Christopher H. Volk
Chief Executive Officer

A Class of Our Own

To Our Stockholders,

If you are looking for evidence that a diverse portfolio of real estate leased to a diverse group of predominantly private, non-rated companies can outperform through turbulent economic weather, we have a thought. The proof is in the pandemic.

We named STORE for an asset class. Over many years of investing, our thoughts on net lease investment strategy evolved. Our earliest two successful net lease investment platforms were publicly listed in 1994 and 2004 with investment strategies that began with an exclusive focus on chain restaurants and ended with a broader array of operationally essential real estate. By the time we started STORE, we had arrived at the conclusion that **S**ingle **T**enant **O**perational **R**eal **E**state, or profit-center real estate, was the actual asset class. To be sure, most of the roughly $20 billion in real estate investments we have made since 1994 have been centered in profit-center assets. But with STORE, we became laser focused because we saw that profit-center assets, structured properly, offered a unique investment attribute that made them an asset class: We could create lease contracts having credit qualities far superior and more stable than those of our underlying tenants.

"Over the past ten years, we have been unfailingly consistent in our approach to our asset class and have publicly disclosed our Table Stakes adherence. In so doing, we have largely found that we have a singular view regarding this asset class that effectively places STORE in a class of its own. And in 2020, this made all the difference."

Table Stakes

Lease contract superiority is not something that can be guessed at. The single greatest key to understanding profit-center contract quality rests in access to unit-level profit and loss statements. This information is invaluable. For one, understanding the profitability of the operations housed in the real estate we own says a great deal about the value of the real estate and whether it was worth constructing in the first place. Whereas real estate qualitative assessments often begin with an analysis of local area drivers, demographics and traffic counts to estimate desirability, actually knowing location profitability has enabled STORE to limit guesswork. Secondly, understanding the unit-level economics of locations operated by our customers provides us far better insight into their business models. For one thing, we can see whether our customers are generating their corporate profits consistently over their many locations or whether they derive the bulk of their profits from just a few locations. Most importantly, by knowing the amount of free cash flow produced by the operations at the properties we own and lease to our tenants, we can start to establish the degree of STORE's contract superiority we can expect over other corporate creditors. At the end of 2020, we received property-level profit and loss statements from virtually all the real estate we own.

Having unit-level profit and loss statements is not alone sufficient to evaluate contract quality superiority. Most real estate-intensive businesses that operate across multiple real estate locations have properties that underperform. More than this, unit-level results can be expected to change over time, meaning that today's outperformers can become tomorrow's underperformers. To the extent that STORE holds underperforming locations, our contract quality will end up being no better than the credit quality of our underlying tenant. And, in the event of bankruptcy or lease expiration, the contract quality can wind up being inferior because the tenant then has an ability to vacate or reject a lease, returning the underperforming property to us. There is a way for a landlord to address this issue to better assure lease contract superiority and alignments of interest: Master lease structures, which bind multiple assets in a single lease arrangement. At the end of 2020, 94% of our multi-location leases with our customers were in the form of master leases.

Were STORE to stop at this point, owning profitable, master leased properties, there would be no governance on the price we could pay. Given the vast majority of the real estate we hold is not likely to become vacant during its lease term, the price we pay would seem to be of less importance. But, of course, price matters. Overpaying for real estate based on master lease profitability incorporates tenant business value into real estate. Basically, the landlord, in overpaying for real estate, becomes a source of tenant equity capitalization which can limit contract seniority. In the event of tenant insolvency or lease expiration, the cost of overpaying is elevated loss. That we may not experience the loss for many years says little about the fact that we knowingly agreed to take the risk. With this in mind, we decided from the outset that we would seek to avoid paying prices for real estate above the cost to physically reconstruct the property. That is generally our ceiling, since comparable area rents may demand a lower price. In the interest of transparency, we regularly disclose the amounts of our investments relative to their underlying replacement cost. At the end of 2020, our average real estate investment approximated 80% of replacement cost.

There is a fourth way to make a net lease contract senior to other corporate obligations of our tenant: We can realize cash yields on our investments in excess of those that might be demanded in the auctioned, or brokered, marketplace. Over the past five years, the average initial yield realized on STORE's initial investment has been roughly 7.9%. If we could sell our assets into the brokered marketplace for 7.0%, then we become among the few REITs able to originate our investments at a discount to Net Asset Value (NAV), in this case over 12%. It turns out that such a discount also elevates contract seniority, because it increases STORE's margins of safety. In this case, STORE could reduce rents by 12%, sell the real estate, and recover our full original investment. During 2020, we sold 48 occupied and paying properties primarily for opportunistic or strategic reasons for proceeds of $164 million, equating to a net cash yield of 7.4%. We then reinvested the cash into new real estate, which was acquired during the year at a weighted initial lease yield approximating 8.1%.

