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**BLACKWELLS CAPITAL**

# Global Net Lease and The Necessity Retail REIT: A Compelling Combination

PRESENTED BY BLACKWELLS CAPITAL

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# About Blackwells Capital

**Blackwells Capital LLC (together with its affiliates, “Blackwells”) is an alternative asset manager focused on global fundamental and special situation investing across capital structures**

**We currently own approximately 2% of the outstanding shares of Global Net Lease, making us one of the Company’s largest active shareholders**

## OUR INVESTMENT APPROACH



**RESEARCH-INTENSIVE**

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Blackwells’ principals have accumulated over a century of experience at leading public and private equity firms. Our team members have lived in and invested on four continents and served on the boards of media, consumer, energy, technology, insurance and real estate enterprises at various stages of their lifecycles



**VALUE-ORIENTED**

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We have held senior executive roles in various operating companies and investment firms, which has conferred a nuanced understanding of operational execution and an appreciation of investment complexity



**CONCENTRATED**




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Our academic credentials include advanced training in engineering, computer science, modern and ancient languages and mathematics at the world’s leading universities







# Transaction Overview

<b>Terms<sup>1</sup></b>	<ul style="list-style-type: none"><li>▪ All-stock transaction in which GNL will issue shares to RTL's shareholders</li><li>▪ RTL shareholders will receive 0.670 shares of GNL for each common share of RTL, representing a total consideration of \$7.08 per share; total transaction value of approximately \$4 billion</li></ul>
<b>Pro Forma Ownership<sup>1</sup></b>	<ul style="list-style-type: none"><li>▪ 45% for existing GNL shareholders, 39% for existing RTL shareholders and up to 17% for the owner of the former external manager and certain of its owners</li></ul>
<b>Pro Forma Business Overview</b>	<ul style="list-style-type: none"><li>▪ Combined company would have nearly \$10 billion of real estate assets and significantly enhanced diversity by geography, asset type, tenant and industry</li><li>▪ Larger asset base, enhanced scale and projected synergies allow for more financial flexibility and greater efficiency post-closing</li></ul>
<b>Management and Board of Directors</b>	<ul style="list-style-type: none"><li>▪ Combined company will be led by current GNL CEO Jim Nelson and current RTL CEO Mike Weil as Co-CEOs</li><li>▪ Pro forma Board will be majority-independent, with three independent RTL directors joining GNL's Board, which will be led by an independent Chair</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>▪ Protections for shareholders include repeal of the Company's shareholder rights plan, declassification of the Board and opting out of MUTA</li></ul>
<b>Shareholder Vote &amp; Closing</b>	<ul style="list-style-type: none"><li>▪ Subject to the approval of a majority of GNL and RTL shareholders; Blackwells has agreed to support the transaction</li><li>▪ Targeting closing in Q3 2023</li></ul>

# The Transaction Creates a Superior Combined Entity

	 GLOBAL NET LEASE	 THE NECESSITY RETAIL REIT <small>NYSE: NTS</small> World's America's Stores	 GLOBAL NET LEASE + THE NECESSITY RETAIL REIT <small>NYSE: NTS</small> World's America's Stores	
<b>Greater Scale</b>	<b>Gross Book Value of Real Estate (\$M)</b>	\$4,607	\$5,008	<b>\$9,615</b>
	<b>Number of Properties</b>	317	1,039	<b>1,356</b>
	<b>Square Feet (M)</b>	39.6	27.6	<b>67.1</b>
	<b>Total Straight-Line Rent (\$M)</b>	\$361	\$375	<b>\$736</b>
<b>Increased Diversification</b>	<b>Top 10 Tenant Concentration<sup>2</sup></b>	32%	29%	<b>19%</b>
	<b>Top 10 Industry Concentration<sup>2</sup></b>	60%	58%	<b>43%</b>
	<b>Highest Industry Exposure by SLR</b>	13%	8%	<b>6%</b>
<b>Stronger Balance Sheet</b>	<b>Net Debt to Adjusted Annualized EBITDA</b>	8.3x	9.6x	<b>7.6x</b>
<b>Enhanced Dividend Coverage</b>	<b>Dividend Yield</b>	15%	18%	<b>13%</b>
	<b>2023E AFFO Payout Ratio</b>	104%	96%	<b>84%</b>

