


# NETSTREIT

Investor Presentation

**February 2024**



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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements concerning our business and growth strategies, investment, financing and leasing activities, including estimated development costs, and trends in our business, including trends in the market for single-tenant, retail commercial real estate. Words such as “expects,” “anticipates,” “intends,” “plans,” “likely,” “will,” “believes,” “seeks,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this presentation may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements, or our objectives and plans will be achieved. For a further discussion of these and other factors that could impact future results, performance or transactions, see the information under the heading “Risk Factors” in our Form 10-K for the year ended December 31, 2022, filed with the SEC on February 23, 2023, and other reports filed with the SEC from time to time. Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this presentation. New risks and uncertainties may arise over time, and it is not possible for us to predict those events or how they may affect us. Many of the risks identified herein and in our periodic reports have been and will continue to be heightened as a result of the ongoing and numerous adverse effects arising from macroeconomic conditions, including inflation, interest rates and instability in the banking system. We expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law.

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Certain monetary amounts, percentages and other figures included in this presentation have been subject to rounding adjustments. Certain other amounts that appear in this presentation may not sum due to rounding.

# Investment Highlights & Business Update

## High Credit Quality & Diverse Net Lease Portfolio

- ✓ Focused on growing portfolio with high quality tenants that offer strong credit profiles and provide consistent performance through various economic cycles
- ✓ Proactive asset management with successful track record of maintaining full occupancy and strong rent collections since inception
- ✓ Well diversified by tenant and retail industry across 45 states

**85%**
Investment Grade (IG) and Investment Grade Profile (IGP)[1]

**88%**
Necessity, Discount, and Service-Oriented Tenants

**100%**
Occupancy

**100%**
Rent Collections

**85**
Tenants

**26**
Retail Industries

## Well Capitalized Balance Sheet

- ✓ Low leverage with no immediate-term debt maturities
- ✓ Strong liquidity supported by active ATM program; issued $76.7 million of common stock in 4Q'23
- ✓ Raised $190.8 million of net equity proceeds from follow-on offering in January 2024

**4.1x**
Adj. Net Debt[2] / Annualized Adj. EBITDAre

**23%**
Adj. Net Debt[2] / Undepreciated Gross Assets

**$739.1 million**
Total PF Liquidity[2,3]

**2027**
First Debt Maturity[4]

## Proven Ability to Source Attractive Investment Opportunities

- ✓ Strong investment pace since 2020 with a strong pipeline of investment opportunities at attractive cash yields
- ✓ $119.1 million of gross investments completed in 4Q'23, which are 98.7% leased to IG and IGP tenants

**$116 million**
Avg. Quarterly Investments Since 3Q'20

**6.7%**
Cash Yield on New Investments Since 3Q'20

**$431.0 million**
YTD Net Investments

**7.2%**
YTD Cash Yield

Source: Company data and balance sheet as of December 31, 2023, unless otherwise noted. Figures represent percentage of ABR unless otherwise noted.

1. Represents tenants with investment grade credit metrics (more than $1.0 billion in annual sales and a debt to adjusted EBITDA ratio of less than 2.0x), but do not carry a published rating from S&P, Fitch, Moody's, or NAIC.
2. Reflects 5,983,711 of unsettled forward equity shares under the ATM program at the December 31, 2023 available net settlement price of $16.48.
3. Pro forma (PF) adjustments reflect 11,040,000 of unsettled shares from the January 2024 forward equity offering, and includes the $100.0 million available to draw from the $250.0 million senior unsecured term loan that closed on July 3, 2023.
4. Assumes Company exercises its one-year extension option to further extend maturity to January 2027.

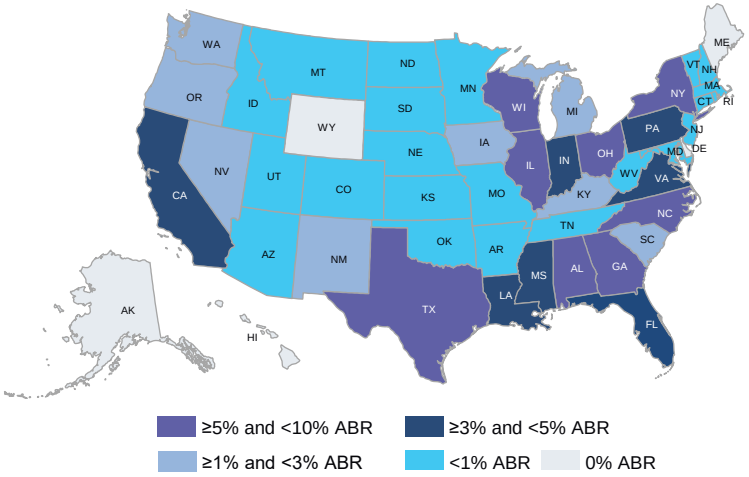
# Portfolio Overview

High-Quality, Diversified Portfolio Consisting of 70.5% Investment Grade Tenants Across 45 States

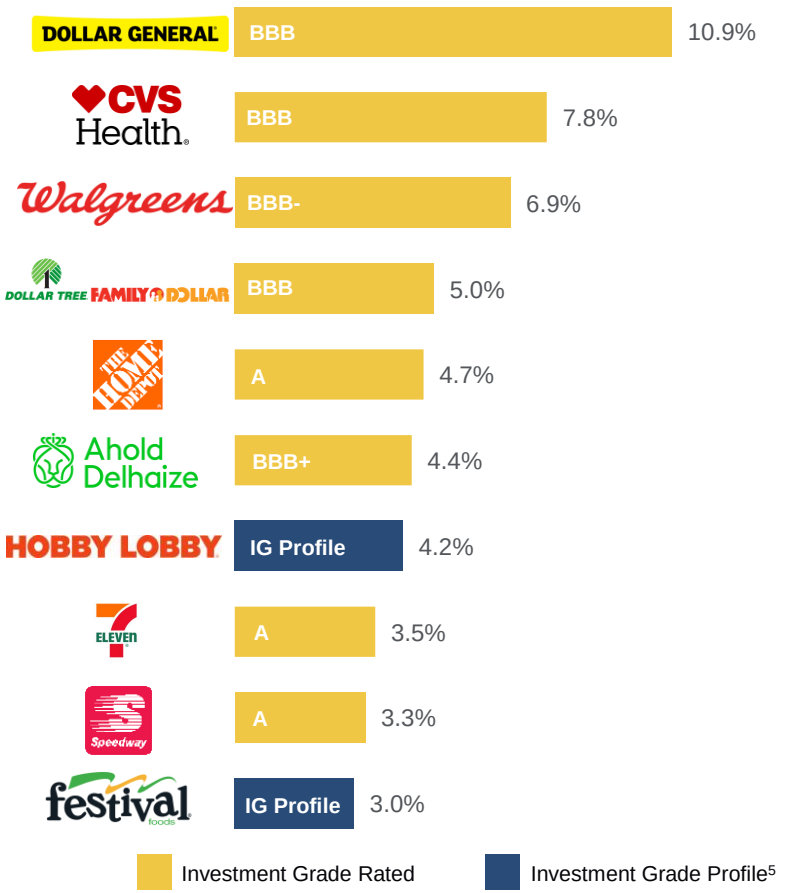
## Key Portfolio Stats

| | |
|---|---|
| Investments[1] | 598 |
| States | 45 |
| Portfolio Square Feet (in millions) | 10.6 |
| Tenants | 85 |
| Retail Sectors | 26 |
| % Occupancy[2] | 100% |
| % Investment Grade Tenants (by ABR)[3] | 70.5% |
| Weighted Average Lease Term Remaining (Years)[4] | 9.5 |
| Lease Turnover Through 2026 (by ABR) | 4.1% |

## National Footprint in Attractive Markets




## Top 10 Tenants by % of ABR




Source: Company data as of December 31, 2023.

1. 70 properties that secure mortgage loans receivable are denoted as individual investments.
2. Excludes 70 investments that secure mortgage loans receivable.
3. Investments, or investments that are subsidiaries of a parent entity, with a credit rating of BBB- (S&P/Fitch), Baa3 (Moody's) or NAIC2 (National Association of Insurance Commissioners) or higher.
4. Weighted by ABR; excludes lease extension options and 70 investments that secure mortgage loans receivable.
5. Represent investments with investment grade credit metrics (more than $1.0 billion in annual sales and a debt to adjusted EBITDA ratio of less than 2.0x), but do not carry a published rating from S&P, Moody's, Fitch or NAIC.

# Portfolio Diversification In Defensive Retail Sectors

Nationally Diversified Portfolio Primarily Comprised of Recession Resilient Retail Tenants

**52.3% Necessity**

Walgreens, Walmart, The Home Depot, Whole Foods Market, Target, Floor & Decor, Lowe's, Kroger, Publix, CVS, Fresenius health care worldwide, Tractor Supply Co

**22.0% Discount**

Family Dollar, Ollie's Bargain Outlet, Dollar Tree, TJX The TJX Companies, Inc., Burlington, Dollar General, five BELOW

**87.6%**
**of ABR**
*Necessity*
*Discount*
*Service*

**13.3% Service**

Taco Bell, 7-Eleven, KFC, Wawa, Chick-fil-A, Starbucks Coffee, Caliber Collision, gerber COLLISION & GLASS, Firestone

**12.3% Other**

REI, Best Buy, ULTA BEAUTY, DICK'S Sporting Goods, Sportsman's Warehouse, Hobby Lobby

## Top Industries

| | | | |
|---|---|---|---|
| 1 | Dollar Stores: | 15.8% |  |
| 2 | Grocery: | 15.4% |  |
| 3 | Drug Stores & Pharmacies: | 14.6% |  |
| 4 | Home Improvement: | 11.6% |  |
| 5 | Convenience Stores: | 7.3% |  |

Source: Company data as of December 31, 2023. All figures represent percentage of ABR. Due to rounding, respective defensive retail sector exposure may not precisely reflect the absolute figures.

