

# Private Capital

REAL ESTATE PARTNER TO THE WORLD'S LEADING COMPANIES

November 2024

REALTY  INCOME  
The Monthly Dividend Company®



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# Private Capital A Natural Evolution

- 1 Leverages Realty Income's core strengths**, including expertise in sourcing, underwriting, and value-maximizing a vast portfolio of net lease real estate
- 2 Cultivates an additive source of attractive, consistently priced equity** in private markets ten times larger than public markets<sup>(1)</sup>
- 3 Widens investment aperture** to acquire assets with attractive long-term return profile
- 4 Generates high-multiple, recurring fee revenue** to support sustained earnings growth

Private Capital Amplifies the Value of Realty Income's Leading Platform



# Private Capital Fund Parameters

## Realty Income plans to:

- Operate an **infinite life, open-ended fund**
- Focus on **net lease properties in the U.S.**
- Target **institutional investors**
- Maintain a **meaningful co-investment** in the fund
- **Reduce seed portfolio ownership interest** over time through third-party capital contributions
- **Earn a visible, recurring fee** on third-party equity
- Manage potential conflicts to provide **mutually beneficial outcomes** for private and public investors
- Operate the fund at the **same financial leverage** to the current business





1

## Leverages Realty Income's Core Strengths



# Leveraging Realty Income's Core Strengths

## Sourcing

- Realty Income has sourced \$600+ billion in investment opportunities since 2010
- Target addressable market of more than \$13 trillion for net lease real estate in the U.S. and Europe creates ample opportunities to deploy capital<sup>(1)</sup>
- As a net lease buyer of choice, Realty Income is uniquely positioned to source relationship-driven, large-scale transactions

## Investing

- 55-year track record underwriting corporate credit and real estate
- Proven ability to invest in high quality properties occupied by leading operators in durable sub-markets
- Portfolio quality is evidenced in through-cycle performance: aggregate bad debt represented 37 bps of aggregate total revenue<sup>(2)</sup> from 2014 to 2023

## Managing

- Core competency in maintaining and maximizing the value of a vast portfolio of more than 15,450 properties across two continents using proprietary predictive analytics tools
- With over 6,500 lease rollovers resolved, including over 5,500 re-leased at 102.7% recapture rate since 1996, Realty Income has a proven track record of maximizing portfolio value

<sup>(1)</sup> Source: Nareit and CoStar (2Q21), EPRA, FTSE, Bloomberg, 4Q23. Represents estimated commercial property value for Realty Income's target sectors in the U.S. and Europe. Excludes public REIT ownership.

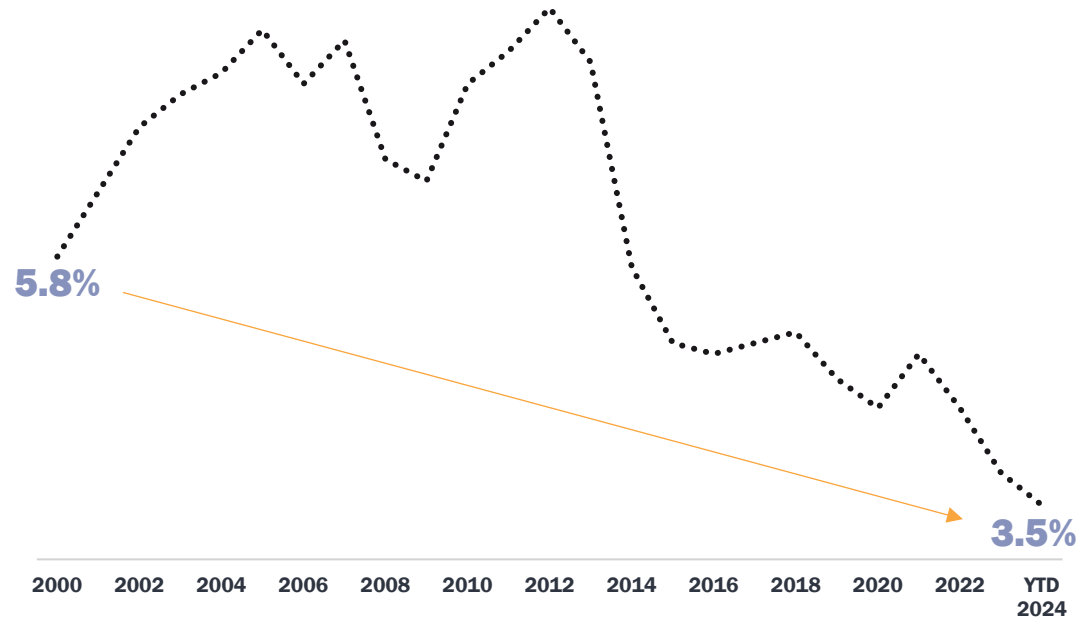
<sup>(2)</sup> Total revenue excludes tenant reimbursements.