# The Transaction and Related Announcements Address Blackwells' Key Concerns

Topic	Blackwells' Perspective	GNL's Response	Concern Addressed?
<b>Management Agreement with AR Global</b>	GNL's management agreement with AR Global was off-market and impaired shareholder value and should be terminated	<b>The combined entity will be internally managed, resulting in approximately \$54M in annual savings</b>	
<b>Poison Pill</b>	GNL's poison pill insulated management and deterred bona fide acquirers	<b>GNL post-closing will repeal the Company's poison pill</b>	
<b>Board Composition</b>	GNL's Board was stale and would benefit from new, independent perspectives	<b>Three independent, highly qualified RTL directors will join the GNL Board at closing</b>	
<b>Board Classification</b>	GNL's classified Board limited accountability to shareholders and was inconsistent with governance best practices	<b>GNL post-closing will declassify its Board and opt out of the classified Board provision of MUTA</b>	
<b>Director Independence</b>	AR Global employees had excessive influence over the GNL Board, creating conflicts of interest	<b>The combined company Board will be majority-independent, led by an independent Chair</b>	
<b>Standalone Prospects</b>	GNL had a valuable and attractive portfolio but was subscale and suffered from a persistent valuation discount exacerbated by poor governance	<b>GNL's combination with RTL and related governance enhancements should result in a stronger, scaled and more valuable company</b>	

# A Compelling Combination: Why Blackwells Supports the GNL-RTL Merger

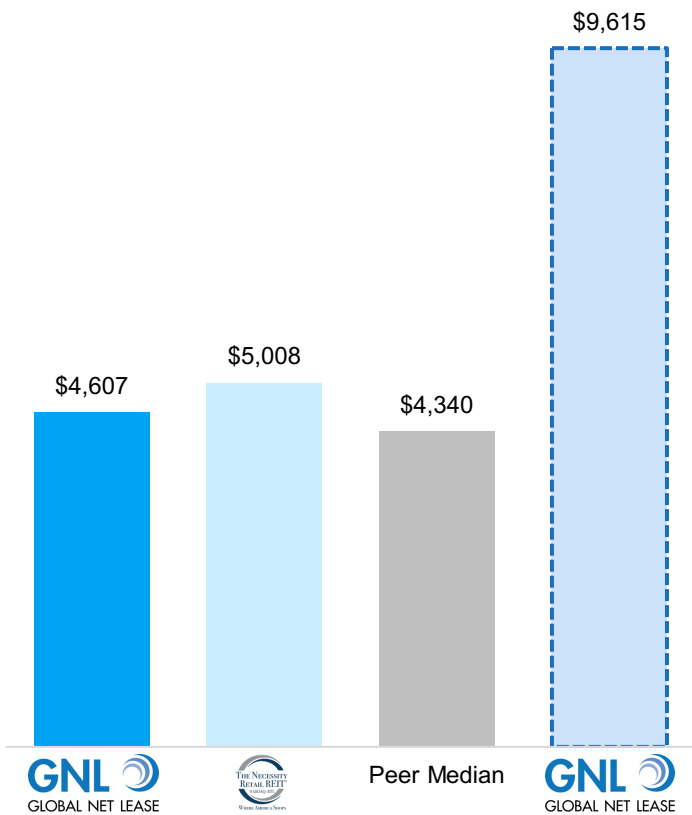
## Blackwells strongly supports the combination between Global Net Lease and The Necessity Retail REIT

- 1 Scale**
  - Combined company will have nearly \$10 billion in real estate assets, making it one of the largest publicly traded net lease REITs
- 2 Diversity**
  - Enhanced diversity by geography, tenant, asset type, making the combined company more resilient to macroeconomic headwinds
- 3 Efficiency**
  - Elimination of management fees and realization of synergies should enhance cash flow; fund further deleveraging and future strategic acquisitions; and increase dividend coverage
- 4 Accountability**
  - Enhanced governance, including repealing the shareholder rights plan, declassifying the Board, and opting out of MUTA
  - The combined company will be overseen by a reconstituted, more independent Board
- 5 Value**
  - Internally managed REITs typically trade at a higher AFFO multiple compared to their externally managed counterparts, and we anticipate a valuation reset
  - We believe a new Board and enhanced governance will lead to better long-term outcomes for shareholders

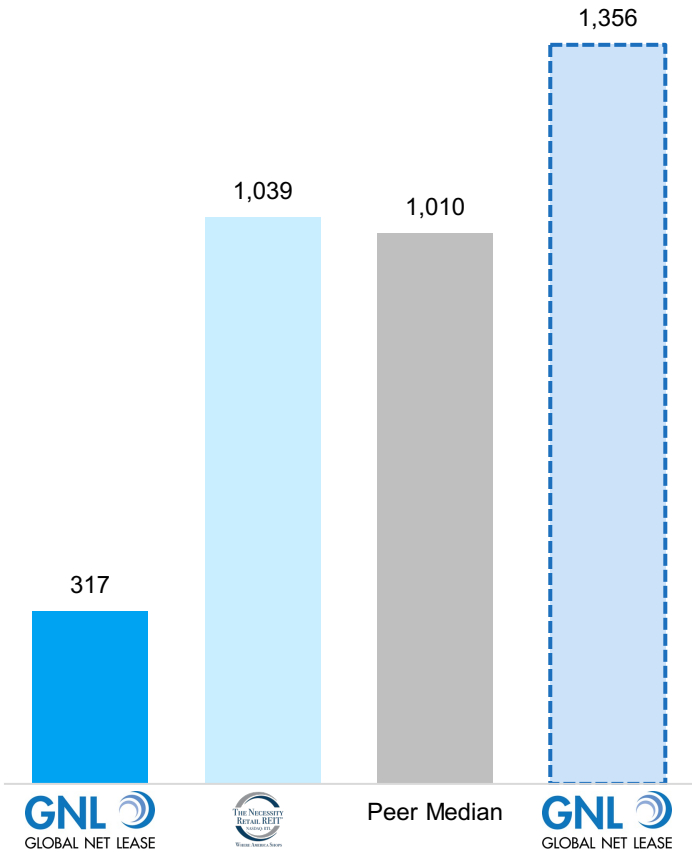
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# The Combination Results in Significantly Enhanced Scale