# Consistent Investment Approach

Disciplined and Deliberate Portfolio Construction

| Investment Philosophy | Portfolio Strategy | Current Metrics |
|---|---|---|
| Defensive Tenancy in Necessity-Based and E-commerce-Resistant Retail Industries[1] | Primarily | 87.6% |
| Resilient, Cycle-Tested Investment Grade Credit Tenants with Durable Cash Flows[1] | >60% | 84.6% (70.5% Investment Grade Credit and 14.1% Investment Grade Profile) |
| Granular Assets in Highly Fragmented, Undercapitalized Market Segment | $1 to $10 million Avg. Asset Size | $3.4 million Avg. Asset Size |
| Net Lease Retail Assets with Long Lease Term Benefiting From Contractual Rent Growth | ~10 Year WALT | 9.5 Year[2] WALT |
| Diversification by Industry, Tenant, State[1] | <15% Industry<br><50% Top 10 Tenants<br><15% State | 15.8% Industry<br>53.5% Top 10 Tenants<br>8.6% State |
| Significant Focus on Fundamental Real Estate Underwriting | Attractive cost basis with durable valuation supported by market rents and demos, physical structure and location, and alternative use analyses | |

Source: Company data as of December 31, 2023.

1. Portfolio statistics as a percentage of ABR.
2. Weighted by ABR; excludes lease extension options and 70 investments that secure mortgage loans receivable.

# Acquisition Strategy – Bell Curve Investing

Acquisition Strategy is Focused on Inefficiently Priced Assets Where Risk Adjusted Returns are Higher

## Efficiently Priced Assets

**TYPICAL TRANSACTION**

- Well marketed transaction
- Straight-forward transaction
- Ability to finance transaction
- Highly competitive, well capitalized investors

## Inefficiently Priced Assets

**TYPICAL TRANSACTION**

- Not highly marketed
- May involve transaction structuring that limits buyer pool
- Limited financing options
- Less competitive



# Stringent Three-Part Underwriting Process

Our Three-Pronged Approach Results in Superior Downside Protection

Level of Underwriting Emphasis

A



## Tenant Credit Underwriting

- Evaluate corporate level financials
- Assess business risks
- Determine ownership/sponsorship
- Rigorous credit underwriting

B



## Real Estate Valuation

- Review underlying key real estate metrics to maximize re-leasing potential
- Location analysis
- Alternative use analysis

C



## Unit-Level Profitability

- Determine rent coverage (min. 2.0x) and cost variability
- Assess volatility and likelihood of cash flow weakness

# Strong Tenant Credit Underwriting

Credit-Focused Underwriting Approach Drives Stable Revenue and Long-Term Return on Investment

| | Investment Grade (rated) | Investment Grade Profile (unrated) | Sub-IG (rated) & Sub-IG Profile (unrated) |
|---|---|---|---|
| **Description** | • Validated financial strength and stability<br>• Professional management with standardized operational practices<br>• Focus on corporate guarantee credit<br>• Lower relative yields<br>• Higher competition for deals | • IG-caliber balance sheets without explicit rating<br>• Threshold metrics:<br>  • At least $1B in sales<br>  • Debt / adjusted EBITDA of less than 2.0x | • Well-capitalized retailers<br>• National footprint with strong brand equity<br>• Focus on real estate quality / unit-level profitability<br>• Higher relative yields<br>• Lower competition for deals |
| **Durability** | ***Defensive, consistent performance through economic cycles*** | | • Coverage and credit enhancements required given more susceptible to market disruptions |
| **% Of ABR** | **70.5%** | ***84.6% IG and IG Profile*** **14.1%** | **15.4%** |
| **Lease Terms (WALT, Rent Bumps, etc.)** | **Less negotiating leverage** | **More negotiating leverage** | **Most negotiating leverage** |
| **Representative Tenants** | Walgreens, 7-Eleven, Walmart, TJX, Kroger, Lowe's, Firestone, Starbucks Coffee, Target, Whole Foods Market, Advance Auto Parts | Ollie's Bargain Outlet, Publix, Chick-fil-A, Hobby Lobby, gerber Collision & Glass, REI | KFC, DaVita, Wendy's, Jack's, Winn-Dixie, Bojangles', Burlington, Schnucks |

Source: Company data as of December 31, 2023.

# Real Estate Valuation

Real Estate Closely Follows Credit as a Top Priority: We Utilize a Ground-Up Framework Rooted in Real Estate Fundamentals to Underpin Valuation and Further Quantify the Upside Potential of an Investment

## Market-Level Considerations

- Vacancy analysis
  - ***Marketability of the real estate without current tenant***
  - ***List of likely replacement tenants***
- Rent analysis
  - ***Market rent versus in-place rent***
- Demographic analysis
  - ***Current demographics plus trends and forecasts***
- Competitive analysis
  - ***Market position versus competing retail corridors***

## Property-Level Considerations

- Fungibility of building for alternative uses
- Replacement cost
- Location analysis
  - ***Traffic counts***
  - ***Nearby uses and traffic drivers, complementary nature thereof***
- Accessibility and parking capacity
  - ***Ingress and egress***
  - ***Visibility / signage***



# Unit-Level Profitability

Assess Unit-Level Financial Performance to Focus on Properties with Strong Rent Coverage and Higher Variability in Operating Costs



## 1 Obtain Financial Info

- ***Provides clarity into location-specific performance***
- Obtain unit-level financial information from parent company if possible
- If financials are not provided, utilize data provided by third party vendors to estimate sales by location
- Third party data includes:
  - Cell phone traffic
  - Point of sales (POS) data



## 2 Perform Financial Analysis

- ***Analyze store demand dynamics, cost structure and liquidity profile***
- Triangulate P&L based on available information
  - Foot traffic
  - Sales
  - EBITDAR margin
  - Rent
- Account for variability in business model cost structure
  - Higher proportion of fixed costs = more variability in rent coverage
- Determine store ranking within tenant's broader operating portfolio based on estimated sales



## 3 Assess Investment Merits

- ***Determine whether property meets investment criteria***

***Key Unit-Level Investment Criteria***

- **Minimum 2.0x Rent Coverage**
- **Higher Cost Variability**
- **Ranks in Top Half of Tenant's Store Portfolio**

# History of Sourcing Investments at Attractive Yields

## Consistently Invested at Above-Market Yields Despite Focus on High-Quality Tenants

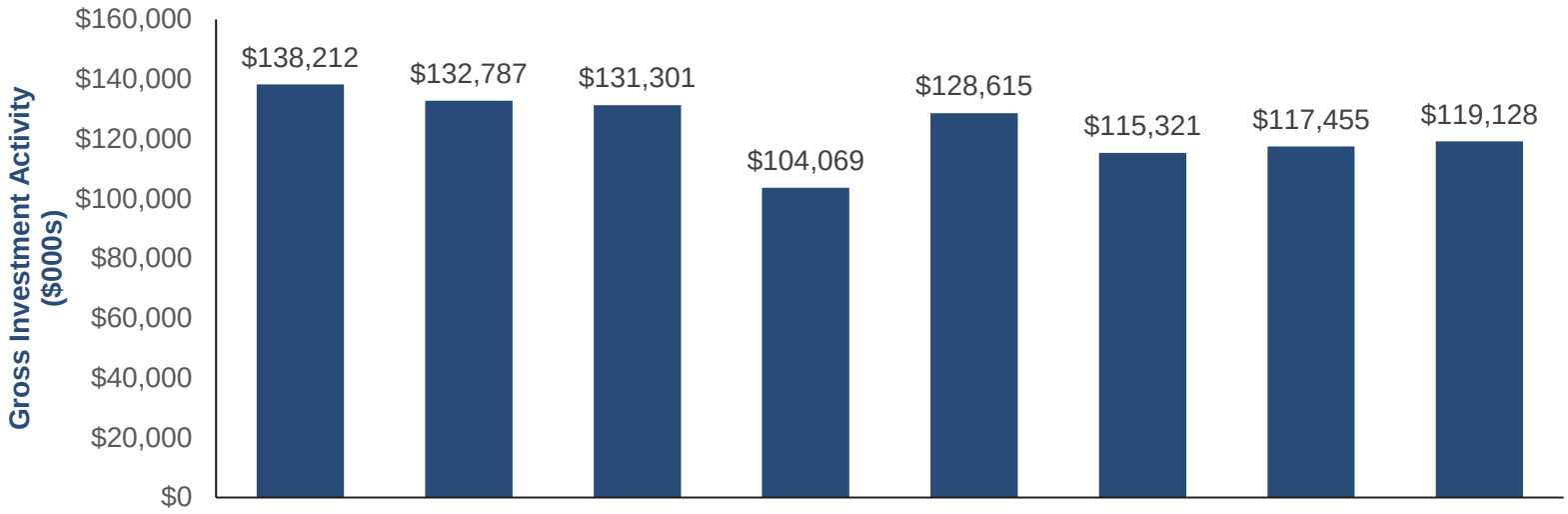
| | Sourcing Volume Since 3Q'20 | | | | |
|---|---|---|---|---|---|
| | NETSTREIT | AGREE REALTY RETHINK RETAIL | NNN REIT NYSE:NNN | FCPT | ESSENTIAL PROPERTIES |
| Volume $(000)s | $1,618 | $4,987 | $2,329 | $1,027 | $3,317 |
| Investment Grade % | 67.5% | 67.9% | NA | 54.2% | NA |
| Investment Grade Profile[1] % | 13.8% | NA | NA | NA | NA |
| IG + IG Profile % | 81.2% | NA | NA | NA | NA |
| WALT[2] | 9.8 | 9.6 | 10.4 | 10.3 | 14.0 |
| **Weighted Average Cash Yield** | **6.7%** | **6.1%[3]** | **6.8%** | **6.6%** | **7.3%** |

Source: Company filings from August 2020 through December 31, 2023.