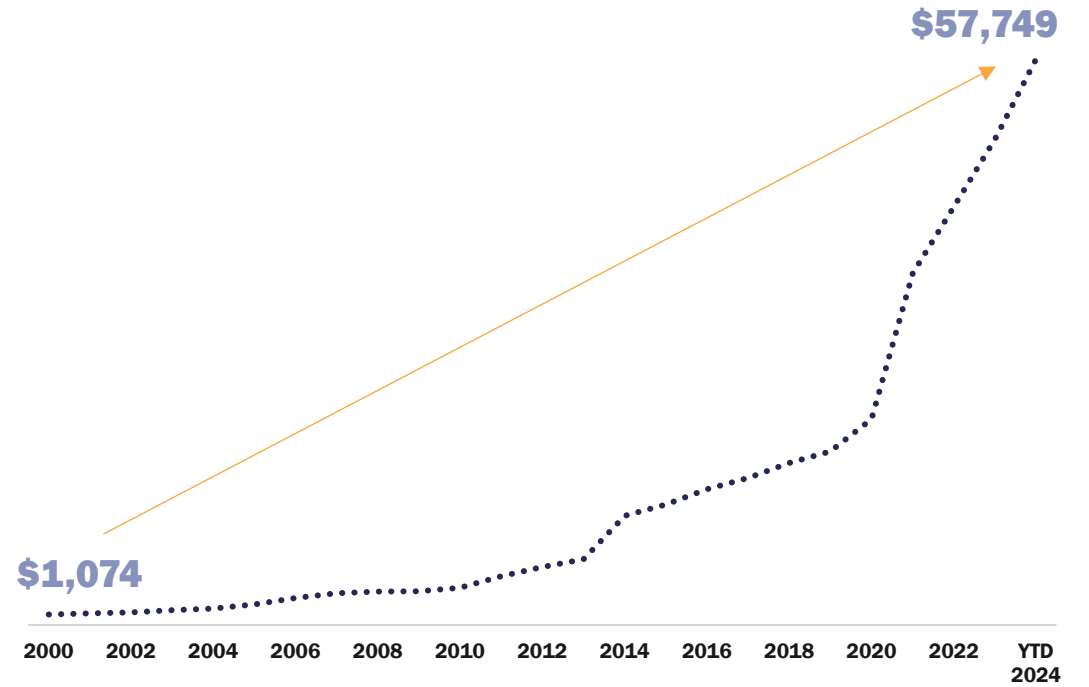
# Operational Efficiency Highlights Economies of Scale

Scaled platform with over 450 employees<sup>(1)</sup> enables expansion into private capital at limited incremental cost

Realty Income G&A as a Percentage of Rental Revenue<sup>(2)</sup>



Realty Income Gross Real Estate Book Value (\$M)<sup>(3)</sup>



<sup>(1)</sup> As of September 30, 2024, Realty Income employed 464 people, including 425 located in the U.S.