The Four "Table Stakes"
1. Unit-level profit and loss statements
2. Master leases wherever possible
3. Invest at or below replacement cost
4. Yields exceeding the auction marketplace

We call the receipt of unit-level profit and loss statements, together with our preferences for master leases, real estate priced below reconstruction cost and investment yields in excess of those in the auction marketplace our investment “Table Stakes.” In reality, they are much more than that. Together, Table Stakes are what makes profit-center real estate investing an asset class. The first and third table stake are absolutely essential. The second, master leases, is highly preferred. Without master leases, contract quality is more volatile and subject to constant reevaluation given that it is tied to the results of singular assets. The final table stake, while not essential to the asset class, serves to elevate contract seniority and investment margins of safety. If you are investing in profit-center real estate, but are missing out on these Table Stakes, then your real estate is not part of the asset class as we see it. Without the four Table Stakes, you cannot prove contract seniority to the underlying credit quality of your tenant.

Over this past year, we have reflected a great deal on the importance of our singular asset class focus since founding STORE in 2011. 2020 presented one of the most significant economic challenges in modern history and STORE performed. Collectively, many of us had experienced a variety of economic turbulence, from the S&L crisis of 1990 to the demise of Long-Term Capital in 1998 to the Dot-Com bust of 2000 to the Great Recession of 2008-2009. None of these experiences resulted in the tenant disruption we witnessed during 2020. However, these experiences forged the inspiration for the defensive investment and management strategies we undertook in 2011 as we defined our asset class and gave STORE its name. Over the past ten years, we have been unfailingly consistent in our approach to our asset class and have publicly disclosed our Table Stakes adherence. In so doing, we have largely found that we have a singular view regarding this asset class that effectively places STORE in a class of its own. And in 2020, this made all the difference.

Our Market

Nearly 100% of America's more than 30 million businesses achieve less than $100 million in revenues annually or employ fewer than 500. Within this diverse array of companies, STORE's customer base lies squarely at the top of American business. At the end of 2020, STORE had 519 customers, approximately three-quarters of which had annual revenues exceeding $50 million. Weighted by tenant revenues, our average real estate investment is rented to an even larger tenant having approximately $800 million in revenues. Our customers tend to be regional and national leaders, with more than half diversified by location across multiple states. Nearly all our tenants are privately held and bank-dependent. There are increasingly few companies electing to be publicly traded, with the number at the end of 2020 estimated to be about 3,500. The notion of bank dependency reflects a general lack of access to bond markets, which tend to be accessible to the relative few companies subjecting their credit quality to rating agency evaluation (less than 10,000, with scarcely more than 40% of those having investment-grade ratings greater than BBB-/Baa3). Within a virtual ocean of companies, we estimate that approximately 200,000 larger concerns are engaged in business models that require the deployment of material amounts of real estate and who stand to benefit from the types of net lease capital that STORE was built to deliver. We were formed to fulfill a need. In turn, our target market of national and leading companies enables us to meet the Table Stakes requirements of our defined STORE asset class. We have always marveled at our good fortune to have elected to specialize in the extremely large approximately $4 trillion market for STORE assets and then to have been able to cultivate the best market within our defined asset class.