1. Investments with investment grade credit metrics (more than $1.0 billion in annual sales and a debt to adjusted EBITDA ratio of less than 2.0x), but do not carry a published rating from S&P, Fitch, Moody's, or NAIC.
2. Excludes lease extension options and investments that secure mortgage loans receivable.
3. Assumes cash cap rate is 30bps lower than reported GAAP cap rate.

# Investment Activity

## Summary Details

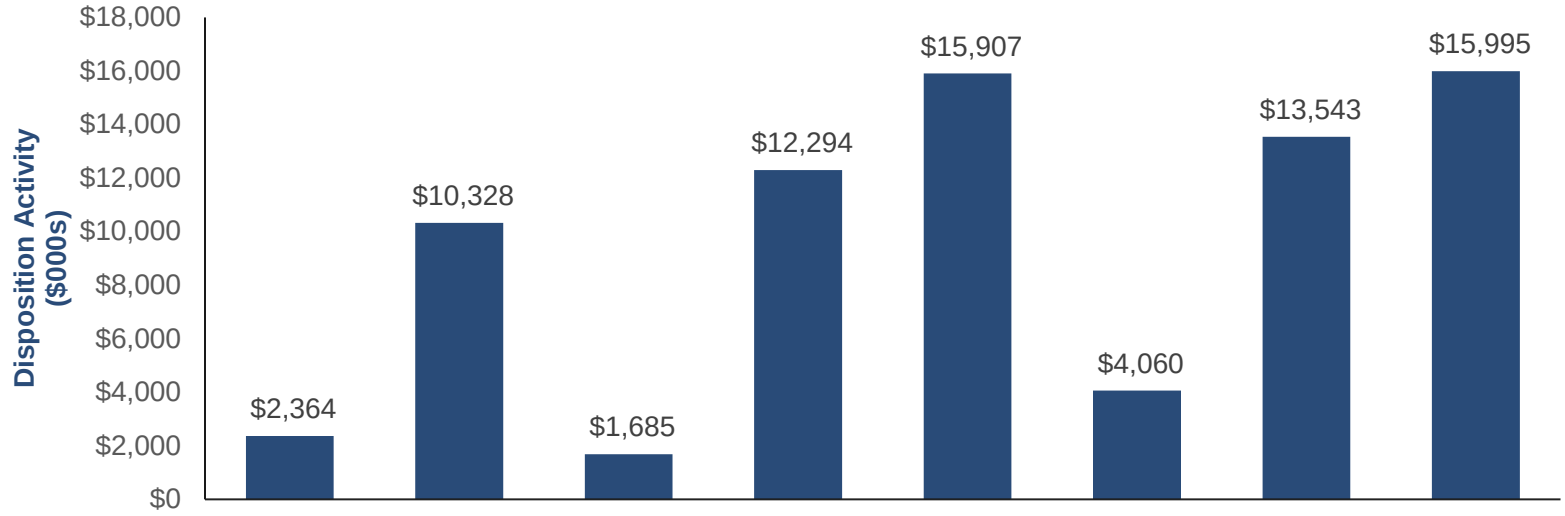



| Investments[1] | 1Q'22 | 2Q'22 | 3Q'22 | 4Q'22 | 1Q'23 | 2Q'23 | 3Q'23 | 4Q'23 |
|---|---|---|---|---|---|---|---|---|
| Number of Investments | 37 | 27 | 26 | 24 | 71 | 39 | 29 | 57 |
| Average Investment | $3,735 | $4,918 | $5,050 | $4,318 | $1,811 | $2,957 | $4,050 | $2,090 |
| Cash Cap Rates | 6.4% | 6.6% | 6.6% | 6.9% | 7.7% | 6.8% | 7.0% | 7.2% |
| IG + IGP % | 77.5% | 88.1% | 83.3% | 97.7% | 94.9% | 80.7% | 97.2% | 98.7% |
| Weighted Average Lease Term[2] | 8.4 | 11.0 | 11.8 | 11.1 | 10.3 | 11.5 | 10.0 | 10.9 |

Source: Company data as of December 31, 2023.
1. Includes acquisitions, mortgage loans receivable, and completed developments.
2. Excludes lease extension options and investments that secure mortgage loans receivable.

# Disposition Activity

## Summary Details




| Dispositions | 1Q'22 | 2Q'22 | 3Q'22 | 4Q'22 | 1Q'23 | 2Q'23 | 3Q'23 | 4Q'23 |
|---|---|---|---|---|---|---|---|---|
| Cash Cap Rates[1] | 5.5% | 6.0% | 5.5% | 6.7% | 6.8% | 6.7% | 6.9% | 7.2% |
| Number of Investments | 1 | 2 | 1 | 3 | 8 | 2 | 6 | 6 |
| Weighted Average Lease Term[1] | 8.0 | 9.8 | 0.4 | 10.8 | 5.6 | 4.2 | 7.1 | 11.2 |

Source: Company data as of December 31, 2023.

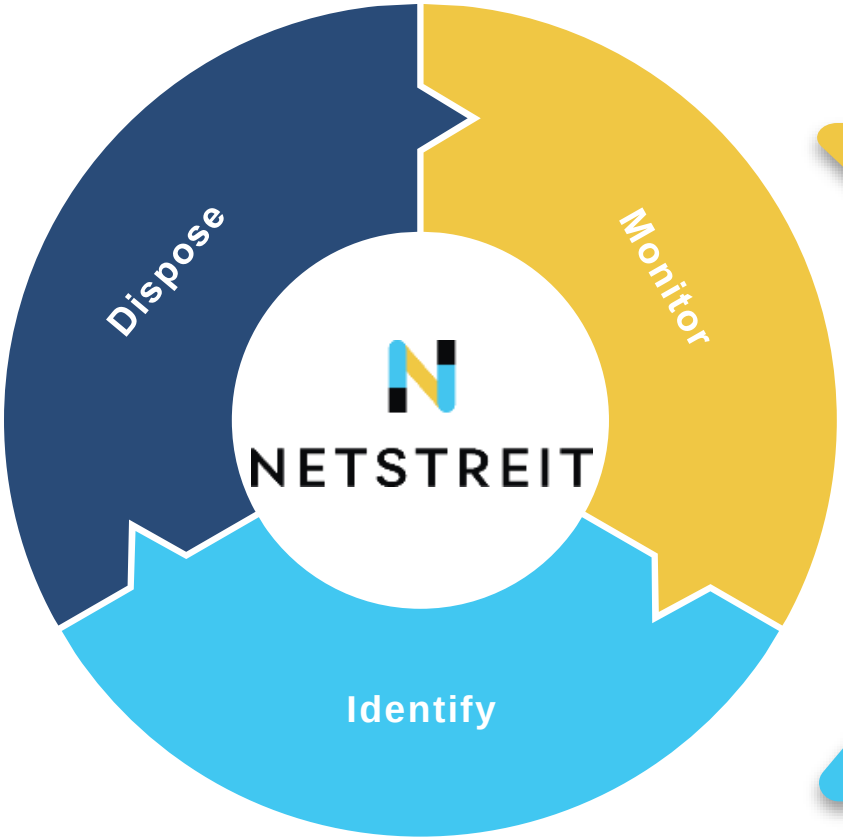
1. Excludes vacant properties.

# Active Asset Management

Continuously Track Property Performance to Stratify Portfolio and Ensure a Secure Rental Stream

### Strategic Recycling

Leverage 1031 exchange transfers where possible to access deep, non-institutional market for portfolio optimization




### Active Monitoring

Periodically review all properties for changes in performance, credit, and local conditions

### Perpetual Stratification

Identify properties not meeting strategy and/or risk management criteria (i.e. rent coverage)

**Since inception, the Company has disposed of 86 properties totaling $240 million, which has materially improved portfolio performance metrics such as tenant quality, WALT, and geographic diversity**

Source: Company data as of December 31, 2023.

# Conservative Balance Sheet with Improved Liquidity

Balance Sheet Positioned for Growth Given Strong Liquidity Profile and Low Leverage Position

## Abundant Liquidity to Support Growth:

$739.1 million in total PF liquidity[1]

## Access to Debt:

$100 million remaining to draw from 5.5-year $250 million term loan[2]

## Well-Staggered Debt Maturity Profile:

No term loan maturities expected until 2027[2,3]

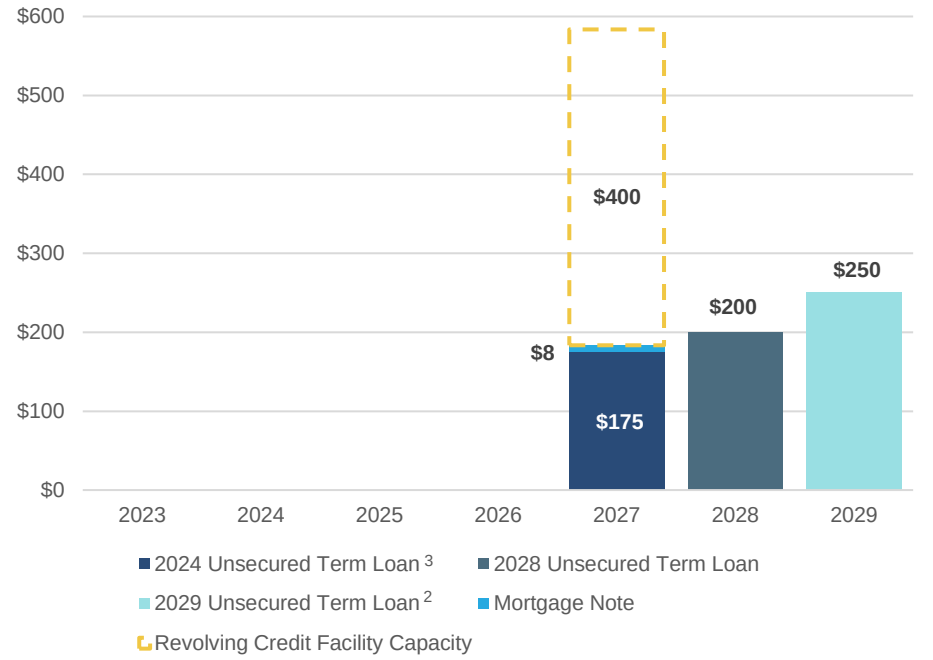
## Unsecured Balance Sheet:

Asset base is over 99% unencumbered

## Low Leverage:

PF Adjusted Net Debt[4] / Annualized Adjusted EBITDAre of 2.5x

## Debt Maturity Schedule – Pro Forma[2,3]



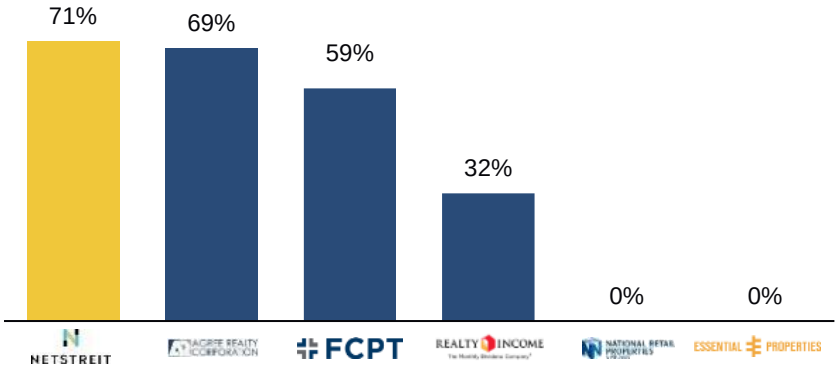

Source: Company data as December 31, 2023, unless otherwise noted.

1. Pro forma (PF) adjustments reflect 5,983,711 of unsettled shares issued through the ATM from the third quarter 2023, 11,040,000 of unsettled shares from the January 2024 forward equity offering, and includes the $100.0 million available to draw from the $250.0 million senior unsecured term loan that closed on July 3, 2023.
2. The three-year $250.0 million senior unsecured delayed draw term loan includes two one-year extension options and one six-month to extend maturity to January 2029, at Company's discretion, totaling 5.5 year of available term.
3. Company extended the existing $175 million term loan maturity to January 2026 from December 2024, with a one-year extension option to further extend maturity to January 2027.
4. Pro forma (PF) adjustments reflect 5,983,711 of unsettled shares issued through the ATM from the third quarter 2023 and 11,040,000 of unsettled shares from the January 2024 forward equity offering.

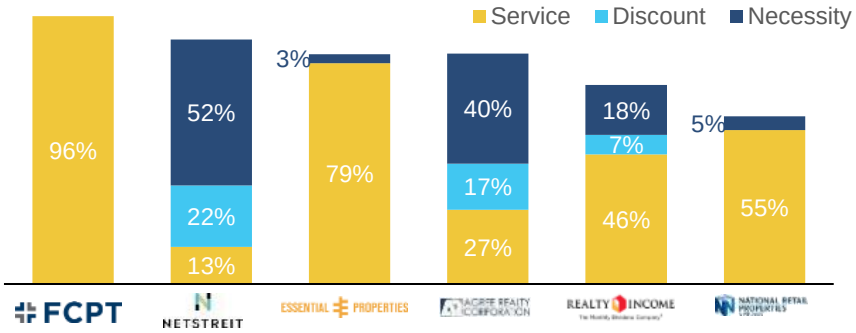
# Portfolio Highlights Relative to Peers

NTST's Stable & Predictable Cash Flow Profile Drives Superior Risk-Adjusted Returns

## Investment Grade %[1]

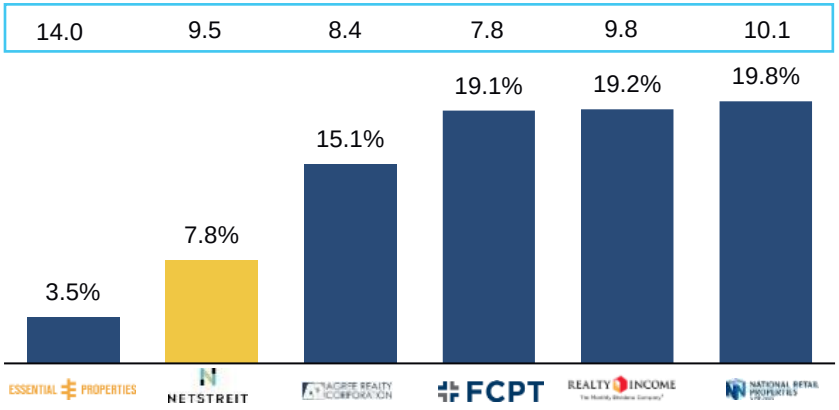



## Portfolio Composition[2]

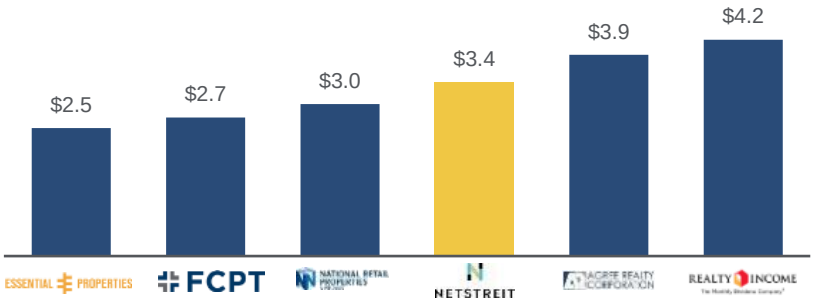



## Lease Rollover Through 2027

*Weighted-Average Lease Term*




## Average Investment Size per Property



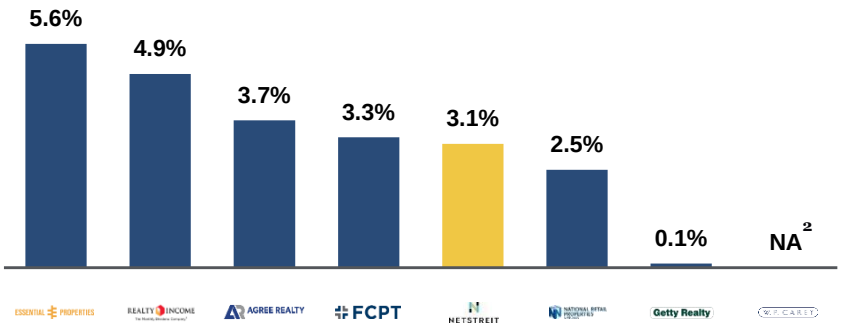

Source: Public filings as of December 31, 2023.

1. EPRT and NNN investment grade concentration assumed to be 0%, although it is not disclosed by either company.
2. Examples of service includes convenience stores, quick service restaurants, automotive service, and health and fitness. Examples of discount include dollar store and discount retail. Examples of necessity include, drug stores & pharmacy, home improvement, auto parts, and banking.

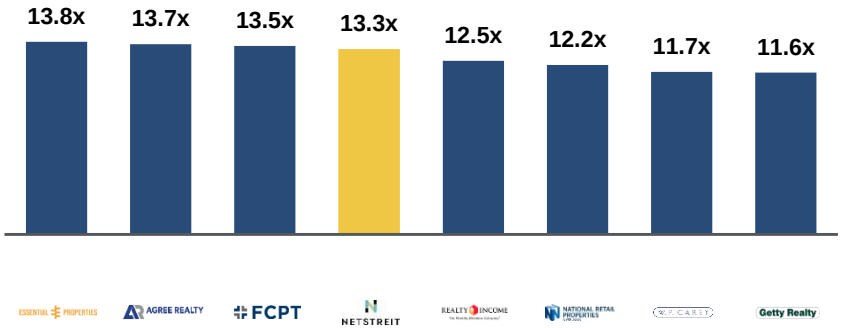
# Multiple and Earnings Growth Comparison

Relative Valuation and Growth Remains Stable

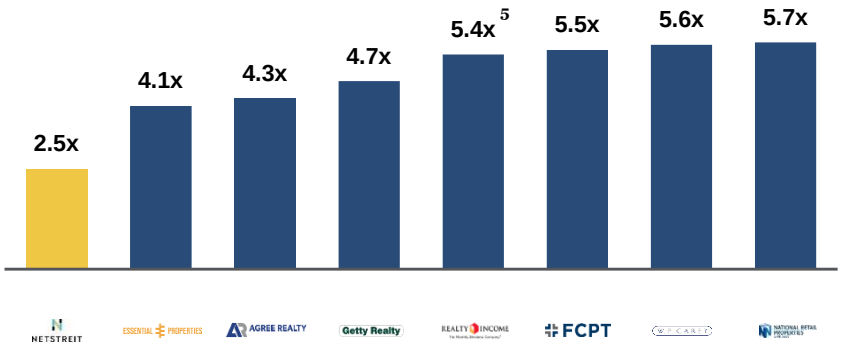
## 2024E AFFO per Share Growth[1]



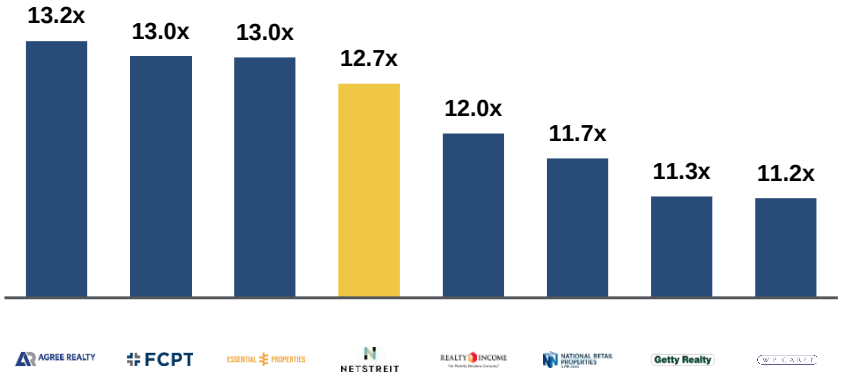

## 2024E AFFO per Share Multiple[3]




## Net Debt + Pref. / EBITDA[4]




## 2025E AFFO per Share Multiple[6]




Source: Public filings, FactSet and S&P Capital IQ.
Note: Market data as of February 27, 2024. Capitalization data as of December 31, 2023, as adjusted for forward equity offering in 1Q'24.