<sup>(2)</sup> TD 2024 figure as of 3Q24 | 2018 G&A excludes \$18.7 million severance to former CEO paid in 4Q18 | 2020 G&A excludes \$3.5 million severance to former CFO paid in 1Q20. Percentage of rental revenue calculation excludes reimbursements.

<sup>(3)</sup> YTD 2024 figure as of 3Q24.





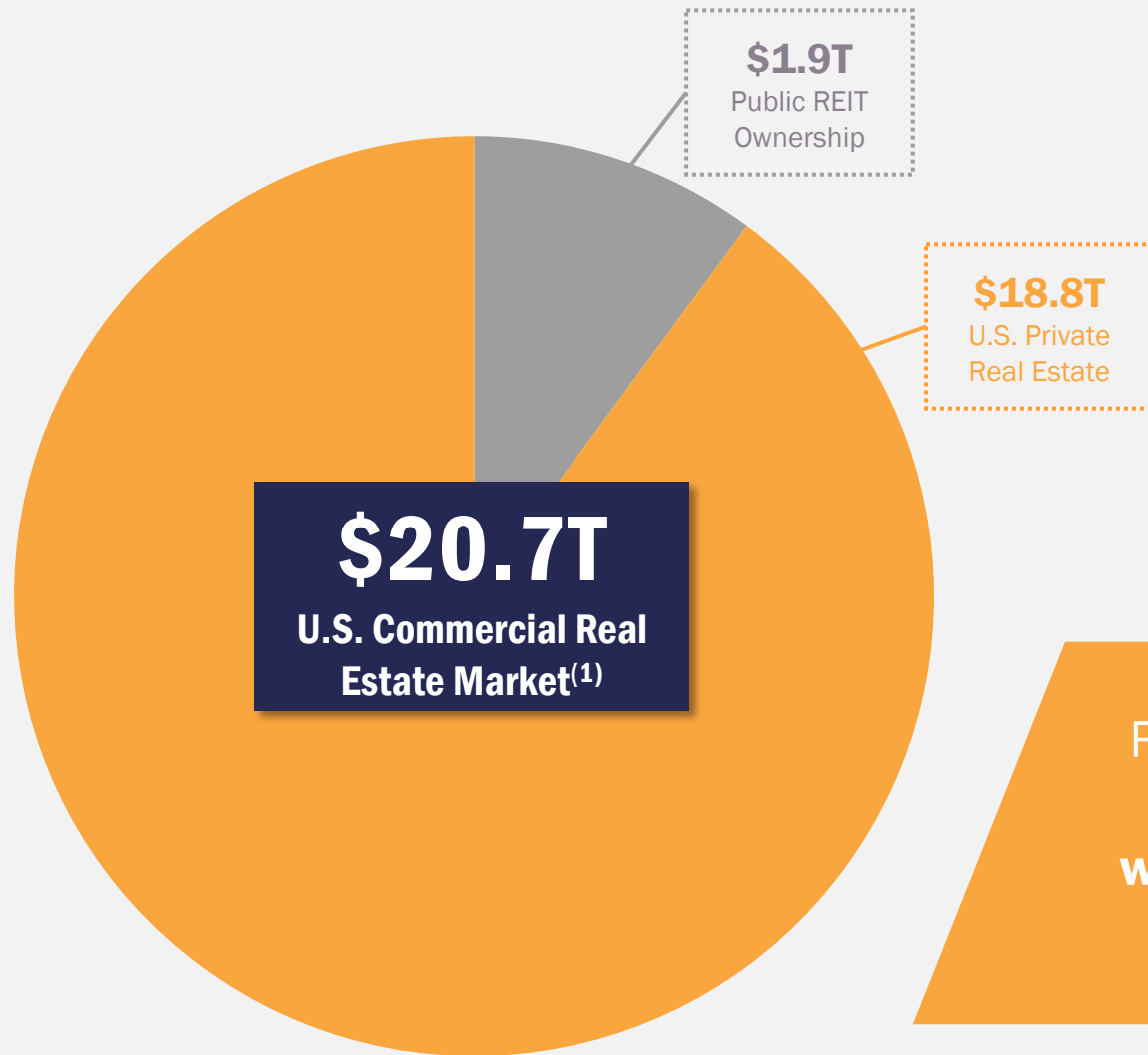
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**Cultivates Deep  
Alternative Equity Source**