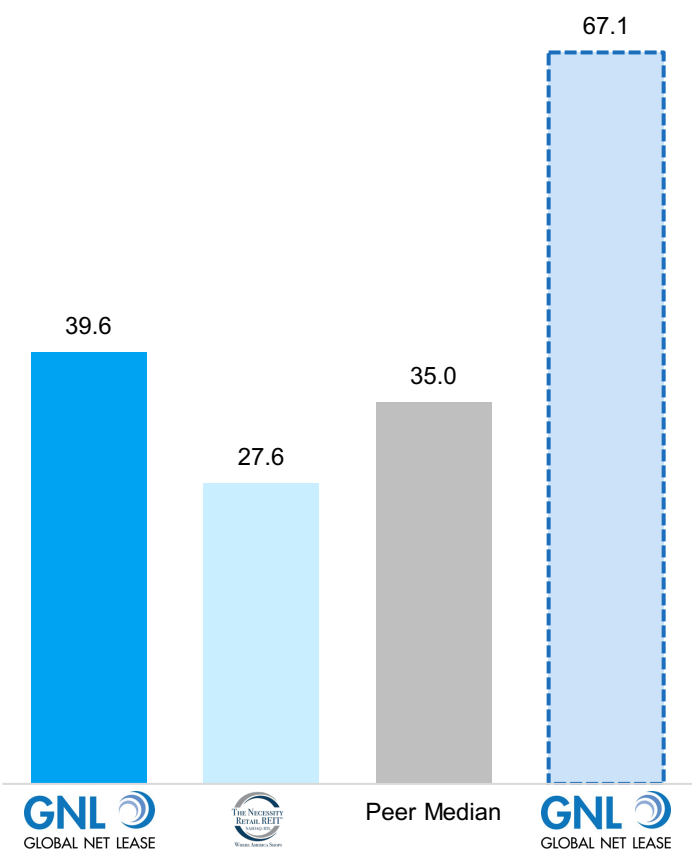
**Gross Book Value of Real Estate (\$M)<sup>1</sup>**