1. 2024E AFFO per share growth is calculated using FactSet mean 2024E AFFO per share estimates and 2023A AFFO per share.
2. During 2023, WPC spun-off NLOP. Year-over-year growth not comparable. Consensus WPC RemainCo 2023E AFFO estimate not available.
3. 2024E AFFO per share multiple calculated using current price per share and FactSet mean 2024E AFFO per share estimates.
4. Net Debt plus Preferred is adjusted for forward equity.
5. As of December 31, 2023, and not adjusted for SRC acquisition which is assumed to be leverage neutral.
6. 2025E AFFO per share multiple calculated using current price per share and FactSet mean 2025E AFFO per share estimates.

# Applied Cap Rate and NAV Analysis

Strong Upside Potential Given Relative Valuation

## Applied Nominal Cap Rate – Sensitivity Analysis

| (unaudited, in thousands) | Three Months Ended, December 31, 2023 | | | | |
|---|---|---|---|---|---|
| NOI | **$29.6** | | | | |
| Straight-line Rental Adjustments | (0.5) | | | | |
| Amort. of Lease-Related Intangibles | (0.1) | | | | |
| Cash NOI | 29.0 | | | | |
| Intraquarter Net Investment Activity | 0.7 | | | | |
| Normalized Cash NOI | 29.7 | | | | |
| **Annualized Normalized Cash NOI** | **$118.8** | | | | |
| Applied Cap Rate | 7.50% | 7.00% | 6.50% | 6.00% | 5.50% |
| **Implied Real Estate Value** | **$1,585** | **$1,698** | **$1,828** | **$1,981** | **$2,161** |
| Mortgage Loan Receivable | 114.5 | | | | |
| Property Under Development | 29.2 | | | | |
| Other Tangible Assets | 49.3 | | | | |
| Net Debt | (484.8) | | | | |
| Other Tangible Liabilities | (36.5) | | | | |
| Net Proceeds from 1Q'24 Forward Common Stock Offering[1] | 190.8 | | | | |
| **Implied Equity Value** | **$1,447** | **$1,560** | **$1,691** | **$1,843** | **$2,023** |
| Fully Diluted Shares Outstanding | 73.7 | | | | |
| Unsettled Forward Shares[2] | 17.0 | | | | |
| **Implied Equity Value per Share** | **$15.95** | **$17.20** | **$18.64** | **$20.32** | **$22.30** |

## Peer Benchmarking

| | Implied Cap Rate[3] | G&A Adjusted Implied Cap Rate[4] | 2024E AFFO Multiple |
|---|---|---|---|
| REALTY INCOME[5] | 6.2% | 6.0% | 12.5x |
| ESSENTIAL PROPERTIES | 6.3% | 5.8% | 13.8x |
| FCPT | 6.7% | 6.0% | 13.5x |
| AGREE REALTY CORPORATION | 6.7% | 6.3% | 13.7x |
| NATIONAL RETAIL PROPERTIES NYSE:NNN | 6.7% | 6.4% | 12.2x |
| NETSTREIT | 7.2% | 6.0% | 13.3x |
| **Average** | **6.6%** | **6.1%** | **13.2x** |

Source: Public filings, FactSet and S&P Capital IQ.
Note: Capitalization data as of December 31, 2023, as adjusted for forward equity offering in 1Q'24. Market data as of February 27, 2024; closing price per share of $16.76. Companies may define adjusted cash NOI differently. Accordingly, such data for these companies and NTST may not be comparable.
1. Assumes 11.0 million shares issued at gross proceeds of $18.00 per share and net proceeds of $17.28 per share.
2. Assumes 6.0 million shares issued through the ATM during the third quarter were settled for cash on December 31, 2023 and 11.0 million shares issued as a part of the 1Q'24 Forward Common Stock Offering on January 9,2024.
3. Implied cap rate as of February 27, 2024.
4. (NOI – TTM G&A) / Implied Real Estate Value.
5. As of December 31, 2023, and not adjusted for SRC acquisition which is assumed to be leverage neutral.

# Case Studies

# Case Study: Loan Strategy




**Investment Stats:**

**Close Date:**
March 2023

**Loan Amount:**
$46.1 million

**Interest Rate:**
9.3%

**Location:**
Multiple – Southeast

**Term at Close:**
3 years

**Parent Credit Rating:**
A / Baa2

## Investment Highlights

- Loan provided the borrower funding to acquire a 49 property Speedway portfolio
- Loan-to-value of ~60%, with first lien senior secured priority with no capital ahead of NETSTREIT's loan
- Yield maintenance provides protection from refinancing
- Valuation excludes pending uncapped CPI rent escalations

# Case Study: Breakup Strategy




**Investment Stats:**

**Close Date:**
July 2020

**Purchase Price:**
$17.0 million

**Cash Cap Rate:**
6.6%

**Location:**
Tupelo, MS

**Term at Close:**
12 years

**Credit Rating:**
AA / Aa2

## Investment Highlights

- Acquisition of one Walmart Supercenter and one Sam's Club by partnering and concurrently closing with a shopping center acquirer who purchased the remainder of the center
- Significantly higher cap rate achieved through creative structuring
- Strong retail corridor in Tupelo, MS

# Case Study: Blend & Extend




**Investment Stats:**

**Close Date:**
March 2021

**Purchase Price:**
$6.2 million

**Post-B&E Cash Cap Rate:**
6.9%

**Location:**
Olympia, WA

**Term at Close of B&E:**
10.5 Years

**Credit Rating:**
BBB / Baa1

## Investment Highlights

- NTST negotiated a new 10-year lease with only a 7.4% rent reduction to increase lease term by six years
- Cash cap rate of 6.9% compares favorably to other 10-year Tractor Supply transactions in the market
- Exceptional real estate that tenant is committed to long term

# Commitment to ESG

# Governance

We are committed to acting with honesty and integrity and conducting all corporate opportunities in an ethical manner.

| Governance Highlights | |
|---|---|
| **Annual Director Elections** | *No poison pill or differential voting stock structure to chill shareholder participation* |
| **Majority Voting Standard For Election of Directors** | *Shareholders' right to amend the charter and bylaws by simple majority vote* |
| **Director Resignation Policy** | *Separate non-executive Chair and CEO roles and Lead Independent Director with strong role and significant governance duties* |
| **Annual Director and Committee Assessments** | |

## Board Independence and Diversity

**86%**
**Independent Directors**

**50%**
**Diverse Independent Directors[1]**

**43%**
**Female Directors**

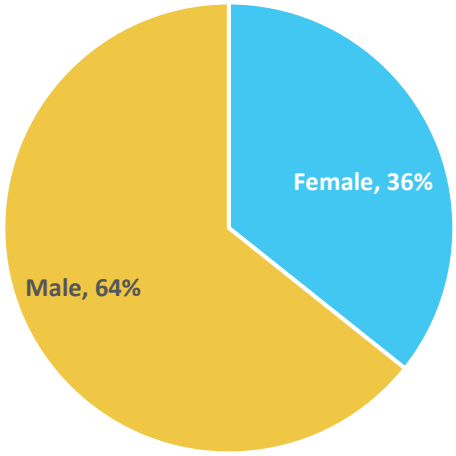
**3**
**Fully Independent Committees**

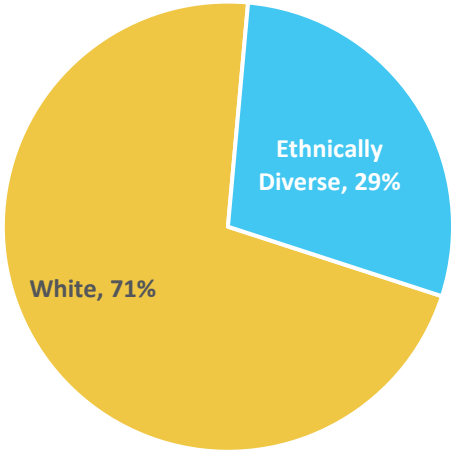
Source: Company data.
1. Reflects gender and racial / ethnic diversity.

# Social Responsibility

Human capital management is the cornerstone of our ESG and corporate strategy. We believe in the value of a diverse workforce and inclusive culture.

## Workforce Diversity




## Benefits

### 401K Plan

100% company match of up to a 3% contribution, and 50% of up to the next 2%

### Leave

Ten weeks of paid maternity leave at 100% salary as well as four weeks of paid family bonding; Company also provides jury duty, witness leave, and military leave

### Insurance

Health, dental, and vision insurance costs covered at 90% for employees and 60% for dependents

### Paid Time Off

A minimum of twenty-three PTO days

### Continuing Education

Reimbursement for certifications, tuition, courses, and seminars for continuing professional education

### Paid Holidays

Twelve days of paid holidays

### Employee Assistance

24/7 toll-free hotline to access confidential counseling on various physical and mental health needs

Source: Company data.

# Environmental Responsibility

We are committed to fulfilling our responsibility as an outstanding corporate citizen.

