,081	5,380
Other assets	80,474	80,896
Total assets	\$ 7,103,438	\$ 6,560,534
Liabilities:		
Line of credit payable	\$ —	\$ 120,500
Mortgages payable, including unamortized premium and net of unamortized debt cost	12,694	13,300
Notes payable, net of unamortized discount and unamortized debt costs	2,838,701	2,446,407
Accrued interest payable	19,519	20,311
Other liabilities	77,919	119,106
Total liabilities	2,948,833	2,719,624
Stockholders' equity of NNN	4,154,250	3,840,593
Noncontrolling interests	355	317
Total equity	4,154,605	3,840,910
Total liabilities and equity	\$ 7,103,438	\$ 6,560,534
Common shares outstanding	161,504	153,577
Gross leasable area, Property Portfolio (square feet)	30,487	29,093

National Retail Properties, Inc.

Debt Summary
As of December 31, 2018
(in thousands)
(unaudited)

Unsecured Debt	Principal	Principal, Net of Unamortized Discount	Stated Rate	Effective Rate	Maturity Date
Line of credit payable	\$ —	\$ —	L + 87.5 bps	2.823%	January 2022
Unsecured notes payable:					
2022	325,000	322,903	3.800%	3.985%	October 2022
2023	350,000	348,780	3.300%	3.388%	April 2023
2024	350,000	349,583	3.900%	3.924%	June 2024
2025	400,000	399,301	4.000%	4.029%	November 2025
2026	350,000	346,818	3.600%	3.733%	December 2026
2027	400,000	398,550	3.500%	3.548%	October 2027
2028	400,000	397,215	4.300%	4.388%	October 2028
2048	300,000	295,778	4.800%	4.890%	October 2048
Total	2,875,000	2,858,928			
Total unsecured debt	<u>\$ 2,875,000</u>	<u>\$ 2,858,928</u>			
Debt costs		(26,932)			
Accumulated amortization		6,705			
Debt costs, net of accumulated amortization		<u>(20,227)</u>			
Notes payable, net of unamortized discount and unamortized debt costs ⁽¹⁾		<u>\$ 2,838,701</u>			

⁽¹⁾ Unsecured notes payable have a weighted average interest rate of 4.0% and a weighted average maturity of 9.3 years

Mortgages Payable	Principal Balance	Interest Rate	Maturity Date
Mortgage ⁽¹⁾	\$ 12,768	5.230%	July 2023
Debt costs	(147)		
Accumulated amortization	73		
Debt costs, net of accumulated amortization	<u>(74)</u>		
Mortgages payable, including unamortized premium and net of unamortized debt costs	<u>\$ 12,694</u>		

⁽¹⁾ Includes unamortized premium

National Retail Properties, Inc.
Property Portfolio

Top 20 Lines of Trade

Line of Trade	As of December 31,	
	2018 ⁽¹⁾	2017 ⁽²⁾
1. Convenience stores	18.0%	18.1%
2. Restaurants - full service	11.4%	12.1%
3. Restaurants - limited service	8.9%	7.6%
4. Automotive service	8.6%	6.9%
5. Family entertainment centers	7.1%	6.4%
6. Health and fitness	5.6%	5.6%
7. Theaters	5.0%	4.8%
8. Automotive parts	3.4%	3.6%
9. Recreational vehicle dealers, parts and accessories	3.4%	3.4%
10. Wholesale clubs	2.3%	2.2%
11. Medical service providers	2.2%	2.4%
12. Home improvement	2.2%	1.8%
13. Equipment rental	1.9%	2.0%
14. Drug stores	1.8%	1.9%
15. Travel plazas	1.7%	1.8%
16. Furniture	1.7%	1.9%
17. Bank	1.6%	2.5%
18. Consumer electronics	1.6%	1.8%
19. General merchandise	1.6%	1.8%
20. Home furnishings	1.5%	1.6%
Other	8.5%	9.8%
Total	100.0%	100.0%

Top 10 States

State	% of Total ⁽¹⁾	State	% of Total ⁽¹⁾
1. Texas	17.3%	6. Georgia	4.5%
2. Florida	8.7%	7. Tennessee	3.9%
3. Ohio	5.7%	8. Indiana	3.9%
4. Illinois	5.2%	9. Virginia	3.7%
5. North Carolina	4.6%	10. Alabama	3.1%

⁽¹⁾ Based on the annualized base rent for all leases in place as of December 31, 2018.

⁽²⁾ Based on the annualized base rent for all leases in place as of December 31, 2017.