**Number of Properties<sup>1</sup>**



**Square Feet<sup>1</sup>**



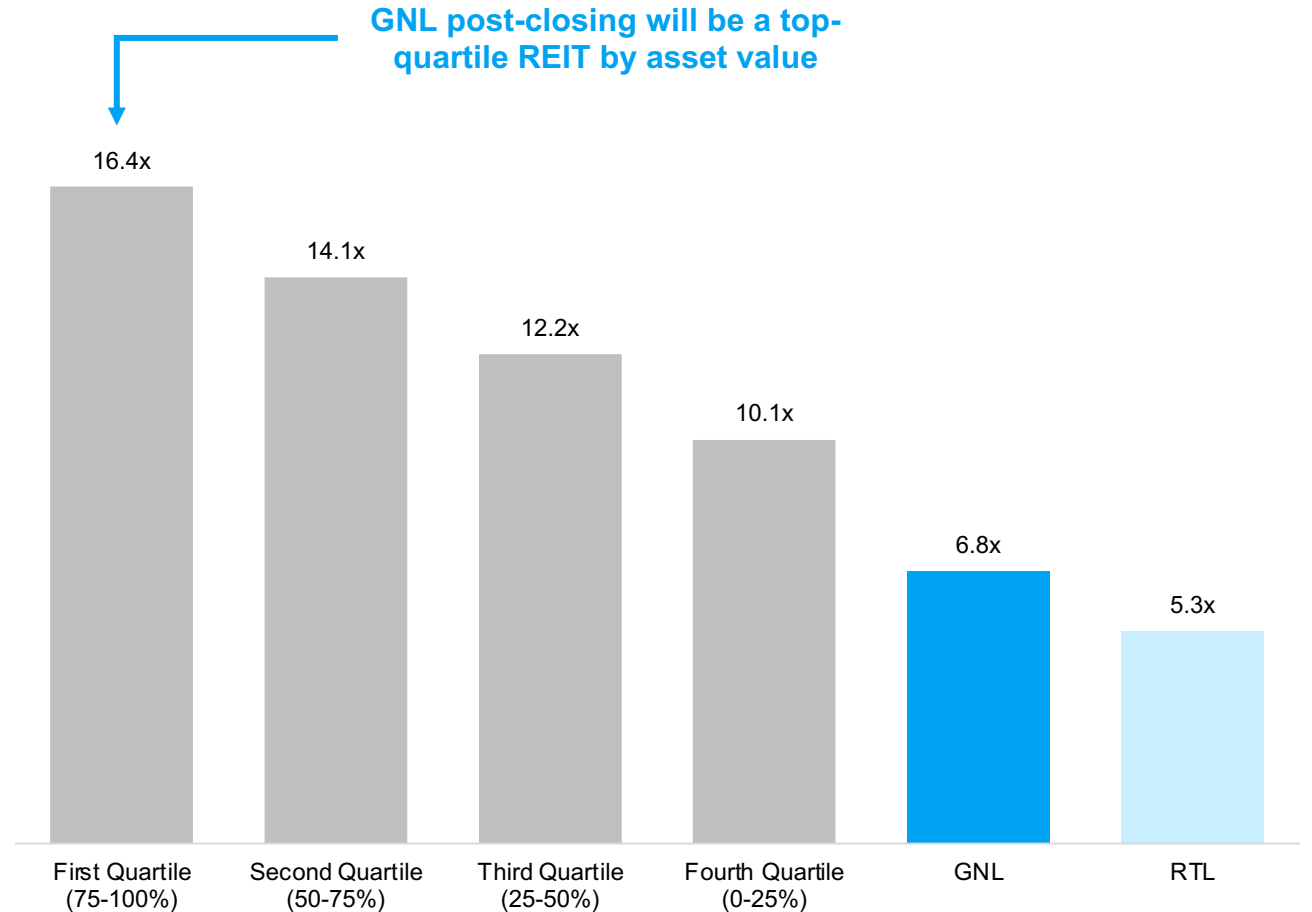
1. Source: Global Net Lease investor presentation, May 23, 2023.  
 2. Source: FactSet and Bloomberg. Data as of March 31, 2023. "Diversified REITs" include WPC, BNL, JBGS, SVC, GNL, AAT, ALX, AHH, GOOD, OLP, STHO, MDV, MDRR, SQFT and GIPR. "Free Standing Retail REITs" include O, NNN, ADC, SRC, PRT, FCPT, GTY, NTST, PSTL and PINE. Peer data refers to median.



# 1 Enhanced Scale Supports Premium Trading Multiples

- The combined company will have nearly \$10 billion in assets, placing it in the upper quartile of publicly traded REITs
- For REITs, size matters: companies with larger asset bases tend to trade at higher multiples
- On a standalone basis, neither GNL nor RTL is large enough to garner a premium multiple

Price/2023E AFFO of Nareit Constituents by Value of Real Estate<sup>1</sup>

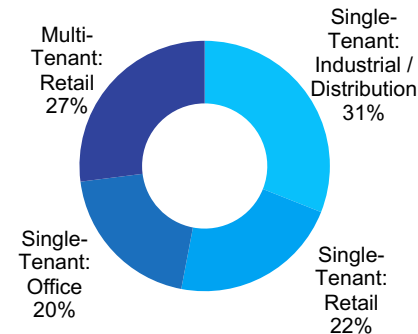


## 2 The Combination Provides Enhanced Diversity

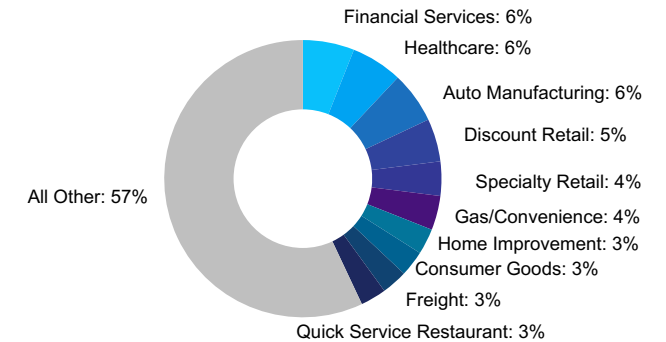
- The combination of GNL and RTL will result in a substantially diversified portfolio:
  - no single industry will provide more than 6% of annualized straight-line rent
  - top ten tenants will account for less than 20% of tenant revenue
  - no single tenant will provide more than 3% of tenant rent<sup>1</sup>
- This diversification adds a level of safety in a challenging, uncertain macroeconomic environment and insulates the combined company against potential shocks