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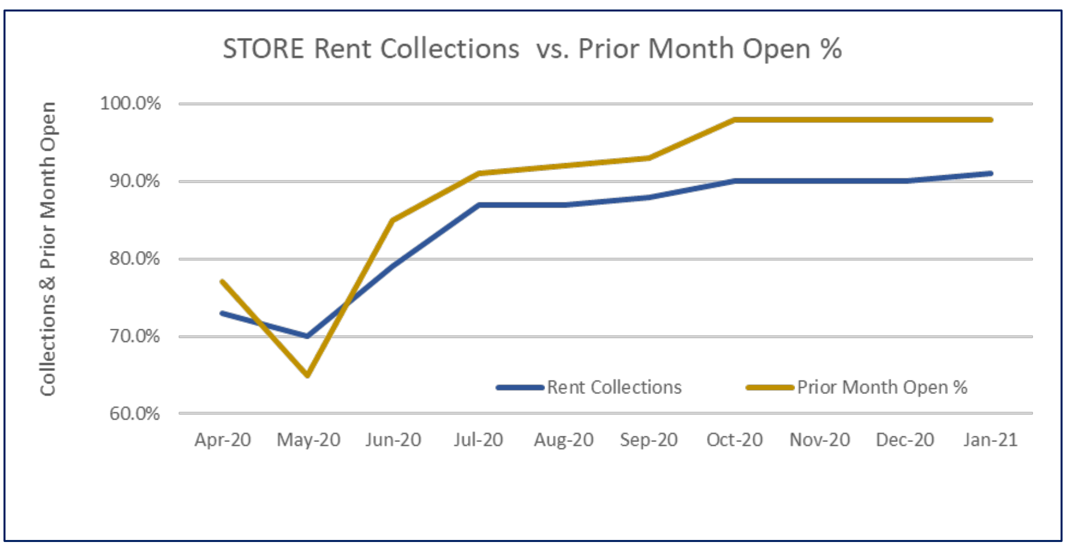
Times of economic disruption tend to accompany a "flight to quality," where investors seek shelter from the storm. In the case of net lease real estate companies, high quality has historically been defined as the largest and highest rated tenants. Of course, such quality tenants are few and far between and occupy real estate that generally falls outside our defined asset class because of an inability to fulfill the Table Stakes requirements. Absent the four Table Stakes, lease contracts are generally no better than the credit quality of the underlying tenant and so tend to be credit dependent. Given that corporate credit is always transient, credit dependency means that contract quality, and therefore real estate values, are bound to be more volatile over time. With the vast majority of investment-grade tenants falling into the BBB-range, lease contract transiency is reflective in simple global credit migration statistics: Over a period ranging from 10 to 20 years, the likelihood that a BBB-rated tenant will ultimately fall below investment-grade will tend to range from 53% to 73%. Meanwhile, the chance that a BBB-rated tenant will realize upward credit migration is paltry, ranging from 12% to 8% over ten- and twenty-year periods, respectively. By contrast, our investment approach entails less credit dependency because our aim is to create investment-grade contracts that tend to be more durable in quality. Our portfolio exhibited this durability in 2020, demonstrating that STORE real estate is designed to provide shelter from this and future economic storms.

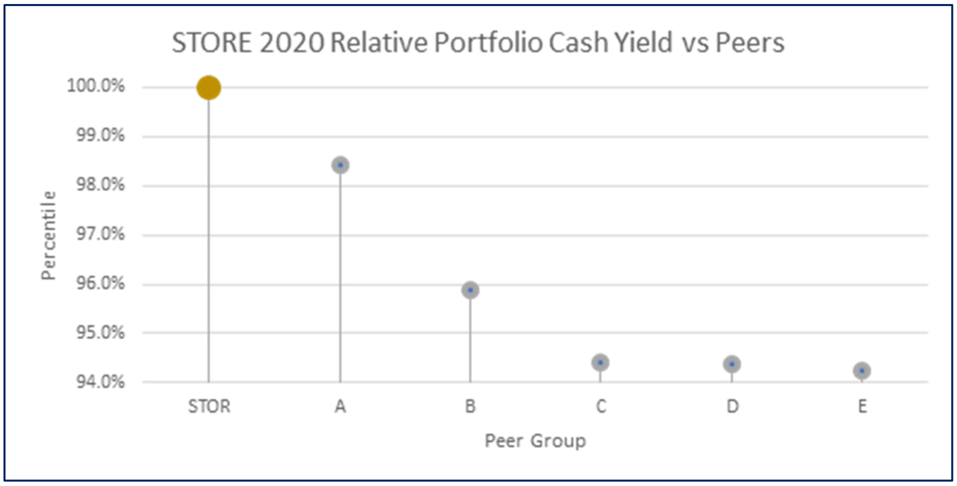
The Pandemic and Its Impact on STORE

On March 19, 2020, in response to the COVID-19 pandemic, California became the first state to issue "shelter in place" orders. Over the next few weeks, forty-one other states followed effecting nearly three-quarters of U.S. counties. By the end of March, business closures had impacted 23% of the properties held by STORE. A month later and the percentage of STORE properties subject to closure would rise to 35%. There is no such thing as a corporate business model designed for no business. Across the country, impacted companies of every size and credit profile sought relief from creditors, including landlords. Businesses sought to preserve liquidity. Indeed, having experienced market illiquidity first-hand during the Great Recession, STORE took the unprecedented step of fully drawing our $600 million unsecured line of credit. STORE was prepared to address the unknown.

As it turned out, April would be our most impacted month in terms of property closures. The result was a cash collection shortfall of 30% for the month of May. For the full second quarter, STORE collected 74% of the rents due us. As the economy reopened, our collections would rise to 87% for the third quarter and 90% for the fourth quarter. Importantly, we were able to document deferral agreements with nearly all our impacted tenants to repay rent payment shortfalls. Our ability to realize such an achievement was owed in part to our approach to our asset class. We had created senior net lease contracts collectively having credit characteristics that exceeded those of our tenants. Our ability to document lease deferral agreements also was positively impacted by our direct approach to investment originations. At STORE, we have always taken pride in maintaining close ties with our tenants, who we view as customers. Virtually all the lease agreements we have were negotiated by us to have all our Table Stakes terms, which made a clear difference. We concluded 2020 with documented deferral agreements or verbal understandings with virtually all our impacted customers, avoiding the need for litigation. We take enormous pride in this outcome and in our many customers and STORE team members who made this happen.