## Corporate Sustainability Initiatives from Tenants

- ✓ 18 of our top 20 tenants have corporate sustainability initiatives in place
- ✓ 70% of ABR represents tenants with ESG initiatives

## Greenhouse Gas Emissions

- ✓ We completed scope 1 and 2 greenhouse gas emissions inventory for our corporate headquarters

## Green Lease Clauses

- ✓ We incorporated green lease clauses in our standard lease form and as part of our corporate guidelines
- ✓ We received Silver Level recognition from Green Lease Leaders for our efforts

## Sustainable Practices

- ✓ Corporate headquarters is LEED v4 O+M: EB Gold Certified, meeting strict guidelines set forth by the Environmental Protection Agency
- ✓ Implementation of conservation practices in office

## Science Based Target initiatives ("SBTi")

- ✓ We incorporated sustainability-linked loan feature, based on SBTi, to our unsecured term loans and credit facility[1]

## GRESB Public Disclosure

- ✓ We participated in our first GRESB Public Disclosure

SCIENCE BASED TARGETS

GREEN LEASE LEADERS

GRESB

Source: Tenants within our portfolio that have public environmental, social, or governance initiatives as of December 31, 2023.

1. Includes the $200 million unsecured term loan which matures in February 2028, the $250 million unsecured term loan which matures in January 2029, and the $400 million revolver which matures in August 2027.

# Financial Information and Non-GAAP Reconciliations

# Consolidated Statements of Operations

(unaudited, dollars in thousands, except per share data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **REVENUES** | | | | |
| Rental revenue (including reimbursable) | $ 34,619 | $ 26,625 | $ 123,967 | $ 93,934 |
| Interest income on loans receivable | 2,243 | 674 | 7,388 | 2,345 |
| Other revenue | — | — | 550 | — |
| Total revenues | 36,862 | 27,299 | 131,905 | 96,279 |
| **OPERATING EXPENSES** | | | | |
| Property | 5,064 | 3,539 | 16,413 | 11,695 |
| General and administrative | 4,876 | 5,444 | 20,176 | 19,053 |
| Depreciation and amortization | 17,078 | 13,938 | 63,677 | 50,075 |
| Provisions for impairment | 2,709 | — | 7,083 | 1,114 |
| Transaction costs | 189 | 135 | 456 | 839 |
| Total operating expenses | 29,916 | 23,056 | 107,805 | 82,776 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest expense, net | (5,646) | (3,473) | (19,058) | (9,181) |
| Gain on sales of real estate, net | 506 | 1,986 | 1,175 | 4,148 |
| Loss on debt extinguishment | — | — | (128) | — |
| Other income, net | 166 | 95 | 752 | 131 |
| Total other income (expense), net | (4,974) | (1,392) | (17,259) | (4,902) |
| Net income before income taxes | 1,972 | 2,851 | 6,841 | 8,601 |
| Income tax benefit (expense) | (10) | (41) | 49 | (396) |
| **Net income** | 1,962 | 2,810 | 6,890 | 8,205 |
| Net income attributable to noncontrolling interests | 21 | 25 | 53 | 88 |
| **Net income attributable to common stockholders** | $ 1,941 | $ 2,785 | $ 6,837 | $ 8,117 |
| Amounts available to common stockholders per common share: | | | | |
| Basic | $ 0.03 | $ 0.05 | $ 0.11 | $ 0.16 |
| Diluted | $ 0.03 | $ 0.05 | $ 0.11 | $ 0.16 |
| Weighted average common shares: | | | | |
| Basic | 69,276,514 | 54,991,093 | 63,922,973 | 49,517,977 |
| Diluted | 69,922,646 | 55,715,025 | 64,665,439 | 50,431,822 |

# Funds From Operations and Adjusted Funds From Operations

(unaudited, dollars in thousands, except per share data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **GAAP Reconciliation:** | | | | |
| Net income | $ 1,962 | $ 2,810 | $ 6,890 | $ 8,205 |
| Depreciation and amortization of real estate | 17,000 | 13,797 | 63,379 | 49,498 |
| Provisions for impairment | 2,709 | — | 7,083 | 1,114 |
| Gain on sales of real estate, net | (506) | (1,986) | (1,175) | (4,148) |
| **Funds from Operations (FFO)** | $ 21,165 | $ 14,621 | $ 76,177 | $ 54,669 |
| Non-recurring executive transition costs, severance and related charges | 86 | 848 | 362 | 848 |
| Loss on debt extinguishment and other related costs | — | — | 223 | — |
| Gain on insurance proceeds | (31) | (90) | (78) | (126) |
| **Core Funds from Operations (Core FFO)** | $ 21,220 | $ 15,379 | $ 76,684 | $ 55,391 |
| Straight-line rent adjustments | (456) | (142) | (1,163) | (1,286) |
| Amortization of deferred financing costs | 565 | 309 | 1,730 | 862 |
| Amortization of above/below-market assumed debt | 29 | 29 | 114 | 29 |
| Amortization of loan origination costs | 80 | 28 | 163 | 88 |
| Amortization of lease-related intangibles | (93) | (246) | (611) | (889) |
| Earned development interest | 326 | — | 515 | — |
| Capitalized interest expense | (372) | (234) | (1,060) | (452) |
| Non-cash interest expense | (990) | — | (2,124) | — |
| Non-cash compensation expense | 1,264 | 1,128 | 4,822 | 4,774 |
| **Adjusted Funds from Operations (AFFO)** | **$ 21,573** | **$ 16,251** | **$ 79,070** | **$ 58,517** |
| | | | | |
| **FFO per common share, diluted** | **$ 0.30** | **$ 0.26** | **$ 1.18** | **$ 1.08** |
| **Core FFO per common share, diluted** | **$ 0.30** | **$ 0.28** | **$ 1.19** | **$ 1.10** |
| **AFFO per common share, diluted** | **$ 0.31** | **$ 0.29** | **$ 1.22** | **$ 1.16** |
| | | | | |
| Dividends per share | $ 0.205 | $ 0.200 | $ 0.810 | $ 0.800 |
| Dividends per share as a percent of AFFO | 66% | 69% | 66% | 69% |
| | | | | |
| Weighted average common shares outstanding, basic | 69,276,514 | 54,991,093 | 63,922,973 | 49,517,977 |
| Operating partnership units outstanding | 486,096 | 514,706 | 501,751 | 526,859 |
| Unvested restricted stock units | 160,036 | 209,226 | 165,420 | 248,602 |
| Unsettled shares under open forward equity contracts | — | — | 75,295 | 138,384 |
| Weighted average common shares outstanding, diluted | 69,922,646 | 55,715,025 | 64,665,439 | 50,431,822 |

# EBITDAre and Adjusted EBITDAre

(unaudited, dollars in thousands)

| | Three Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **GAAP Reconciliation:** | | |
| Net income | $ 1,962 | $ 2,810 |
| Depreciation and amortization of real estate | 17,000 | 13,797 |
| Amortization of lease-related intangibles | (93) | (246) |
| Non-real estate depreciation and amortization | 78 | 141 |
| Interest expense, net | 5,646 | 3,473 |
| Income tax expense | 10 | 41 |
| Amortization of loan origination costs | 80 | 28 |
| EBITDA | 24,683 | 20,044 |
| Adjustments: | | |
| Provisions for impairment | 2,709 | — |
| Gain on sales of real estate, net | (506) | (1,986) |
| EBITDAre | 26,886 | 18,058 |
| Adjustments: | | |
| Straight-line rent adjustments | (456) | (142) |
| Non-recurring executive transition costs, severance and related charges | 86 | 848 |
| Gain on insurance proceeds | (31) | (90) |
| Non-cash compensation expense | 1,264 | 1,128 |
| Adjustment for construction in process [1] | 719 | 315 |
| Adjustment for intraquarter investment activities [2] | 820 | 1,334 |
| Adjusted EBITDAre | $ 29,288 | $ 21,451 |
| Annualized Adjusted EBITDAre [3] | $ 117,152 | |

| **Net Debt** | As of December 31, 2023 |
|---|---|
| Principal amount of total debt | $ 613,361 |
| Less: Cash, cash equivalents and restricted cash | (29,929) |
| Net Debt | $ 583,432 |
| Less: Net value of unsettled forward equity from 2023 ATM issuance [4] | (98,594) |
| Adjusted Net Debt | $ 484,838 |
| Less: Net value of unsettled forward equity from January 2024 offering [5] | (190,771) |
| Proforma Adjusted Net Debt | $ 294,067 |

| **Leverage** | |
|---|---|
| Net debt / Annualized Adjusted EBITDAre | 5.0 x |
| Adjusted Net Debt / Annualized Adjusted EBITDAre | 4.1 x |
| Proforma Adjusted Net Debt / Annualized Adjusted EBITDAre | 2.5 x |

1. Adjustment reflects the estimated cash yield on developments in process as of December 31, 2023.
2. The adjustment assumes all re-leasing activity, investments in and dispositions of real estate, including developments and interest earning loan activity completed during the three months ended December 31, 2023 and 2022 had occurred on October 1, 2023 and 2022, respectively.
3. We calculate Annualized Adjusted EBITDAre by multiplying Adjusted EBITDAre by four.
4. Reflects 5,983,711 of unsettled forward equity shares under the ATM program at the December 31, 2023 available net settlement price of $16.48.
5. Reflects 11,040,000 of unsettled forward equity shares from the January 2024 offering.