National Retail Properties, Inc.
Property Portfolio

Top Tenants (≥ 2.0%)

	<u>Properties</u>	<u>% of Total ⁽¹⁾</u>
7-Eleven	140	5.4%
Mister Car Wash	106	4.4%
Camping World	47	4.3%
LA Fitness	30	4.0%
Flynn Restaurant Group (Taco Bell/Arby's)	201	3.6%
GPM Investments (Convenience Stores)	151	3.6%
AMC Theatres	20	3.2%
Couche-Tard (Pantry)	86	3.0%
Sunoco	61	2.4%
BJ's Wholesale Club	9	2.3%
Chuck E. Cheese's	53	2.2%

Lease Expirations⁽²⁾

	<u>% of Total⁽¹⁾</u>	<u># of Properties</u>	<u>Gross Leasable Area ⁽³⁾</u>		<u>% of Total⁽¹⁾</u>	<u># of Properties</u>	<u>Gross Leasable Area ⁽³⁾</u>
2019	1.7%	51	648,000	2025	4.4%	129	1,130,000
2020	3.0%	116	1,498,000	2026	5.0%	179	1,697,000
2021	3.8%	121	1,317,000	2027	7.6%	193	2,600,000
2022	5.9%	124	1,636,000	2028	5.0%	162	1,188,000
2023	2.9%	113	1,420,000	2029	3.3%	73	1,208,000
2024	3.0%	75	1,284,000	Thereafter	54.4%	1,578	13,813,000

⁽¹⁾ Based on the annual base rent of \$626,451,000, which is the annualized base rent for all leases in place as of December 31, 2018.

⁽²⁾ As of December 31, 2018, the weighted average remaining lease term is 11.5 years.

⁽³⁾ Square feet.

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Section 3: EX-99.2 (EXHIBIT 99.2)

Exhibit 99.2



As of December 31, 2018

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Statements in this supplemental that are not strictly historical are “forward-looking” statements. These statements generally are characterized by the use of terms such as “believe,” “expect,” “intend,” “may,” “estimated,” or other similar words or expressions. Forward-looking statements involve known and unknown risks, which may cause the company’s actual future results to differ materially from expected results. These risks include, among others, general economic conditions, local real estate conditions, changes in interest rates, increases in operating costs, the preferences and financial condition of the company’s tenants, the availability of capital, risks related to the company’s status as a REIT and the profitability of the company’s taxable subsidiary. Additional information concerning these and other factors that could cause actual results to differ materially from these forward-looking statements is contained from time to time in the company’s Securities and Exchange Commission (the “Commission”) filings, including, but not limited to, the company’s Annual Report on Form 10-K. Copies of each filing may be obtained from the company or the Commission. Such forward-looking statements should be regarded solely as reflections of the company’s current operating plans and estimates. Actual operating results may differ materially from what is expressed or forecast in this press release. National Retail Properties, Inc. undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date these statements were made.

INCOME STATEMENT SUMMARY

(in thousands, except per share data)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Rental and earned income	\$ 153,684	\$ 145,187	\$ 604,615	\$ 568,083
Real estate expense reimbursement from tenants	5,143	4,338	16,784	15,512
Interest and other income from real estate transactions	149	722	1,262	1,338
	<u>158,976</u>	<u>150,247</u>	<u>622,661</u>	<u>584,933</u>
Operating expenses:				
General and administrative	8,267	8,712	34,248	33,805
Real estate	7,649	6,465	25,099	23,105
Depreciation and amortization	44,117	43,843	174,398	173,720
Impairment losses – real estate and other charges, net of recoveries	18,494	7,708	28,211	8,955
Retirement severance costs	270	192	1,013	7,845
	<u>78,797</u>	<u>66,920</u>	<u>262,969</u>	<u>247,430</u>
Gain on disposition of real estate	8,020	15,791	65,070	36,655
Earnings from operations	<u>88,199</u>	<u>99,118</u>	<u>424,762</u>	<u>374,158</u>
Other expenses (revenues):				
Interest and other income	(1,553)	(83)	(1,810)	(322)
Interest expense	34,940	27,016	115,847	109,109
Loss on early extinguishment of debt	18,240	—	18,240	—
	<u>51,627</u>	<u>26,933</u>	<u>132,277</u>	<u>108,787</u>
Net earnings	36,572	72,185	292,485	265,371
Earnings attributable to noncontrolling interests	(10)	(17)	(38)	(398)
Net earnings attributable to NNN	<u>\$ 36,562</u>	<u>\$ 72,168</u>	<u>\$ 292,447</u>	<u>\$ 264,973</u>