### Post-Closing Asset Diversification & Industry Exposure<sup>1</sup>

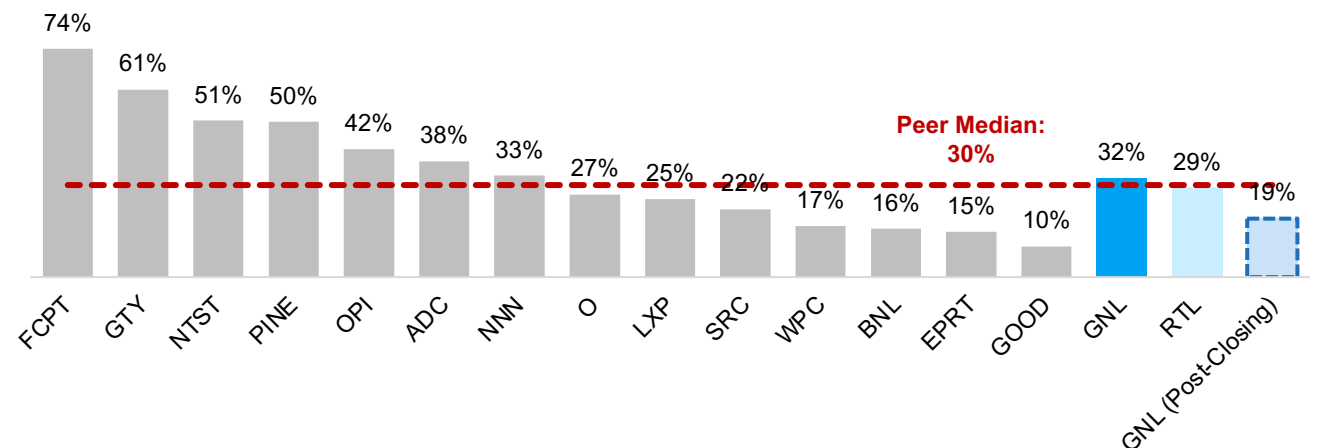
Total Portfolio Annualized SLR by Segment



Post-closing Industry Exposure



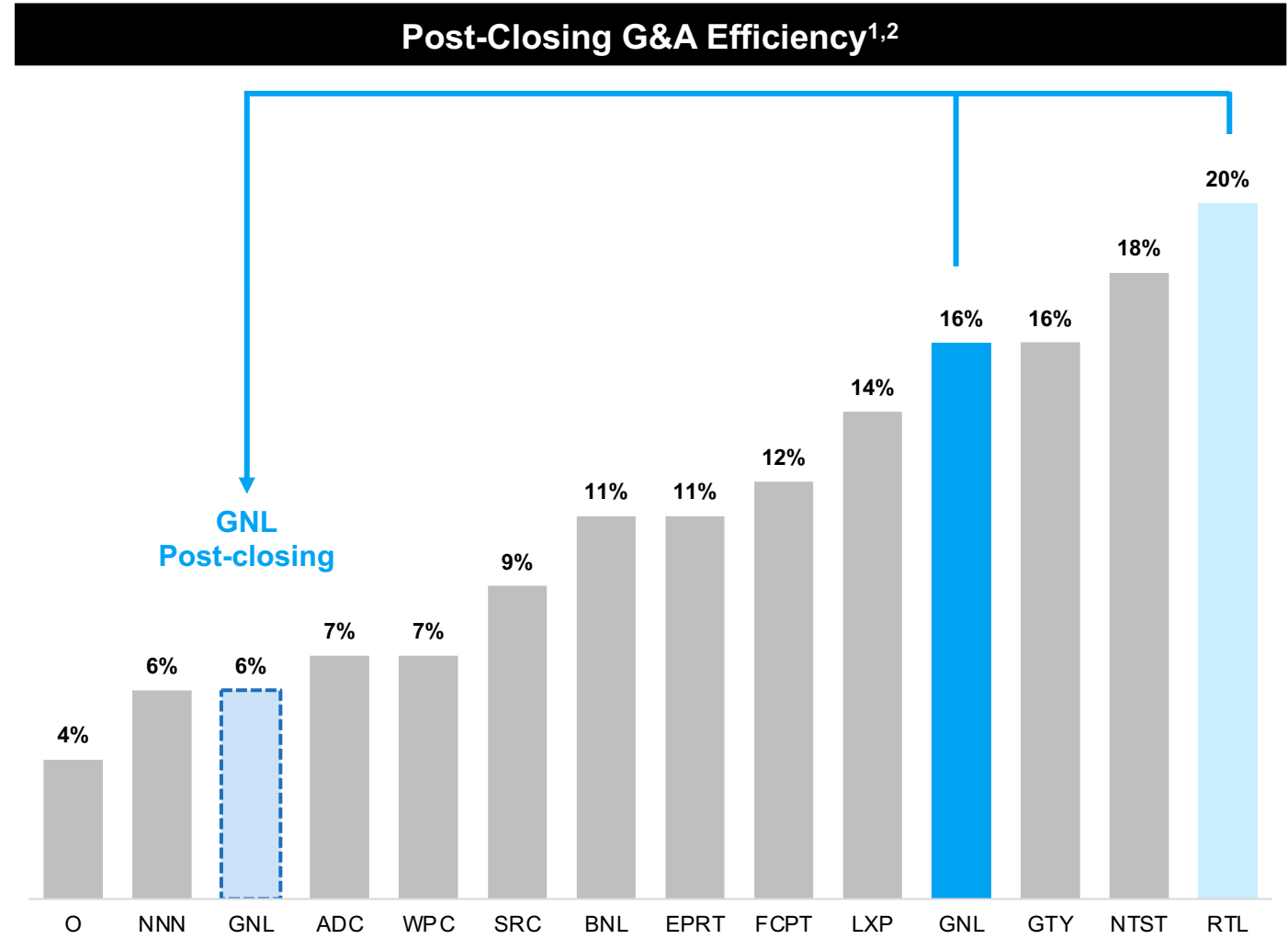
### Top 10 Tenants' Share of Tenant Revenue<sup>1</sup>