Our ultimate losses arising from the COVID pandemic are presently indeterminable, although nearly all our unpaid rents are subject to documented lease deferral arrangements which we anticipate will be honored. However, were we to simply look at our monthly cash collections, STORE's relative investment yields shine. Of institutional real estate net lease participants, we did not have the highest percentage of contractual rent collections each month of 2020. But then we did not need to. When comparing computed cash collections to gross real estate assets, our contractual lease yields delivered. Our gross unlevered contractual investment rate of return meant that we were able to collect more dollars in rent for every dollar we invested. Also, the fact that we did not collect the highest percentage of contractual rents is a good sign for the future. We believe that our investment yield differential will simply get better as the pandemic subsides. Our contractual lease yields delivered a material margin of safety and STORE assets proved to be a very safe port in this unprecedented storm.



For the full year of 2020, STORE delivered Adjusted Funds from Operations of $463 million, or a modest increase of approximately 1% over prior year levels. Given the increase in shares outstanding, our AFFO per share fell just over 8%, which approximated our ultimate 2020 share price decline of 8.75%. Meanwhile, our dividend payout ratio rose from 71% in the first quarter to 82% in the second quarter primarily as a result of lost revenues and elevated expenditures associated with the COVID pandemic. Given the need to assist tenants through rent payment deferrals and lease modifications, $38.2 million of our second quarter AFFO was in the form of net rent deferral receivables. Were you to back these out of our reported AFFO to arrive at an approximation of cash AFFO, our second quarter dividend payout ratio would have increased to nearly 126%. However, net tenant rent deferrals fell by approximately two-thirds in the third quarter and then fell more than half again in the fourth quarter. By the end of the year, we had also collected nearly $10 million of the aggregate $57 million in net tenant rent deferrals, with deferral collections outpacing additional deferrals during the fourth quarter. That meant that our AFFO, net of changes in net lease deferrals, was exceeding reported AFFO by the end of 2020.

$ in millions (except per share data)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Adjusted Funds From Operations (AFFO)	$ 120.1	$ 108.7	$ 119.1	$ 115.1	$ 463.0
Lease Deferrals, net of reserves	-	38.2	13.1	5.8	57.1
Lease Deferrals Collected	-	-	1.3	8.6	9.9
Dividends	$ 85.5	$ 88.7	$ 94.1	$ 95.8	$ 364.1
AFFO Payout Ratio	71%	82%	79%	83%	79%
AFFO Payout Ratio, Net of Deferrals	71%	126%	88%	81%	88%
AFFO Per Share	$ 0.49	$ 0.44	$ 0.46	$ 0.44	$ 1.83
Dividends Per Share	$ 0.35	$ 0.35	$ 0.36	$ 0.36	$ 1.42

We see our AFFO improvements continuing in 2021. Our insight into portfolio and tenant performance enabled us to deliver our first earnings guidance in nearly a year on our year-end earnings call, providing an initial AFFO per share range of $1.90 to $1.96 for 2021. The midpoint of this range suggests expected AFFO per share growth in the range of 5.5%. Our long-term outlook is even better. The impact of the COVID pandemic will continue to be felt in 2021 and STORE has tenants in highly impacted industries that are not likely to rebound until widespread vaccine distribution and national COVID herd immunity are achieved. Hence, there will likely be some amount of continued COVID-related tenant lease deferrals. At the same time, we also anticipate repayment of as much as two-thirds of the $47 million in lease deferred net rent payment receivables during the year, which should serve to cause our AFFO, net of deferrals collected, to be higher than our reported AFFO for 2021. Altogether, we expect our deferral-adjusted AFFO dividend payout ratio to revert to close to the level achieved prior to the pandemic during the first quarter of 2020. Maintaining such a low historic payout ratio has always been important to our growth delivery, not to mention dividend protection which proved so important in 2020.

"Of institutional real estate net lease participants, we did not have the highest percentage of rent collections each month of 2020. But then we did not need to. Our gross unlevered investment rate of return meant that we were able to collect more dollars in rent for every dollar we invested."

Our 2021 revenue expectations are muted by delays in recoveries, non-accruals and reserves for losses, which exceed twice historic levels. Over the past nine years, our resolved tenant defaults have averaged just under 1.3% annually, with non-resolved matters, or "work in process" amounting to another 0.3%. After recoveries, the net loss drag on revenues has averaged about 0.7% of revenues annually. However, during 2020, the drag was more than twice this amount, owing to delays in the Art Van recovery (which will be discussed later) and other COVID-related matters. We are looking for a return to portfolio performance normalcy by 2022. Here, we are highly encouraged, with a portfolio occupancy rate of 99.7% at the end of 2020 and with just nine properties in our portfolio vacant and not subject to a lease.