INCOME STATEMENT SUMMARY

(in thousands, except per share data)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net earnings attributable to NNN	\$ 36,562	\$ 72,168	\$ 292,447	\$ 264,973
Series D preferred stock dividends	—	—	—	(3,598)
Series E preferred stock dividends	(4,097)	(4,097)	(16,387)	(16,387)
Series F preferred stock dividends	(4,485)	(4,485)	(17,940)	(17,940)
Excess of redemption value over carrying value of Series D preferred shares redeemed	—	—	—	(9,855)
Net earnings available to common stockholders	<u>\$ 27,980</u>	<u>\$ 63,586</u>	<u>\$ 258,120</u>	<u>\$ 217,193</u>
Weighted average common shares outstanding:				
Basic	<u>159,193</u>	<u>151,791</u>	<u>155,745</u>	<u>149,111</u>
Diluted	<u>159,772</u>	<u>152,148</u>	<u>156,296</u>	<u>149,433</u>
Net earnings per share available to common stockholders:				
Basic	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 1.65</u>	<u>\$ 1.45</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 1.65</u>	<u>\$ 1.45</u>

FUNDS FROM OPERATIONS (FFO)

(in thousands, except per share data)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Real estate depreciation and amortization:	44,037	43,764	174,076	173,404
Gain on disposition of real estate, net of noncontrolling interests	(8,020)	(15,791)	(65,070)	(36,258)
Impairment losses – depreciable real estate, net of recoveries	18,494	3,708	28,211	4,840
Total FFO adjustments	54,511	31,681	137,217	141,986
FFO available to common stockholders	\$ 82,491	\$ 95,267	\$ 395,337	\$ 359,179

FFO per common share:

Basic	\$ 0.52	\$ 0.63	\$ 2.54	\$ 2.41
Diluted	\$ 0.52	\$ 0.63	\$ 2.53	\$ 2.40

CORE FUNDS FROM OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Total FFO adjustments	54,511	31,681	137,217	141,986
FFO available to common stockholders	82,491	95,267	395,337	359,179
Excess of redemption value over carrying value of preferred share redemption	—	—	—	9,855
Impairment losses – non-depreciable real estate	—	—	—	112
Retirement severance costs	270	192	1,013	7,845
Loss on early extinguishment of debt	18,240	—	18,240	—
Total Core FFO adjustments	18,510	192	19,253	17,812
Core FFO available to common stockholders	\$ 101,001	\$ 95,459	\$ 414,590	\$ 376,991

Core FFO per common share:

Basic	\$ 0.63	\$ 0.63	\$ 2.66	\$ 2.53
Diluted	\$ 0.63	\$ 0.63	\$ 2.65	\$ 2.52

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

(in thousands, except per share data)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net earnings available to common stockholders	\$ 27,980	\$ 63,586	\$ 258,120	\$ 217,193
Total FFO adjustments	54,511	31,681	137,217	141,986
Total Core FFO adjustments	18,510	192	19,253	17,812
Core FFO available to common stockholders	101,001	95,459	414,590	376,991
Straight-line accrued rent	124	(552)	(747)	(1,752)
Net capital lease rent adjustment	220	223	874	884
Below market rent amortization	(288)	(659)	(2,622)	(3,355)
Stock based compensation expense	2,641	1,962	9,282	8,750
Capitalized interest expense	(175)	(741)	(2,675)	(2,435)
Total AFFO adjustments	2,522	233	4,112	2,092
AFFO available to common stockholders	\$ 103,523	\$ 95,692	\$ 418,702	\$ 379,083
AFFO per common share:				
Basic	\$ 0.65	\$ 0.63	\$ 2.69	\$ 2.54
Diluted	\$ 0.65	\$ 0.63	\$ 2.68	\$ 2.54

OTHER INFORMATION

(in thousands)

(unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Percentage rent	\$ 543	\$ 715	\$ 1,561	\$ 1,700
Amortization of debt costs	\$ 1,917	\$ 891	\$ 4,611	\$ 3,502
Scheduled debt principal amortization (excluding maturities)	\$ 138	\$ 130	\$ 538	\$ 510
Non-real estate depreciation expense	\$ 83	\$ 82	\$ 332	\$ 327

BALANCE SHEET

(in thousands)

(unaudited)