1. Source: FactSet and Global Net Lease investor presentation, May 23, 2023.

## Internalization Should Reduce Expenses and Streamline Decision-Making

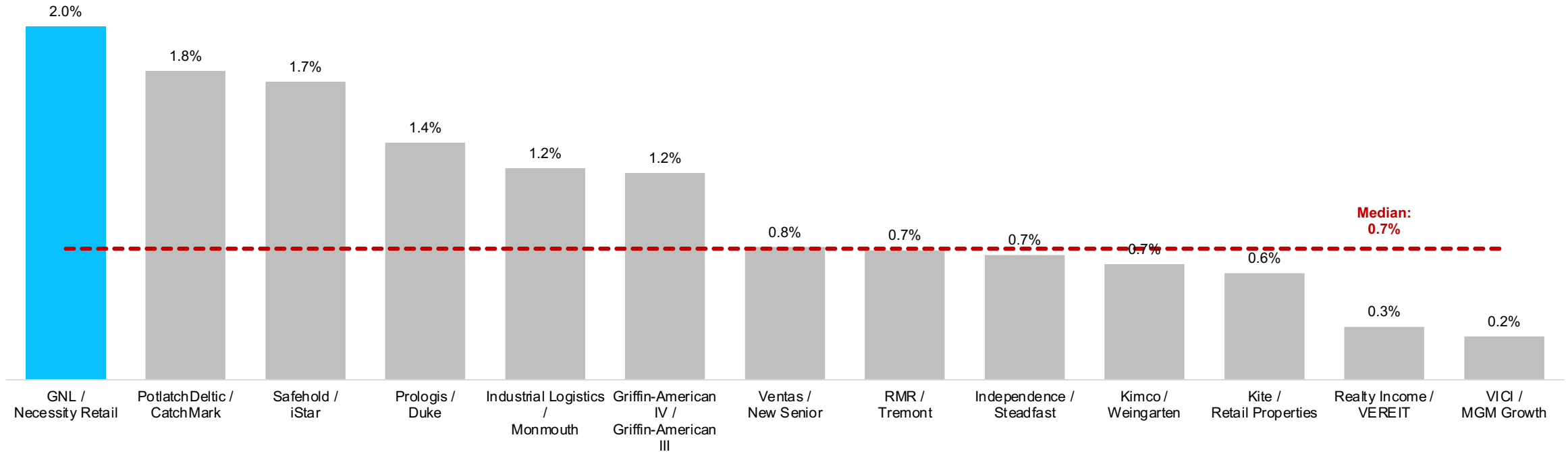
- Internalization should save the combined company approximately \$54 million annually
  - Includes the elimination of asset management fees, property management fees, incentive fees, equity issuance fees and reimbursable expenses, net of other costs
- Management expects additional merger synergies of approximately \$21 million on a run-rate basis
  - Includes corporate consolidation and general public company cost savings
- Estimated annual net savings as a result of the combination thus amount to ~\$75 million
- Moreover, the combined company's expenses will be spread over a large asset base



### 3 Announced Synergies Are Highly Compelling

The combined internalization savings and merger synergies of the GNL-RTL transaction are the highest of any merger of two publicly traded REITs within the last three years