During 2020, the COVID pandemic impacted more than cash revenue collections. Net lease companies enjoy some of the highest operating profit margins of any real estate business. During 2020, our cash general and administrative costs amounted to 0.45% of assets, reflecting a continuation of operating efficiency trends. However, elevated property costs, centered in approximately $9 million in property taxes associated with underperforming assets, rose to 0.18% of assets from a typical average of less than 0.1% annually. The result was a decline in cash operating profit margin from 93.0% of revenues in 2019 to 91.2% in 2020. Elevated property costs, together with approximately $3.1 million of increased interest costs associated with our maintenance of excess cash balances, combined to elevate total costs associated with the pandemic to approximately $14 million. As with revenue performance, we anticipate that such costs will revert to their historic ranges over 2021 and 2022.

Cash Operating Costs (% of Gross Assets)	2016	2017	2018	2019	2020
General and Administrative	0.58%	0.57%	0.53%	0.49%	0.45%
Property Management	0.09%	0.08%	0.06%	0.07%	0.18%
TOTAL	0.66%	0.65%	0.59%	0.56%	0.64%
Cash Operating Profit Margin	91.8%	91.7%	92.3%	93.0%	91.2%

Portfolio Diversity

Beyond our focus on long-term lease contract seniority and stability, STORE has taken a deliberate approach to industry and investment diversity. At the end of 2020, our portfolio of 2,634 properties was spread across approximately 760 concepts, 751 lease contracts, 519 customers and 116 industries. Few industries have more than 5% exposure and we have maintained our top ten tenant exposure at approximately 18% of revenues over the past four years. Over 75% of our tenants deliver less than 1% each of our revenues. The industries in which our tenants operate tend to be fundamental and, we believe, have a high likelihood for remaining relevant. This is important from a contract risk point of view. The industries also tend to be fragmented, having no dominant participants. In fact, the vast majority of the industries represented within our portfolio have no investment-grade rated participants. This means that our established, market leading tenants are less likely to be displaced by expansive, highly capitalized competitors. Over STORE's history, and especially in 2020, portfolio diversity has proved important and has paid dividends.

"Over STORE's history, and especially in 2020, portfolio diversity has proved important and has paid dividends. "

Since our founding, we have sought to avoid or greatly limit risk to industries we believe have to potential to face systemic risks. We also look for low behavior correlation between and within industries. For instance, restaurants comprised just under 13% of revenues at the end of 2020, but historic sporadic tenant underperformance has not echoed the performance of other restaurant tenants. Likewise, with furniture retailers that comprised 4% of our revenues at the end of 2020. In general, 2020 was kind to furniture retailers, though one of our larger tenants, Art Van Furniture, faced insolvency at the beginning of the year. A replacement tenant, Love's Furniture, likewise manifested financial stress at the end of the year, owing in a meaningful way to the unexpected liquidity stresses associated with shelter-in-place orders during the second quarter. The resultant delay in the Art Van recovery, together with associated elevated property-level costs represented our single largest individual tenant drag on cash flow during the year. Customarily, STORE's ability to address underperforming tenants has resulted in far more rapid recoveries.

An exception to our avoidance of systemic risk lies in movie theaters, which comprised 3.8% of revenues at the end of 2020. We believe in this sector but have reduced exposure from 5.2% in 2018 as a result of select asset dispositions and overall balance sheet growth.

A Highly Defensive Balance Sheet

We believe in the power of the right side of our balance sheet to manage risk. Here, another way that STORE is in a class of our own rests in our unencumbered asset leverage. At the end of 2020, we were leveraged less than 38% of our assets at cost, which is historically low and highly conservative. Shown as a multiple of EBITDA, our leverage at the end of 2020 approximated 5.6X our run rate of Adjusted Funds from Operations (AFFO). Given the fact that net lease companies incur little in the way of recurring maintenance capital expenditures, such leverage becomes even lower on a comparable basis when benched against most other real estate property types. However, STORE goes one step further. Alone among net lease companies, we have an ability to issue secured AAA and A+ -rated notes with our non-recourse Master Funding conduit that we created in 2012. At the end of 2020, STORE Master Funding comprised about a third of our assets, but more than half our term borrowings. That left us with unsecured BBB/Baa2 rated notes of just over $1.5 billion, representing an extremely low 25% leverage of the our nearly two thirds of unencumbered assets that serve as the primary support to our unsecured borrowings. Here, it bears mentioning that our Master Funding conduit enables us to borrow up to 45% subject to a AAA rating. Simply put, STORE has among the lowest unencumbered asset leverage of any real estate company we know, regardless of credit rating, serving to add materially to the sector-leading defensiveness of our company. By the end of 2020 all our corporate and conduit credit ratings had been reaffirmed, a testament to our strategy and portfolio durability.