# Vast Capital Allocated to U.S. Private Real Estate



Realty Income's fund initiative creates an opportunity to access a deep pool of alternative equity, **with private sources currently representing ~90% of U.S. Commercial Real Estate ownership**

<sup>(1)</sup> Information per NAREIT Research, "Estimating the Size of the Commercial Real Estate Market in the U.S."

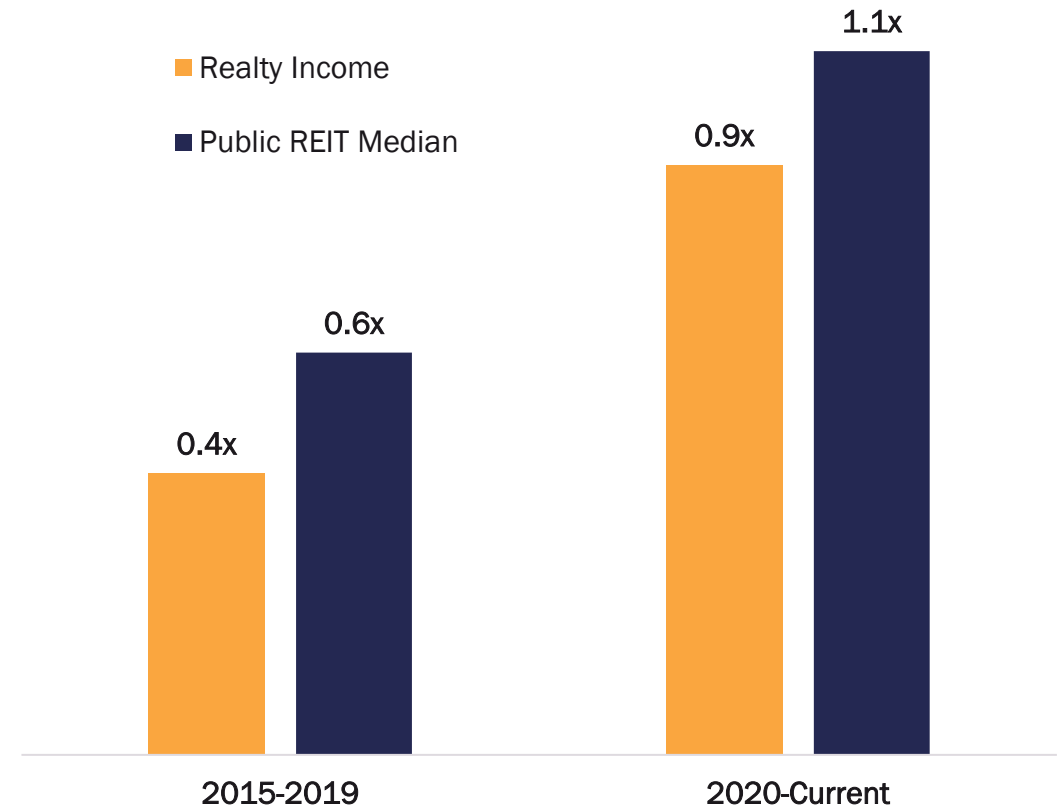


# Access to Alternative Equity

## Private capital expected to compliment Realty Income's leading access to REIT public capital

- O's stock price beta is generally lower than the broader public REIT universe
- However, like the broader REIT universe, O's beta has increased in recent years
- As Realty Income has scaled, diversification of capital sources has been a consistent priority
- Today, Realty Income can efficiently access debt capital markets globally
- **Diversification of equity sources, particularly to lower beta, longer-term commitments to a perpetual-term fund, represents a natural evolution of Realty Income's strategy**

## HISTORICAL EQUITY BETAS<sup>(1)</sup>



<sup>(1)</sup> Source: Bloomberg; as of 11/12/2024. Public REIT Median represents median equity beta across MSCI REIT Index constituents as of 9/30/2024.