	December 31, 2018	December 31, 2017
Assets:		
Real estate:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 6,853,757	\$ 6,403,638
Accounted for using the direct financing method	8,069	9,650
Real estate held for sale	13,606	29,373
Cash and cash equivalents	114,267	1,364
Receivables, net of allowance	3,797	4,317
Accrued rental income, net of allowance	25,387	25,916
Debt costs, net of accumulated amortization	4,081	5,380
Other assets	80,474	80,896
Total assets	\$ 7,103,438	\$ 6,560,534
Liabilities:		
Line of credit payable	\$ —	\$ 120,500
Mortgages payable, including unamortized premium and net of unamortized debt cost	12,694	13,300
Notes payable, net of unamortized discount and unamortized debt costs	2,838,701	2,446,407
Accrued interest payable	19,519	20,311
Other liabilities	77,919	119,106
Total liabilities	2,948,833	2,719,624
Stockholders' equity of NNN	4,154,250	3,840,593
Noncontrolling interests	355	317
Total equity	4,154,605	3,840,910
Total liabilities and equity	\$ 7,103,438	\$ 6,560,534
Common shares outstanding	161,504	153,577
Gross leasable area, Property Portfolio (square feet)	30,487	29,093

DEBT SUMMARY

(in thousands)

As of December 31, 2018

Unsecured Debt	Principal	Principal, Net of Unamortized Discount	Stated Rate	Effective Rate	Maturity Date
Line of credit payable	\$ —	\$ —	L + 87.5 bps	2.823%	January 2022
Unsecured notes payable:					
2022	325,000	322,903	3.800%	3.985%	October 2022
2023	350,000	348,780	3.300%	3.388%	April 2023
2024	350,000	349,583	3.900%	3.924%	June 2024
2025	400,000	399,301	4.000%	4.029%	November 2025
2026	350,000	346,818	3.600%	3.733%	December 2026
2027	400,000	398,550	3.500%	3.548%	October 2027
2028	400,000	397,215	4.300%	4.388%	October 2028
2048	300,000	295,778	4.800%	4.890%	October 2048
Total	2,875,000	2,858,928			

Total unsecured debt	<u>\$ 2,875,000</u>	<u>\$ 2,858,928</u>
----------------------	---------------------	---------------------

Debt costs	(26,932)
Accumulated amortization	6,705
Debt costs, net of accumulated amortization	<u>(20,227)</u>
Notes payable, net of unamortized discount and unamortized debt costs ⁽¹⁾	<u>\$ 2,838,701</u>

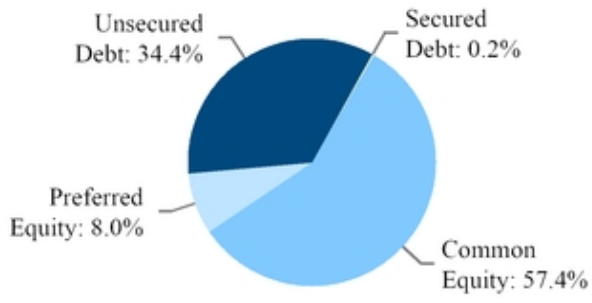
⁽¹⁾ Unsecured notes payable have a weighted average interest rate of 4.0% and a weighted average maturity of 9.3 years

Mortgages Payable	Interest Rate	Maturity Date	Principal Balance
Mortgage ⁽¹⁾	5.230%	July 2023	\$ 12,768

Debt costs	(147)
Accumulated amortization	73
Debt costs, net of accumulated amortization	<u>(74)</u>
Mortgages payable, including unamortized premium and net of unamortized debt costs	<u>\$ 12,694</u>

⁽¹⁾ Includes unamortized premium

**Total Gross Book Assets
(\$7,915.9 Million)**



CREDIT METRICS ⁽¹⁾

Ratings: Moody's Baa1; S&P BBB+; Fitch BBB+

	2014	2015	2016	2017	2018
Debt / Total assets (gross book)	32.6%	33.2%	30.2%	35.3%	34.6%
Debt + preferred / Total assets (gross book)	43.3%	42.9%	43.9%	44.0%	42.6%
Debt / EBITDA (last four quarters)	4.5	4.6	4.3	4.9	4.8
Debt + Pref Stock / EBITDA	6.0	5.9	6.2	6.1	5.9
EBITDA / Interest expense (cash)	4.4	4.6	4.8	4.7	4.8
EBITDA / Fixed charges (cash)	3.1	3.3	3.4	3.5	3.7

⁽¹⁾ Debt amounts used in calculation are net of cash balances.