"Simply put, STORE has among the lowest unencumbered asset leverage of any real estate company we know, regardless of credit rating, serving to add materially to the sector-leading defensiveness of our company."

From a capital markets vantage point, STORE was busy in 2020. During the year, through our "At the Market" (ATM) program, we efficiently issued over $686.4 million in new equity, funding over 80% of our $825 million in net real estate acquisitions for the year. This equity mix was higher than average, pushing our aggregate leverage as a percent of gross assets to approximately 37%. Historically, our corporate business model financial leverage as a percentage of investments at cost has intentionally hovered closer to 40%. With the near-term pandemic pressure on our revenues and expenditures, impacting our AFFO, our modest leverage reduction served to maintain relative stability in our Funded Debt: EBITDA ratio at the low end of our target range. As our portfolio performance reverts to more historic levels in 2021 and 2022, serving to reduce our leverage as measured by Funded Debt:EBITDA, we anticipate maintaining long run leverage closer to 40% of our assets at cost.

Our Business Model

In no small part, our good fortune in addressing the STORE asset class and the best market within the asset class, has been an ability to realize higher investment yields and contractual rent escalations, which are the starting point for any potent investment business model. Our historic success in business development and fourth Table Stake realization is owed to the largest and finest team of business development, analyst and closing personnel that we know of. During 2020, we invested nearly $1.1 billion in 214 properties having a weighted initial investment yield of 8.1% and weighted expected contractual escalations of 1.9%. If you add these two numbers, you get a gross unleveraged rate of return of 10.0%. Based on reported 2020 transaction data, contractual lease yields and escalations for properties leased to investment-grade rated tenants approximated 6% and 1%, respectively, amounting to a comparable gross rate of return approximating 7.0%. With STORE's gross rate of return differential approximating 43% (10% vs 7%), we could suffer a loss of 43% before our investment returns would be equivalent. That would entail a complete loss of 43% of our real estate investments, or twice that default rate, assuming a 50% recovery. Historically, STORE's recoveries on non-performing properties have averaged closer to 70%. To put this in context, a portfolio we originated at a predecessor company suffered a cumulative loss of less than 4% for the ten years between 2003 and 2012 which included the Great Recession.

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An important part of our business model is the realization of some of the widest equity investment spreads among our net lease peers. The traditionally strong spreads between our investment AFFO multiple and traded AFFO multiple have contributed to historically potent "external growth", which is AFFO growth driven by new equity issuance. During 2020, the spread between our investment AFFO multiple and our traded AFFO multiple fell to approximately 2.5 turns, down from a traditional spread of closer to 4 turns. Historically, STORE's median traded AFFO multiple has approximated 15.5X, versus an investment AFFO multiple of below 11.5X. In periods of historically low interest rates, with the 10-year Treasury yield in the area of 1.5%, our traded AFFO multiple has occasionally exceeded 20X. However, in response to the pandemic in 2020, our share price initially fell as much as 60%, later recovering much of that decline as the resiliency of our portfolio became clear. The result of the compression in equity investment spreads, together with approximately 30% less in net investment activity than 2019 and investment activity weighted to the end of the year, was that our external growth during 2020 was well below our anticipation as we entered the year. We fully believe that the level and efficiency of our external growth will rebound to historic levels in 2021 and 2022.

In addition to our realization of historic potent equity spreads, STORE has enjoyed sector-leading spreads between our initial lease yields and borrowings cost. In November 2020, we issued $350 million in unsecured BBB/Baa2 rated ten-year notes at a record low coupon of 2.75%. Relative to our initial investment yield of 8.1% for our net acquisitions made during the year, our investment spread achieved a historic high point of 5.3%. With the 10-year Treasury rate continuing to hover below 1.5% as I write, we are encouraged about the potential to realize historically favorable investment spreads in 2021 and to replace some of our existing borrowings with lower cost alternatives.

"At STORE, we pay a great deal of attention to the seven net lease business model fundamentals and are proud to have historically ranked highly in all these areas."

Between 2016 and 2020, STORE divested nearly $1.3 billion of real estate, or an average of nearly 4% of our beginning of year portfolio at cost. Our asset divestitures have been represented by a combination of strategic, opportunistic and property management related transactions. Our property sales proceeds have exceeded our original cost in every single year, with the exception of 2020. Likewise, we have never failed to sell occupied and leased properties for cap rates (yields) below where we could reinvest the proceeds. The result has been that our asset sales strategy has added modestly to our internal growth in every year. While modest, the numbers add up. By the end of 2020, we estimate that our ability to accretively recycle asset sales proceeds over the past five years added over $6 million to our annual recurring cash flow.