# Net Operating Income
(unaudited, dollars in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **GAAP Reconciliation:** | | | | |
| Net income | $ 1,962 | $ 2,810 | $ 6,890 | $ 8,205 |
| General and administrative | 4,876 | 5,444 | 20,176 | 19,053 |
| Depreciation and amortization | 17,078 | 13,938 | 63,677 | 50,075 |
| Provisions for impairment | 2,709 | — | 7,083 | 1,114 |
| Transaction costs | 189 | 135 | 456 | 839 |
| Interest expense, net | 5,646 | 3,473 | 19,058 | 9,181 |
| Gain on sales of real estate, net | (506) | (1,986) | (1,175) | (4,148) |
| Income tax expense | 10 | 41 | (49) | 396 |
| Loss on debt extinguishment | — | — | 128 | — |
| Interest income on mortgage loans receivable | (2,243) | (674) | (7,388) | (2,345) |
| Lease termination fees | — | — | (550) | — |
| Other income, net | (166) | (95) | (752) | (131) |
| Property-Level NOI | 29,555 | 23,086 | 107,554 | 82,239 |
| Straight-line rent adjustments | (456) | (142) | (1,163) | (1,286) |
| Amortization of lease-related intangibles | (93) | (246) | (611) | (889) |
| Property-Level Cash NOI | $ 29,006 | $ 22,698 | $ 105,780 | $ 80,064 |
| Adjustment for intraquarter acquisitions, dispositions and completed development [1] | 705 | | | |
| Property-Level Cash NOI Estimated Run Rate | $ 29,711 | | | |
| Interest income on mortgage loans receivable | 2,243 | | | |
| Adjustments for intraquarter mortgage loan activity [2] | 115 | | | |
| Total Cash NOI - Estimated Run Rate | $ 32,069 | | | |
| | | | | |
| **Property Operating Expense Coverage** | | | | |
| Property operating expense reimbursement | $ 4,415 | $ 3,151 | $ 14,648 | $ 10,214 |
| Property operating expenses | (5,064) | (3,539) | (16,413) | (11,695) |
| Property operating expenses, net | $ (648) | $ (389) | $ (1,765) | $ (1,481) |

1. Adjustments assumes all re-leasing activity, investments in and dispositions of real estate, including developments completed during the three months ended December 31, 2023, had occurred on October 1, 2023.
2. Adjustment assumes all loan activity completed during the three months ended December 31, 2023, had occurred on October 1, 2023.

# Consolidated Balance Sheets

(unaudited, dollars in thousands, except per share data)

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Real estate, at cost: | | |
| Land | $ 460,896 | $ 401,146 |
| Buildings and improvements | 1,149,809 | 907,084 |
| Total real estate, at cost | 1,610,705 | 1,308,230 |
| Less accumulated depreciation | (101,210) | (62,526) |
| Property under development | 29,198 | 16,796 |
| Real estate held for investment, net | 1,538,693 | 1,262,500 |
| Assets held for sale | 52,451 | 23,208 |
| Mortgage loans receivable, net | 114,472 | 46,378 |
| Cash, cash equivalents and restricted cash | 29,929 | 70,543 |
| Lease intangible assets, net | 161,354 | 151,006 |
| Other assets, net | 49,337 | 52,057 |
| **Total assets** | $ 1,946,236 | $ 1,605,692 |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities:** | | |
| Term loans, net | $ 521,912 | $ 373,296 |
| Revolving credit facility | 80,000 | 113,000 |
| Mortgage note payable, net | 7,883 | 7,896 |
| Lease intangible liabilities, net | 25,353 | 30,131 |
| Liabilities related to assets held for sale | 1,158 | 406 |
| Accounts payable, accrued expenses and other liabilities | 36,498 | 22,540 |
| **Total liabilities** | $ 672,804 | $ 547,269 |
| **Equity:** | | |
| Stockholders' equity | | |
| Common stock, $0.01 par value, 400,000,000 shares authorized; 73,207,080 and 58,031,879 shares issued and outstanding as of December 31, 2023 and 2022, respectively | $ 732 | $ 580 |
| Additional paid-in capital | 1,367,505 | 1,091,514 |
| Distributions in excess of retained earnings | (112,276) | (66,937) |
| Accumulated other comprehensive income | 8,943 | 23,673 |
| **Total stockholders' equity** | 1,264,904 | 1,048,830 |
| Noncontrolling interests | 8,528 | 9,593 |
| **Total equity** | 1,273,432 | 1,058,423 |
| **Total liabilities and equity** | $ 1,946,236 | $ 1,605,692 |

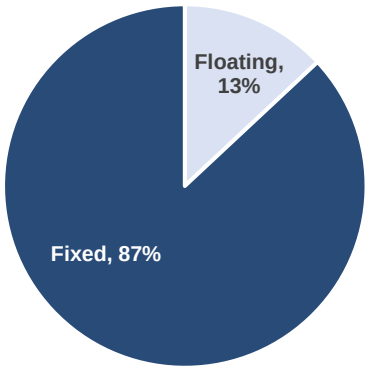
# Debt, Capitalization, and Financial Ratios
(unaudited, dollars in thousands)

| Debt Summary | As of December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Fully Extended Maturity | Principal Balance | Interest Rate[1] | Remaining Capacity | Available Term (years) |
| Unsecured revolver[2] | August 11, 2027 | $ 80,000 | 6.49% | $ 319,850 | 3.6 |
| Unsecured term loan[3] | January 15, 2027 | 175,000 | 3.12% | — | 3.0 |
| Unsecured term loan[4] | February 11, 2028 | 200,000 | 3.88% | — | 4.1 |
| Unsecured term loan[5] | January 3, 2029 | 150,000 | 4.89% | 100,000 | 5.0 |
| Mortgage note[6] | November 01, 2027 | 8,361 | 4.53% | — | 3.8 |
| Total / Weighted Average | | $ 613,361 | 4.26% | $ 419,850 | 4.0 |

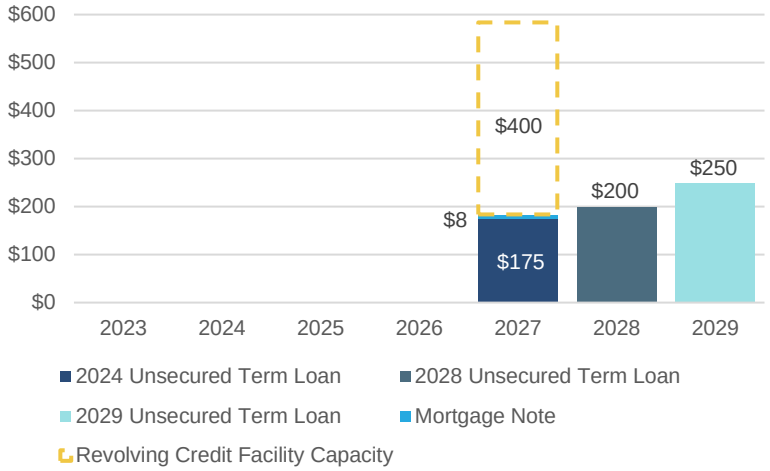
**$175 million Term Loan - Interest Rate Schedule**

| Start Date | End Date | Applicable Balance | Fixed Rate[1] |
|---|---|---|---|
| November 27, 2023 | December 23, 2024 | $ 175,000 | 3.12 % |
| December 23, 2024 | January 15, 2027 | $ 175,000 | 3.65 % |

## Fixed vs. Floating Debt




## Debt Maturity Schedule




1. Rates presented exclude the impact of capitalized loan fee amortization.
2. Interest rate reflects the all-in borrowing rate as of December 31, 2023. Facility fees are charged at an annual rate of 0.15% of the total facility size of $400 million, and are not included in the interest rate presented. The facility has a one year extension option. Remaining capacity reduced by $0.15 million for outstanding letters of credit.
3. Interest rate consists of the fixed rate SOFR swap of 1.87%, plus a credit spread adjustment of 0.10% and a borrowing spread of 1.15%. See the $175 million Term Loan - Interest Rate Schedule table for additional detail on the fixed interest rate changes through the fully extended maturity.
4. Interest rate consists of the fixed rate SOFR swap of 2.63%, plus a credit spread adjustment of 0.10% and a borrowing spread of 1.15%. The swap terminates of February 11, 2028.
5. Interest rate consists of the fixed rate SOFR swap of 3.64%, plus a credit spread adjustment of 0.10% and a borrowing spread of 1.15%. The term loan matures on July 3, 2026 and includes two one-year extension options and one six-month extension option.
6. The mortgage note was assumed as part of an asset acquisition during the third quarter of 2022.

# Debt, Capitalization, and Financial Ratios (cont'd)

(unaudited, dollars in thousands)

| Net Debt | December 31, 2023 |
|---|---|
| Principal amount of total debt | $ 613,361 |
| Less: Cash, cash equivalents and restricted cash | (29,929) |
| Net Debt | $ 583,432 |
| Less: Net value of unsettled forward equity from 2023 ATM issuance[1] | (98,594) |
| Adjusted Net Debt | $ 484,838 |
| Less: Net value of unsettled forward equity from January 2024 offering[2] | (190,771) |
| Proforma Adjusted Net Debt | $ 294,067 |

| | |
|---|---|
| Net debt / Annualized Adjusted EBITDAre | 5.0 x |
| Adjusted Net Debt / Annualized Adjusted EBITDAre | 4.1 x |
| Proforma Adjusted Net Debt / Annualized Adjusted EBITDAre | 2.5 x |

| Key Debt Covenant Information | Required | Actual |
|---|---|---|
| Consolidated total leverage ratio | ≤ 60.0% | 30.5 % |
| Fixed charge coverage ratio | ≥ 1.50x | 4.8x |
| Maximum secured indebtedness | ≤ 40.0% | 0.4 % |
| Maximum recourse indebtedness | ≤ 10.0% | — % |
| Unencumbered leverage ratio | ≤ 60.0% | 33.3 % |
| Unencumbered interest coverage ratio | ≥ 1.75x | 5.3x |

| Liquidity | As of December 31, 2023 |
|---|---|
| Unused unsecured revolver capacity | $ 319,850 |
| Cash, cash equivalents and restricted cash | 29,929 |
| Net value of unsettled forward equity from 2023 ATM issuance[1] | 98,594 |
| Undrawn term loan balance | 100,000 |
| Total Liquidity | $ 548,373 |
| Net value of unsettled forward equity from January 2024 offering[2] | 190,771 |
| Total Proforma Liquidity | $ 739,144 |

| Equity | Ending Shares/ Units as of December 31, 2023 | Equity Market Capitalization | % of Total |
|---|---|---|---|
| Common shares[3] | 73,207,080 | $ 1,306,746 | 99.3 % |
| OP units[3] | 479,298 | 8,555 | 0.7 % |
| Total | 73,686,378 | $ 1,315,302 | 100.0 % |

| Enterprise Value | As of December 31, 2023 | % of Total |
|---|---|---|
| Principal amount of total debt | $ 613,361 | 31.8 % |
| Equity market capitalization[3] | 1,315,302 | 68.2 % |
| Total enterprise value | $ 1,928,662 | 100.0 % |

1. Reflects 5,983,711 of unsettled forward equity shares under the ATM program at the December 31, 2023 available net settlement price of $16.48.
2. Reflects 11,040,000 of unsettled forward equity shares from the January 2024 offering.
2. Value is based on the December 31, 2023 closing share price of $17.85 per share.