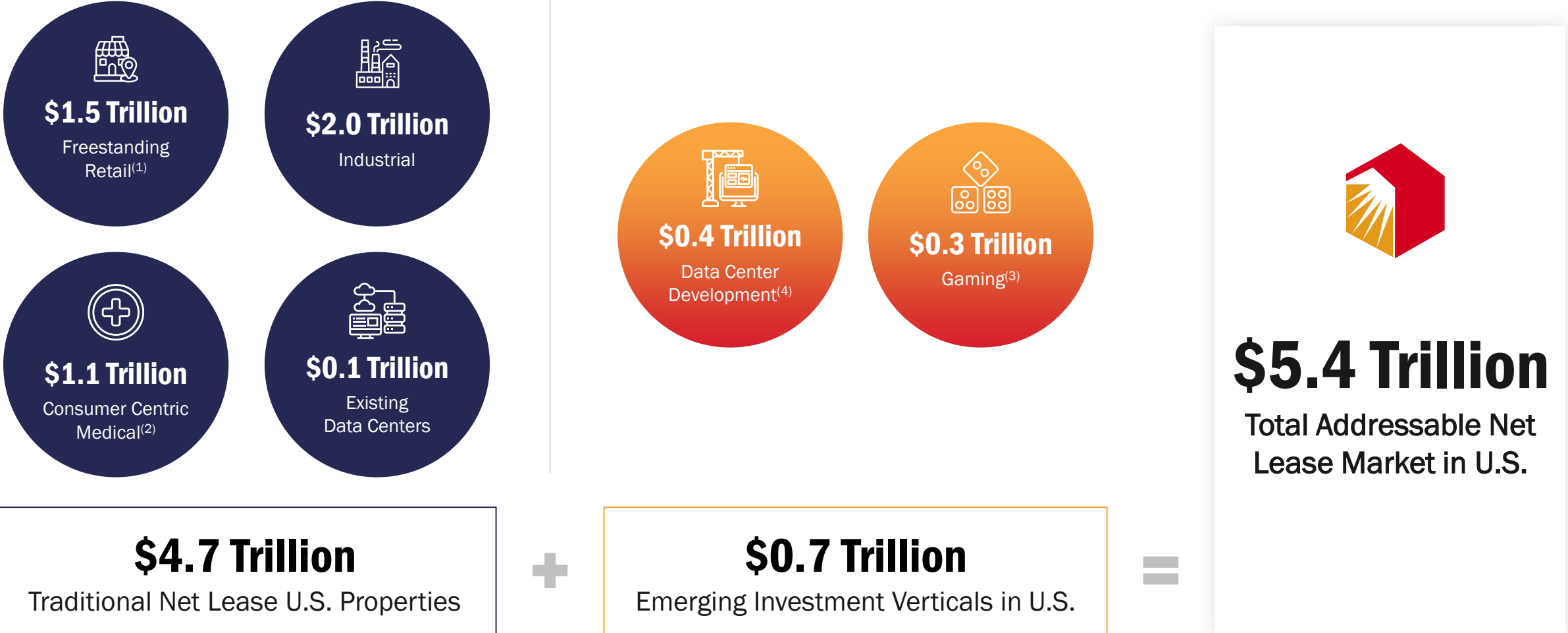




### 3 Widens Investment Aperture



# Enhanced Access to Capital to Address Ample Investment Opportunities



Source: Nareit and CoStar. As of 2Q21. Represents estimated commercial property value for Realty Income's target sectors. Excludes public REIT ownership in each sector.