Property Sales Gains/(Losses) vs. Cost

Property Sales Type	2016	2017	2018	2019	2020	Avg
Opportunistic	21%	21%	20%	19%	19%	20%
Strategic	0%	8%	5%	7%	2%	4%
Property Management	-6%	-9%	2%	-28%	-33%	-15%
Total Gain/(Loss) vs. Cost	19%	18%	10%	5%	-8%	9%

Property Sales Internal Growth Accretion

	2016	2017	2018	2019	2020	Avg
Disposition Cap Rate (Occupied Property Sales)	7.5%	7.6%	7.1%	7.5%	7.4%	7.4%
Acquisition Cap Rate	7.9%	7.8%	7.9%	7.8%	8.1%	7.9%
Spread	0.4%	0.2%	0.8%	0.3%	0.7%	0.5%
Percent of Portfolio Sold	1.9%	5.0%	3.7%	5.6%	2.7%	3.8%
Internal Growth Contribution	0.2%	0.2%	0.5%	0.3%	0.1%	0.3%

	2016	2017	2018	2019	2020	Total
Revenue Accretion ($000's)	$512	$852	$2,519	$1,831	$540	$6,254

At STORE, we pay a great deal of attention to the seven net lease business model fundamentals and are proud to have historically ranked highly in all these areas. We believe that business model fundamentals tend to drive relative investment performance and the ability of a company to create Equity Market Value Added (EMVA) over the long term. EMVA is the amount by which the equity valuation of a company exceeds its historic cost. At the end of 2020, our EMVA stood at approximately $2.9 billion, or just over 30% of our equity market capitalization. While this mark was below our high achieved a year earlier of approximately $3.5 billion, or nearly 40% of our equity valuation, we are proud of this accomplishment and look forward to the opportunity to realize new high marks as the COVID pandemic subsides.

The Seven Net Lease Business Model Variables
1. Beginning Lease Yield
2. Contractual Lease Escalations
3. Operating Profit Margin
4. Spread Between Lease Yield and Borrowing Cost
5. Spread Between Investment AFFO Multiple and Traded AFFO Multiple
6. Ability to Accretively Recycle Asset Sales Proceeds
7. Low Dividend Payout Ratio

Our business model was conceived to have the potential to deliver constant double-digit rates of return, irrespective of balance sheet size, which we have done on an annual and compound basis for every year since our founding, with the exception of 2020. Over our six years as a public company, we have outperformed the broader REIT benchmark in every year and have realize a compound rate of return slightly exceeding that of the Standard and Poor's 500 Index, but with substantially less volatility.

STORE Annual Shareholder Return Performance

	2015	2016	2017	2018	2019	2020
STOR	12.6%	11.0%	10.6%	14.0%	36.7%	-3.4%
S&P 500	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%
RMZ	2.5%	8.6%	5.1%	-4.6%	25.8%	-7.6%

STORE Cumulative Shareholder Return Performance

	Six Year	Five Year	Four Year	Three Year	Two Year	One Year
STOR	13.0%	13.1%	13.6%	14.6%	14.9%	-3.4%
S&P 500	12.8%	15.2%	16.0%	14.2%	24.8%	18.4%
RMZ	4.4%	4.8%	3.9%	3.5%	7.8%	-7.6%

Organizational Developments

No discussion of 2020 would be complete without a mention of our remote working effectiveness, which is bound to positively impact the future work protocols of our team members, not to mention much of corporate America. Oftentimes, we are better lucky than smart. In 2019, we invested in cloud-based solutions across all our major systems platforms. Our efforts ranged from new ERP/accounting systems to database and tenant financial statement evaluation systems. During 2020, we began to harness this technology, implementing an extensive data warehouse, which will reap business intelligence benefits as we move forward. While these extensive efforts were touched on lightly in our annual stockholder letter last year, they proved invaluable as they provided the power behind our ability to efficiently work remotely in 2020. At the end of 2019, we also implemented Microsoft Teams, which is a part of the Office 365 Suite and includes improved work collaboration tools, together with a videoconferencing module. Little did we know how this enhancement would quickly come in handy! Barely a quarter later, we were able to transform seamlessly from having all of us under one roof to having nearly all of us working remotely. Our office went from having approximately 100 of us daily to typically having fewer than ten. We take pride in our performance and results during 2020 and are especially proud of the ability of our many leaders and team members to rise to the challenge of addressing this seminal moment.