CREDIT FACILITY AND NOTES COVENANTS

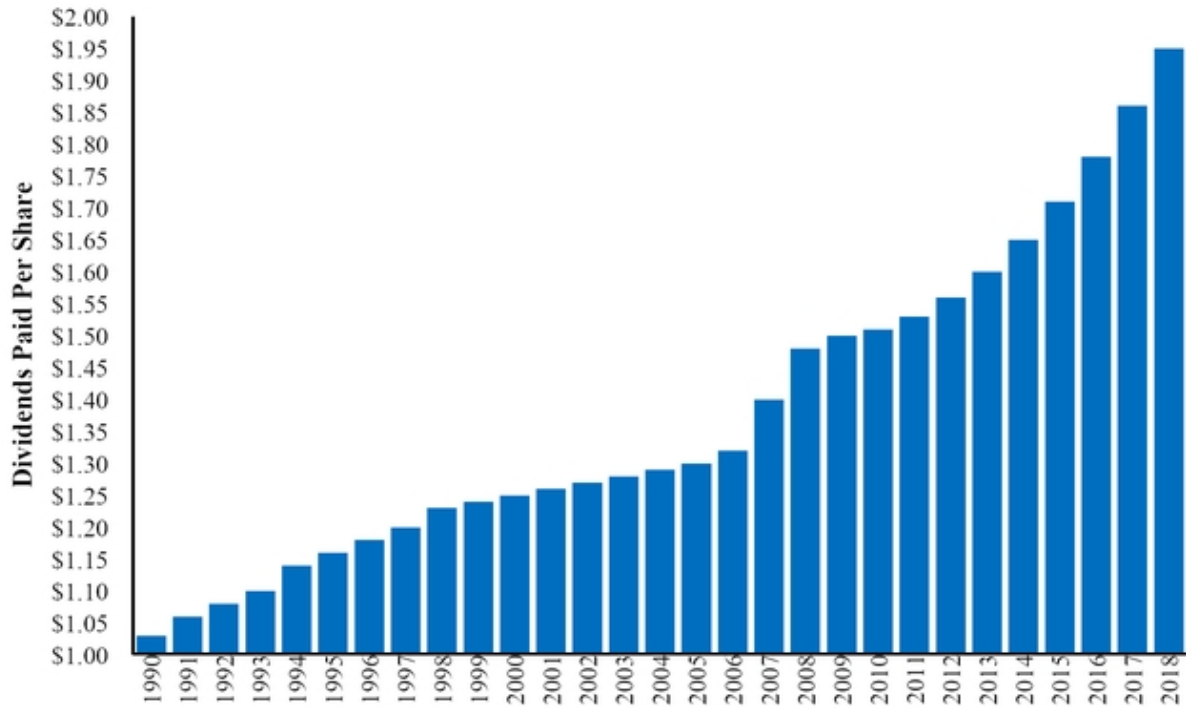
The following is a summary of key financial covenants for the company's unsecured credit facility and notes, as defined and calculated per the terms of the facility's credit agreement and the notes' governing documents, respectively, which are included in the company's filings with the Commission. These calculations, which are not based on U.S. GAAP measurements, are presented to investors to show that as of December 31, 2018, the company believes it is in compliance with the covenants.

Unsecured Credit Facility Key Covenants	Required	December 31, 2018
Maximum leverage ratio	< 0.60	0.34
Minimum fixed charge coverage ratio	> 1.50	3.36
Maximum secured indebtedness ratio	< 0.40	0.001
Unencumbered asset value ratio	> 1.67	3.01
Unencumbered interest ratio	> 1.75	4.36

Unsecured Notes Key Covenants	Required	December 31, 2018
Limitation on incurrence of total debt	≤ 60%	35.10%
Limitation on incurrence of secured debt	≤ 40%	0.16%
Debt service coverage ratio	≥ 1.50	4.60
Maintenance of total unencumbered assets	≥ 150%	285.39%

LONG-TERM DIVIDEND HISTORY

**29 Consecutive Years of Dividend Increases
(One of only three publicly traded REITs)**



PROPERTY ACQUISITIONS

(dollars in thousands)

	Year Ended December 31,	
	2018	2017
Total dollars invested	\$ 715,572	\$ 754,892
Number of Properties	265	276
Gross leasable area (square feet)	2,167,000	2,243,000
Cash cap rate	6.8%	6.9%

PROPERTY DISPOSITIONS

(dollars in thousands)