<sup>(1)</sup> Calculated as ~60% of total retail real estate, applying an equivalent percentage share of malls and shopping centers to retail real estate values as relative share of the total US retail gross leasable area based on Coresight Research as of 1Q23.

<sup>(2)</sup> Source: McKinsey & Co.

<sup>(3)</sup> TAM calculated by applying a 7.0% cap rate to estimated gaming industry property NOI. Gaming industry property NOI is based on Gross Gaming Revenue excluding tribal gaming and REIT-owned properties as of 2022 per American Gaming Association, an assumed 50% gross gaming revenue contribution to total property revenue and 35% property EBITDAR margins based on industry averages, and 1.5x EBITDAR-to-Rent Coverage.

<sup>(4)</sup> Represents the aggregate estimated value of the US data center construction market from 2023 through 2027. Source: Grand View Research.



# Enhanced Unit-Level Investment Economics

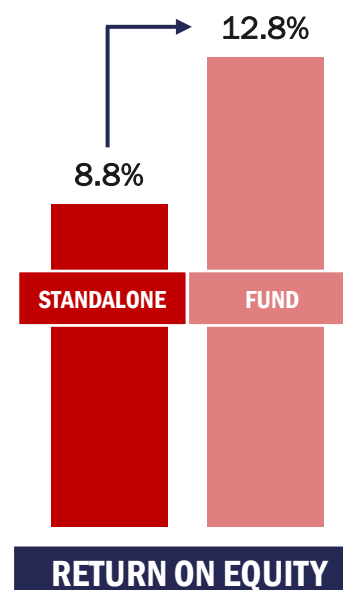
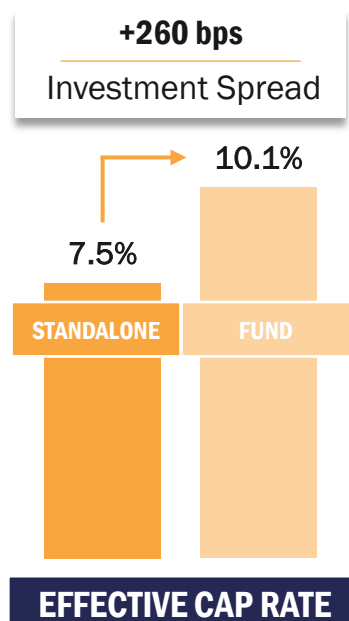
## ILLUSTRATIVE EXAMPLE: ENHANCED RETURNS FOR REALTY INCOME THROUGH FUND INVESTMENTS

### “STANDALONE” ASSUMPTIONS

- > **Cap rate:** 7.5%
- > **LTV:** 35%
- > **REIT Ownership:** 100%
- > **Fees to Realty Income:** 0

### “FUND” ASSUMPTIONS

- > **Cap rate:** 7.5%
- > **LTV:** 35%
- > **REIT Ownership:** 20%
- > **Fees to Realty Income:** 1.0% of LP Net Asset Value



With every dollar of capital generating greater returns in the fund, all stakeholder interests are aligned from an investment allocation standpoint