# Non-GAAP Measures and Definitions

**FFO, Core FFO, and AFFO**

**FFO** means funds from operations. It is a non-GAAP measure defined by NAREIT as net income (computed in accordance with GAAP). Our FFO is net income in accordance with GAAP, excluding gains (or losses) resulting from dispositions of properties, plus depreciation and amortization and impairment charges on depreciable real property.

**Core FFO** means core funds from operations. Core FFO is a non-GAAP financial measure defined as FFO adjusted to remove the effect of unusual and non-recurring items that are not expected to impact our operating performance or operations on an ongoing basis. These include non-recurring executive transition costs, severance and related charges, gain on insurance proceeds, and loss on debt extinguishments and other related costs.

**AFFO** means adjusted funds from operations. AFFO is a non-GAAP financial measure defined as Core FFO adjusted for GAAP net income related to non-cash revenues and expenses, such as straight-line rent, amortization of above- and below-market lease-related intangibles, amortization of lease incentives, capitalized interest expense, earned development interest, non-cash interest expense, non-cash compensation expense, amortization of deferred financing costs, amortization of above/below-market assumed debt, and amortization of loan origination costs.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. In fact, real estate values historically have risen or fallen with market conditions. FFO is intended to be a standard supplemental measure of operating performance that excludes historical cost depreciation and valuation adjustments from net income. We consider FFO to be useful in evaluating potential property acquisitions and measuring operating performance.

We further consider FFO, Core FFO and AFFO to be useful in determining funds available for payment of distributions. FFO, Core FFO and AFFO do not represent net income or cash flows from operations as defined by GAAP. You should not consider FFO, Core FFO and AFFO to be alternatives to net income as a reliable measure of our operating performance nor should you consider FFO, Core FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity.

FFO, Core FFO and AFFO do not measure whether cash flow is sufficient to fund our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO, Core FFO and AFFO do not represent cash flows from operating, investing or financing activities as defined by GAAP. Further, FFO, Core FFO and AFFO as disclosed by other REITs might not be comparable to our calculations of FFO, Core FFO and AFFO.

# Non-GAAP Measures and Definitions

**EBITDA, EBITDA*re*, Adjusted EBITDA*re*, and Annualized Adjusted EBITDA*re***

**EBITDA** is defined as earnings before interest expense, income tax expense, and depreciation and amortization.

**EBITDA*re*** is the NAREIT definition of EBITDA (as defined above), but it is further adjusted to follow the definition included in a white paper issued in 2017 by NAREIT, which recommended that companies that report EBITDA also report EBITDA*re*. We compute EBITDA*re* in accordance with the definition adopted by NAREIT. NAREIT defines EBITDA*re* as EBITDA (as defined above) excluding gains (or losses) from sales of depreciable property and impairment charges on depreciable real property.

**Adjusted EBITDA*re*** is a non-GAAP financial measure defined as EBITDA*re* further adjusted to exclude straight-line rent, non-cash compensation expense, non-recurring executive transition costs, severance and related charges, loss on debt extinguishment and other related costs, gain on insurance proceeds, other non-recurring expenses (income), lease termination fees, adjustment for construction in process, and adjustment for intraquarter activities. Beginning in the quarter ended June 30, 2023, we modified our definition of Adjusted EBITDA*re* to include adjustments for construction in process and intraquarter investment activities. Prior periods have been recast to reflect this new definition.

**Annualized Adjusted EBITDA*re*** is a non-GAAP financial measure defined as Adjusted EBITDA*re* multiplied by four.

We present EBITDA, EBITDA*re*, Adjusted EBITDA*re*, and Annualized Adjusted EBITDA*re* as they are measures commonly used in our industry. We believe that these measures are useful to investors and analysts because they provide supplemental information concerning our operating performance, exclusive of certain non-cash items and other costs. We use EBITDA, EBITDA*re*, Adjusted EBITDA*re* and Annualized Adjusted EBITDA*re* as measures of our operating performance and not as measures of liquidity.

EBITDA, EBITDA*re,* Adjusted EBITDA*re* and Annualized Adjusted EBITDA*re* do not include all items of revenue and expense included in net income, they do not represent cash generated from operating activities and they are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operations as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures. Additionally, our computation of EBITDA, EBITDA*re*, Adjusted EBITDA*re* and Annualized Adjusted EBITDA*re* may differ from the methodology for calculating these metrics used by other equity REITs and, therefore, may not be comparable to similarly titled measures reported by other equity REITs.

**Net Debt and Adjusted Net Debt**

**Net Debt** is calculated as our principal amount of total debt outstanding excluding deferred financing costs, net discounts and debt issuance costs less cash, cash equivalents and restricted cash available for future investment. We believe excluding cash, cash equivalents and restricted cash available for future investment from our principal amount, all of which could be used to repay deb, provides an estimate of the net contractual amount of borrowed capital to be repaid. We believe these adjustments are additional beneficial disclosures to investors and analysis.

**Adjusted Net Debt** is Net Debt adjusted by the net value of unsettled forward equity as of period end.

**Proforma Adjusted Net Debt** is further adjusted by the net value of unsettled forward equity from the January 2024 offering.

# Non-GAAP Measures and Definitions (cont'd)

**Property-Level NOI, Property-Level Cash NOI, Property-Level Cash NOI - Estimated Run Rate, and Total Cash NOI - Estimated Run Rate**

Property-Level NOI, Property-Level Cash NOI, Property-Level Cash NOI - Estimated Run Rate, and Total Cash NOI - Estimated Run Rate are non-GAAP financial measures which we use to assess our operating results. We compute Property-Level NOI as net income (computed in accordance with GAAP), excluding general and administrative expenses, interest expense (or income), income tax expense, transaction costs, depreciation and amortization, gains (or losses) on sales of depreciable property, real estate impairment losses, interest income on mortgage loans receivable, loss on debt extinguishment, lease termination fees, and other income (or expense).

We further adjust Property-Level NOI for non-cash revenue components of straight-line rent and amortization of lease-intangibles to derive Property-Level Cash NOI.

We further adjust Property-Level Cash NOI for intraquarter acquisitions, dispositions and completed developments to derive Property-Level Cash NOI - Estimated Run Rate.

We further adjust Property-Level Cash NOI - Estimated Run Rate for interest income on mortgage loans receivable and intraquarter mortgage loan activity to derive Total Cash NOI - Estimated Run Rate. We believe Property-Level NOI, Property-Level Cash NOI, Property-Level Cash NOI - Estimated Run Rate, and Total Cash NOI - Estimated Run Rate provide useful and relevant information because they reflect only those income and expense items that are incurred at the property level and present such items on an unlevered basis.

Property-Level NOI, Property-Level Cash NOI, Property-Level Cash NOI - Estimated Run Rate, and Total Cash NOI - Estimated Run Rate are not measurements of financial performance under GAAP, and may not be comparable to similarly titled measures of other companies. You should not consider our measures as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

**Other Definitions**

**ABR** is annualized base rent as of December 31, 2023, for all leases that commenced and annualized cash interest on mortgage loans receivable in place as of that date.

**Cash Yield** is the annualized base rent contractually due from acquired properties, interest income from mortgage loans receivable, and completed developments, divided by the gross investment amount, or gross proceeds in the case of dispositions.

**Defensive Category** is considered by us to represent tenants that focus on necessity goods and essential services in the retail sector, including discount stores, grocers, drug stores and pharmacies, home improvement, automotive service and quick-service restaurants, which we refer to as defensive retail industries.

The defensive sub-categories as we define them are as follows: (1) Necessity, which are retailers that are considered essential by consumers and include sectors such as drug stores, grocers and home improvement, (2) Discount, which are retailers that offer a low price point and consist of off-price and dollar stores, (3) Service, which consist of retailers that provide services rather than goods, including, tire and auto services and quick service restaurants, and (4) Other, which are retailers that are not considered defensive in terms of being considered necessity, discount or service, as defined by us.

# Non-GAAP Measures and Definitions (cont'd)

**Investments** are lease agreements in place at owned properties, properties that have leases associated with mortgage loans receivable, developments where rent commenced, or in the case of master lease arrangements each property under the master lease is counted as a separate lease.

**Occupancy** is expressed as a percentage, and it is the number of economically occupied properties divided by the total number of properties owned, excluding mortgage loans receivable and properties under development.

**OP Units** means operating partnership units not held by NETSTREIT.

**Weighted Average Lease Term** is weighted by the annualized base rent, excluding lease extension options and investments associated with mortgage loans receivable.



NETSTREIT

**Investor Relations**
ir@netstreit.com
972-597-4825