Announced Annualized Synergies / Total Transaction Value<sup>1</sup>

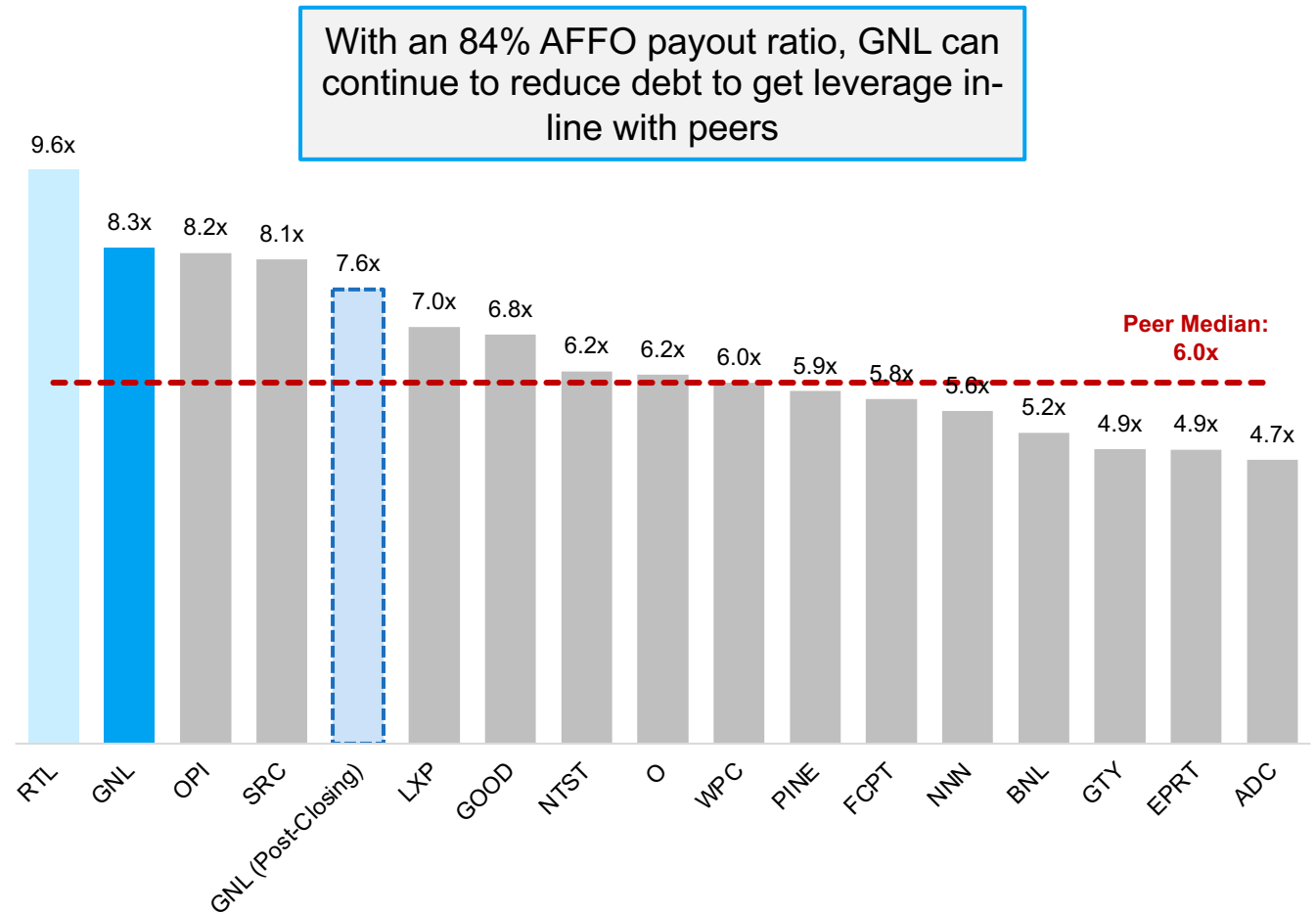


1. Source: FactSet and company filings. Includes all mergers between US-based, publicly traded REITs in which anticipated cost savings were announced at the time of the transaction. Percentages represent annualized expected cost savings (i.e., synergies) divided by total transaction value as calculated by FactSet.

## Combination Supports Further Deleveraging In-Line with Peers

- The combined company will have lower leverage, closer to the peers
- Over time, the 84% AFFO payout ratio will provide the Company with sufficient flexibility to further reduce leverage
- Reducing leverage should lead to an improved credit rating and lower cost of leverage
- Non-core asset sales, organic NOI growth and dividend policy revision provide opportunities for further and/or accelerated deleveraging