	Year Ended December 31,					
	2018			2017		
	Occupied	Vacant	Total	Occupied	Vacant	Total
Number of properties	37	24 ⁽¹⁾	61	31	17 ⁽²⁾	48
Gross leasable area (square feet)	552,000	134,000	686,000	161,000	185,000	346,000
Acquisition costs	\$ 90,384	\$ 31,366	\$ 121,750	\$ 61,008	\$ 20,228	\$ 81,236
Net book value	\$ 71,091	\$ 11,660	\$ 82,751	\$ 52,571	\$ 7,530	\$ 60,101
Net sale proceeds	\$ 133,804	\$ 13,842	\$ 147,646	\$ 88,382	\$ 8,375	\$ 96,757
Cash cap rate	5.1%	—	5.1%	6.0%	—	6.0%

⁽¹⁾ Includes 13 SunTrust properties and five land parcels

⁽²⁾ Includes seven leased SunTrust properties whose leases were terminated at the time of sale and one land parcel

SUNTRUST PROPERTY RECAP - UPDATE (through December 31, 2018)

Initial Investment:	Total		Per Property	
Original investment (June 2013)	\$	210,571,800	\$	1,740,263 (121 Properties)
Annual rent at acquisition (June 2013)		15,392,802		127,213 (7.31% yield)
Resolution:	Properties	Annual Rent	Acq. Cost	Value
Renewed lease (12 years) - value at 6.00% cap	80	\$ 10,853,331		\$ 180,888,850
Sold to tenant at 5.65% cap (March 2017)	10	n/a		31,957,610
Vacancy to market (March 31, 2018 lease expiration)				
Sold as of December 31, 2018	21	n/a		11,608,250
Leased as of December 31, 2018	2	312,426		4,463,229
Marketing for sale or lease	8	TBD		TBD
	<u>121</u>		<u>\$ 210,571,800</u>	<u>\$ 228,917,939</u> +

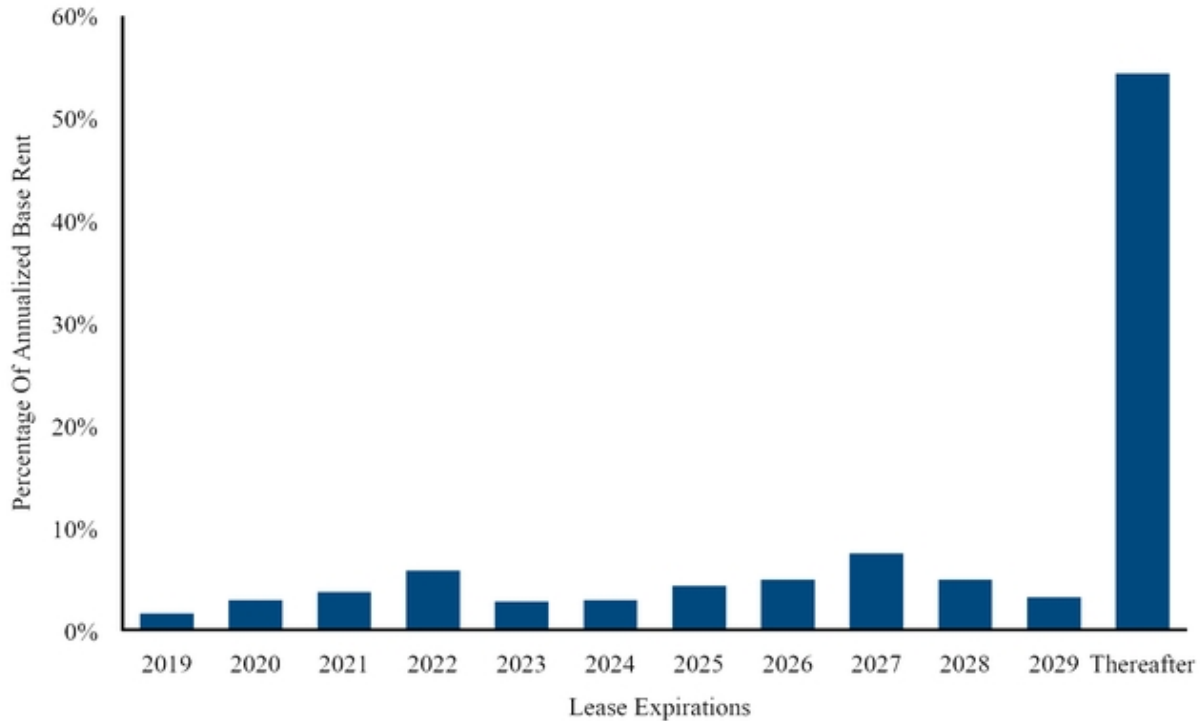
LEASE EXPIRATIONS

	% of Total ⁽¹⁾	# of Properties	Gross Leasable Area ⁽²⁾		% of Total ⁽¹⁾	# of Properties	Gross Leasable Area ⁽²⁾
2019	1.7%	51	648,000	2025	4.4%	129	1,130,000
2020	3.0%	116	1,498,000	2026	5.0%	179	1,697,000
2021	3.8%	121	1,317,000	2027	7.6%	193	2,600,000
2022	5.9%	124	1,636,000	2028	5.0%	162	1,188,000
2023	2.9%	113	1,420,000	2029	3.3%	73	1,208,000
2024	3.0%	75	1,284,000	Thereafter	54.4%	1,578	13,813,000