4

**Generates Value through  
Investment Management**

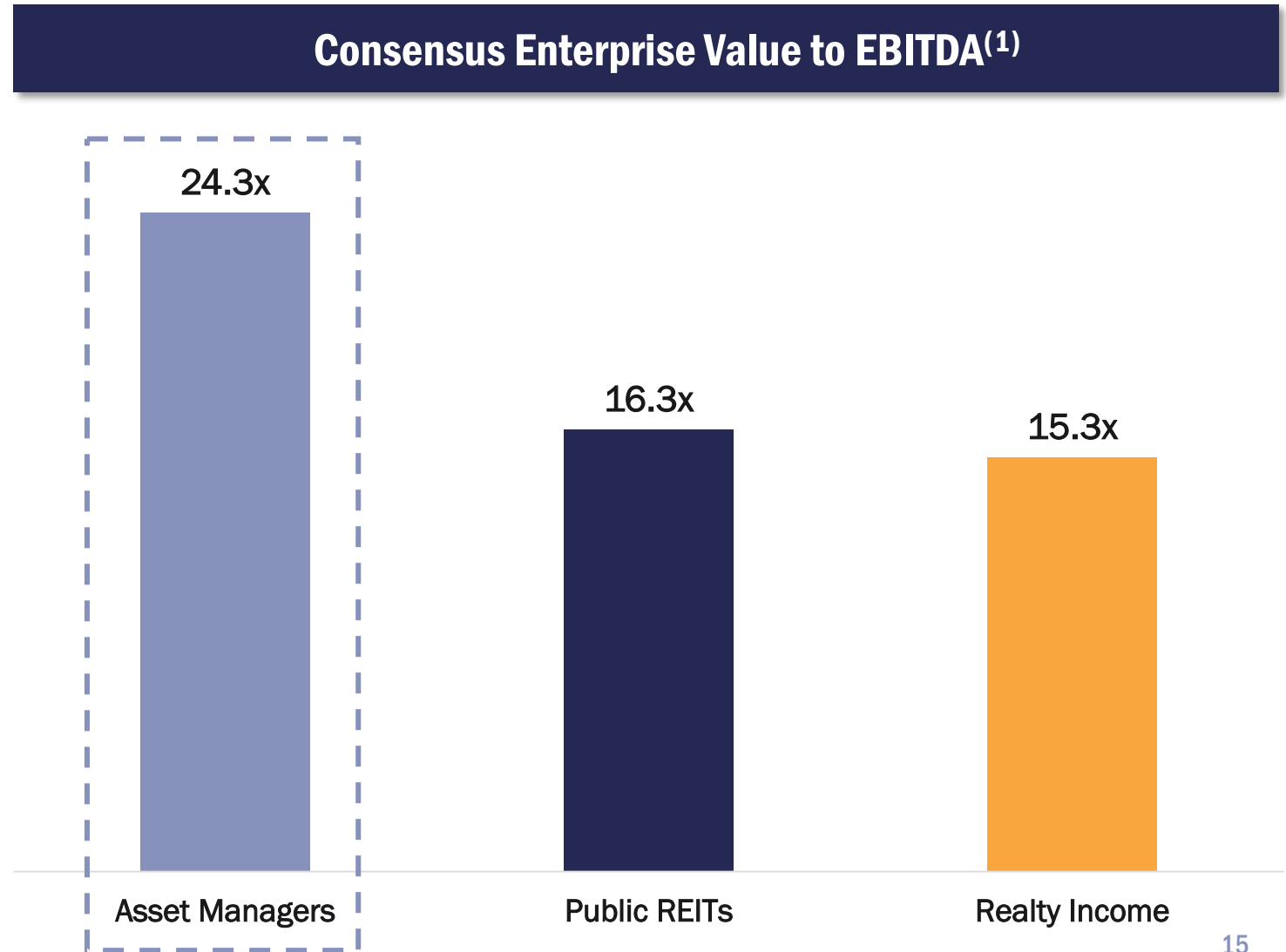


# Value Creation: Investment Managers Garner Premium Multiples

Asset Managers trade at premium multiples

Asset Manager Consensus EBITDA multiples are eight turns greater than the public REIT average

**Realty Income's expansion into investment management could warrant enhanced valuation** due to recurring fee stream



<sup>(1)</sup> Source: Bloomberg. Calculated as company's current enterprise value to estimated consensus EBITDA; as of 11/12/2024. "Asset Managers" represents average EV to EBITDA for the following companies: BX, ARES, APO, DBRG, OWL. "Public REITs" represents average EV to EBITDA across MSCI REIT Index constituents as of 9/30/2024. Note: definitions and calculations of EBITDA, which is a non-GAAP financial measure, may differ between different companies and between Realty Income and other companies.





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