While working remotely during 2020, we continued to build our organization, raising our employee headcount from 97 to 106, with most of the new hires divided between our portfolio management and investment origination activities. We anticipate that the latter investment will be rewarded through resumed investment activity growth. Importantly, Mary Fedewa and I took a lot of time to add to our management ranks, elevating a number of STORE officers to senior positions. Two of these promotions included elevations to the senior leadership team. Craig Barnett assumed oversight for portfolio management, special servicing and underwriting. Tyler Maertz now oversees our business development activities. Both Craig and Tyler have been with STORE since shortly after we opened our doors and have roots that extend back to our earliest successful public net lease platform. Importantly, many of the role elevations made during 2020 occurred in concert with Mary's own promotion to President. Mary's fingerprints are all over STORE's impressive historic success and the strong leadership that she provides was important to delivering for our stakeholders in 2020.

On our year-end earnings call, we announced the pending planned retirement of Cathy Long, our Chief Financial Officer and a co-founder of STORE. The exact date of her departure has not been determined. We are undertaking a search for her eventual replacement and Cathy will remain at STORE during this transition. Personally, I have known Cathy since shortly after moving to Arizona in 1986. At the time, she was an accountant engaged on the audit of our earliest predecessor company and the entities that we managed. Four years later, she joined us and we have been working together closely ever since. Cathy was there at the beginning of our second successful public company, as she has been here since the conception of STORE. Along the way, she has received deserved accolades, including CFO of the Year recognition. I and the rest of us at STORE feel truly privileged to have had the opportunity to work with her. Thinking back on many of the important moments in my business career, there are few that don't involve Cathy. For those of you who have been valued financial service partners over our careers or have analyzed STORE and predecessor companies, Cathy has been unfailingly gracious and dependable. She personifies what is great about STORE and our corporate culture. She will depart leaving the strongest and most talented accounting, tax and financial reporting staff we have had throughout our careers. We wish her the very best for her future and will miss her.

A Company We Feel Good About

We have always been grateful to work for and invest in STORE because of the strength of our business model paired with the positive difference that we can make for our many stakeholders, foremost our many customers who are the reason for our existence. STORE's real estate capital has been an important ingredient in the ability of our customers to create their own EMVA, while creating opportunities for their approximately 2.5 million employees and the many communities they serve. We anticipate that our ability to collaborate with our many customers as they emerge stronger from the COVID pandemic will ultimately be a career highlight for all of us at STORE. That we have achieved this while also providing opportunities for our fellow STORE team members and our many important service providers and stakeholders over the past decade is likewise immensely gratifying.

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During 2020, we addressed STORE's corporate responsibility on many fronts, starting with the publication of our inaugural corporate responsibility report, which you can access on our website under the Corporate Responsibility tab. This impressive publication was accomplished by our internal ESG Working Group, which will produce our second report in the second quarter of 2021. Our corporate responsibility initiatives have been extensive. Given that STORE has always excelled at corporate governance, our emphasis in 2020 was on areas of social and environmental impact. During the year, we increased the female representation on our Board of Directors to 33%, while also participating in the Bloomberg Gender Equality Index survey. In addition, STORE's initiatives included investments in additional continuing employee education and recognition programs. During the year, we also elevated our tenant sustainability engagement through educational outreach and continued surveys.

Customarily, we have closed out our annual letters with photographs of our Inside Track Forum, which is an educational and networking event that we annually sponsor for our customers at the beginning of February. This year's event was held virtually through a short series of eleven videos, with topics ranging from the economy to business intelligence, IT security, inclusion, sustainability, mental wellness and innovation. Mary and I were proud to interview Johnny Morris, Founder and CEO of Bass Pro Shops and a long time STORE customer as our annual keynote address.

Without a picture of this year's conference to share, I am including instead a photograph of the virtual externship that we held for a week during the summer of 2020. With so many students deprived of traditional internship and summer learning opportunities, inspired STORE team members suggested this externship, through which a diverse group of 124 attendees (half minority participants) from 54 colleges, 22 states and five countries were able to attend. Twenty STORE team members virtually engaged this group over a week in topics ranging from real estate investment underwriting to women in business to corporate wealth creation. I expect that we will cultivate future STORE employees through this and future externship outreach. More importantly, this event is representative of our awareness of our own good fortune and our responsibility to help others and give back in ways that are impactful.

There will be many positives to emerge from the COVID-19 pandemic. An elevated ability to productively work remotely stands to improve our work-life balance. Likewise, our ability to remotely positively touch and inspire others, as in our inaugural externship program. As for our customers, the pandemic has inspired operational and business model enhancements that stand to make them emerge stronger from this collective experience. With all this in mind, we look forward to the coming years with the excitement for the good we will deliver and the asset class we uniquely and proudly address.

Chris

Christopher H. Volk
February 26, 2021