⁽¹⁾ Based on the annual base rent of \$626,451,000, which is the annualized base rent for all leases in place as of December 31, 2018.

⁽²⁾ Square feet.

Lease Expirations as a Percentage of Annualized Base Rent (weighted average remaining lease term is 11.5 years)



TOP 20 LINES OF TRADE

Line of Trade	As of December 31, 2018		As of December 31, 2017	
	% of Total ⁽¹⁾	Properties	% of Total ⁽²⁾	Properties
1. Convenience stores	18.0%	617	18.1%	576
2. Restaurants - full service	11.4%	453	12.1%	455
3. Restaurants - limited service	8.9%	498	7.6%	394
4. Automotive service	8.6%	291	6.9%	220
5. Family entertainment centers	7.1%	98	6.4%	95
6. Health and fitness	5.6%	35	5.6%	36
7. Theaters	5.0%	33	4.8%	33
8. Automotive parts	3.4%	179	3.6%	180
9. Recreational vehicle dealers, parts and accessories	3.4%	36	3.4%	34
10. Wholesale clubs	2.3%	9	2.2%	8
11. Medical service providers	2.2%	84	2.4%	86
12. Home improvement	2.2%	38	1.8%	25
13. Equipment rental	1.9%	59	2.0%	58
14. Drug stores	1.8%	37	1.9%	39
15. Travel plazas	1.7%	27	1.8%	27
16. Furniture	1.7%	44	1.9%	43
17. Bank	1.6%	70	2.5%	104
18. Consumer electronics	1.6%	17	1.8%	19
19. General merchandise	1.6%	59	1.8%	62
20. Home furnishings	1.5%	18	1.6%	18
Other	8.5%	267	9.8%	252
Total	100.0%	2,969	100.0%	2,764

⁽¹⁾ Based on the annualized base rent for all leases in place as of December 31, 2018.

⁽²⁾ Based on the annualized base rent for all leases in place as of December 31, 2017.

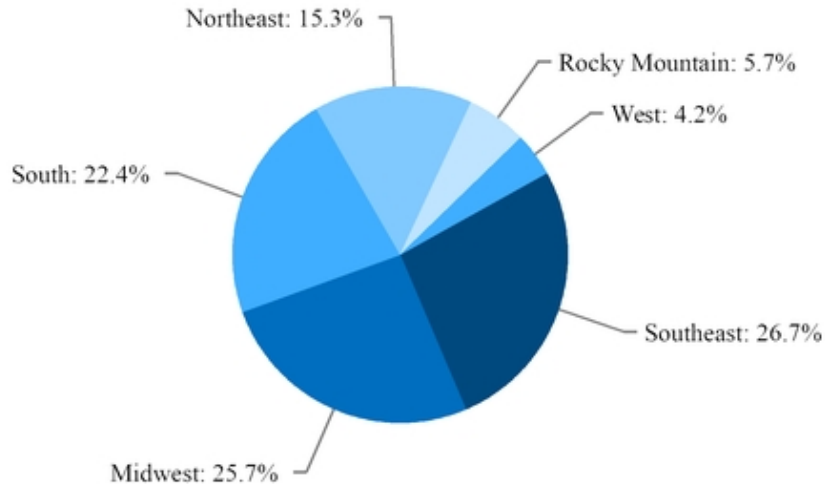
TOP 10 STATES

State	% of Total ⁽¹⁾	Properties	State	% of Total ⁽¹⁾	Properties
1. Texas	17.3%	472	6. Georgia	4.5%	143
2. Florida	8.7%	219	7. Tennessee	3.9%	138
3. Ohio	5.7%	195	8. Indiana	3.9%	125
4. Illinois	5.2%	141	9. Virginia	3.7%	114
5. North Carolina	4.6%	148	10. Alabama	3.1%	132

⁽¹⁾ Based on the annualized base rent for all leases in place as of December 31, 2018.

PORTFOLIO BY REGION

As a percentage of annual base rent - December 31, 2018



TOP TENANTS

Creditworthy Retailers

- 20% of annual base rent is from tenants with investment grade rated debt
- 63% of annual base rent is from tenants that are publicly traded and/or have rated debt
- Top 25 tenants (59% of annual base rent) operate an average of 1,136 stores each

Top Tenants ($\geq 2.0\%$)	Properties	% of Total ⁽¹⁾
7-Eleven	140	5.4%
Mister Car Wash	106	4.4%
Camping World	47	4.3%
LA Fitness	30	4.0%
Flynn Restaurant Group (Taco Bell/Arby's)	201	3.6%
GPM Investments (Convenience Stores)	151	3.6%
AMC Theatres	20	3.2%
Couche-Tard (Pantry)	86	3.0%
Sunoco	61	2.4%
BJ's Wholesale Club	9	2.3%
Chuck E. Cheese's	53	2.2%

	Rent Coverage (With Corp. Overhead)	Fixed Charge Coverage
Range	1.7x - 9.4x	1.3x - 4.0x
Average	3.8x	2.3x
Weighted average	3.6x	2.3x

⁽¹⁾ Based on the annual base rent of \$626,451,000, which is the annualized base rent for all leases in place as of December 31, 2018.

SAME STORE RENTAL INCOME

(dollars in thousands)

Same Store Rental Income – Properties (Cash Basis) ⁽¹⁾

Number of properties		2,668
Year ended December 31, 2018	\$	522,064
Year ended December 31, 2017	\$	522,733
Decrease (in dollars)	\$	(669)
Change (percent)		(0.1)% ⁽²⁾

⁽¹⁾ Includes all properties owned for current and prior year period excluding any properties under development or re-development.

⁽²⁾ Excluding impact from Gander Mountain, Virginia College, Toys R Us bankruptcies and SunTrust lease expiration, same store rents would have increased 1.0%.

Same Store Rental Income – Leases (Cash Basis) ⁽¹⁾

Number of leases		2,361
Year ended December 31, 2018	\$	508,577
Year ended December 31, 2017	\$	501,794
Increase (in dollars)	\$	6,783
Change (percent)		1.4%

⁽¹⁾ Includes all properties owned for current and prior year period excluding any vacant properties or properties under development or re-development.

LEASING DATA

(dollars in thousands)

Year Ended December 31, 2018	Renewals With Same Tenant ⁽¹⁾	Vacancy Re-lease To New Tenant	Re-leasing Totals
Number of leases	52	15	67
Prior cash rents	\$ 10,820	\$ 1,935	\$ 12,755
New cash rents	\$ 10,414	\$ 1,676	\$ 12,090 ⁽²⁾
New rents / prior rents	96.3%	86.7%	94.8%
Tenant improvements	\$ 850	\$ 3,094	\$ 3,944

⁽¹⁾ Long-term renewal rate for the period of 2010 through 2018 was 84.1%.

⁽²⁾ Represents 1.9% of total annualized base rent as of December 31, 2018.

OTHER PROPERTY PORTFOLIO DATA

As of December 31, 2018

Tenant Financials

	# of Properties	% of Annual Base Rent
Property Level Financial Information	2,448	79%
Tenant Corporate Financials	2,283	79%

Rent Increases

	% of Annual Base Rent			
	Annual	Five Year	Other	Total
CPI – Based	33%	45%	2%	80%
Fixed Rate	3%	11%	2%	16%
No increases	—	—	4%	4%
	36%	56%	8%	100%

Lease Structure

- 93% of the company's annual base rent is from NNN leases
- 96% of the company's annual base rent is from NNN leases and NN leases (with roof warranty)

EARNINGS GUIDANCE

Guidance is based on current plans and assumptions and subject to risks and uncertainties more fully described in this press release and the company's reports filed with the Securities and Exchange Commission.

	2019 Guidance
Net earnings per common share excluding any gains on disposition of real estate and impairment charges	\$1.60 - \$1.65 per share
Real estate depreciation and amortization per share	\$1.11 per share
Core FFO per share	\$2.71 - \$2.76 per share
AFFO per share	\$2.76 - \$2.81 per share
G&A expenses	\$35.5 - \$36.5 Million
Real estate expenses, net of tenant reimbursements	\$8.5 - \$9.0 Million
Acquisition volume	\$550 - \$650 Million
Disposition volume	\$80 - \$120 Million

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Section 4: EX-99.1 (EXHIBIT 99.1)

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Section 5: EX-99.2 (EXHIBIT 99.2)

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