### Net Debt/Annualized Adjusted EBITDA<sup>1,2</sup>

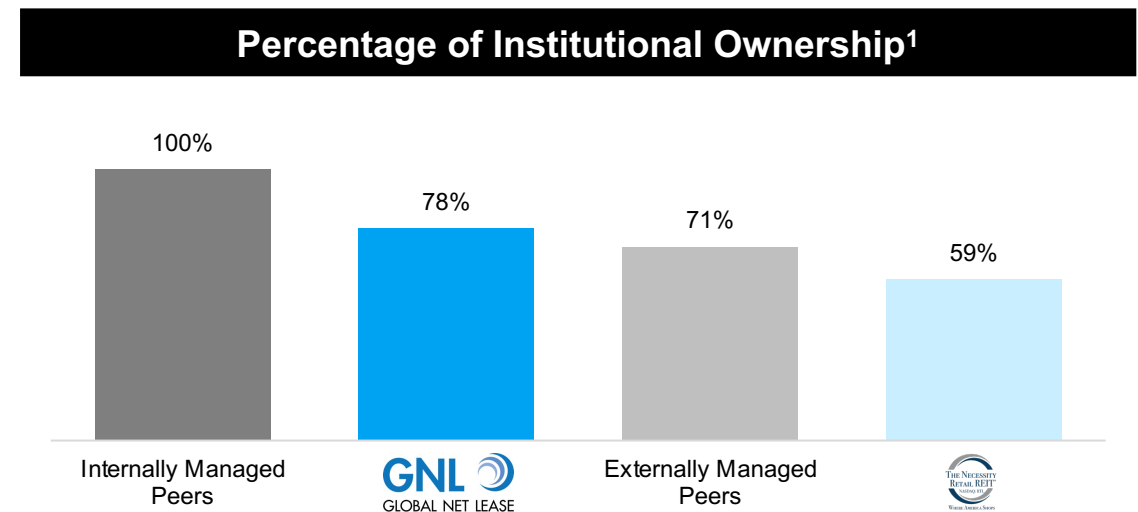


**GNL is implementing several governance enhancements in connection with the transaction that we believe will better align with “best practices” and benefit all shareholders**

Topic	Description of Enhancement	Expected Benefit
<b>Shareholder Rights Plan</b>	<ul style="list-style-type: none"> <li>Repealing the Company’s shareholder rights plan</li> </ul>	+ Greater accountability to shareholders
<b>Board Classification</b>	<ul style="list-style-type: none"> <li>Declassifying the Board of Directors such that seven of the Company’s nine directors would stand for election for annual terms at the 2024 annual meeting; all nine directors would stand for election at the 2025 meeting</li> </ul>	+ Greater accountability to shareholders
<b>Maryland Unsolicited Takeovers Act (“MUTA”)</b>	<ul style="list-style-type: none"> <li>Opting out of the classified board provision of MUTA, preventing the Board from re-classifying without shareholder approval</li> </ul>	+ Greater accountability to shareholders
<b>Board Composition</b>	<ul style="list-style-type: none"> <li>Amending the Company’s bylaws to delete the requirement that up to two board members be “managing directors”</li> <li>Adding three independent RTL directors to the Board</li> </ul>	+ Increased independence and enhanced independent oversight of management

# 5 We Believe the Merger Will Lead to a Valuation Reset

- Internally managed REITs generally trade at higher valuations and have higher levels of institutional ownership than their externally managed counterparts
- We believe the externally managed structure of GNL and RTL has been one of the reasons for the persistent undervaluation
  - Over the past three years, GNL and RTL traded at an average discount to NAV of 31% and 47%, respectively
- At the closing, GNL will become internally managed
- We anticipate that the internalization will result in a re-rating of GNL's valuation multiple
- The internalization should also make GNL more appealing to a wider variety of institutional investors and attract stable, long-term capital
- In our view, the fact that AR Global accepted GNL stock as currency as part of the internalization demonstrates its alignment and belief in the Company's prospects

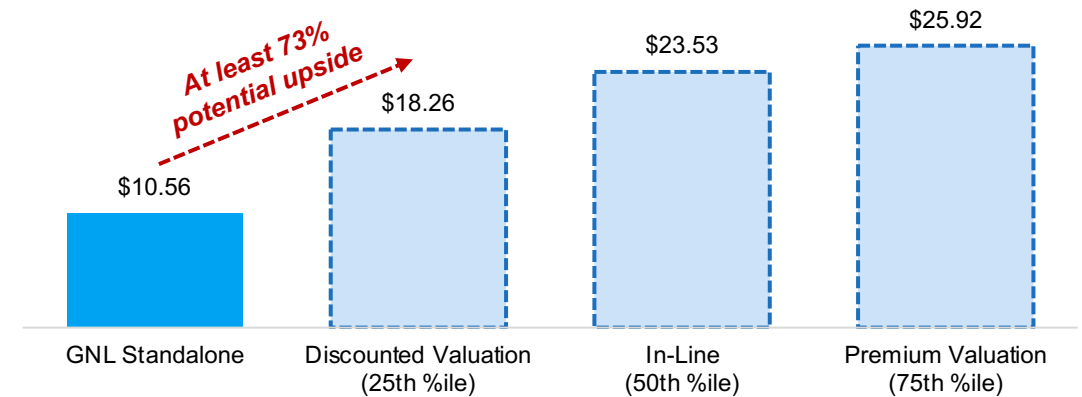


1. Source: FactSet. P/AFFO data as of May 23, 2023; ownership data as of June 6, 2023. "Internally Managed Peers" include LXP, ADC, FCPT, GTY, O, NTST, EPRT, NNN, WPC, BNL and SRC. "Externally Managed Peers" include PINE, GOOD and OPI. Peer data refers to medians.

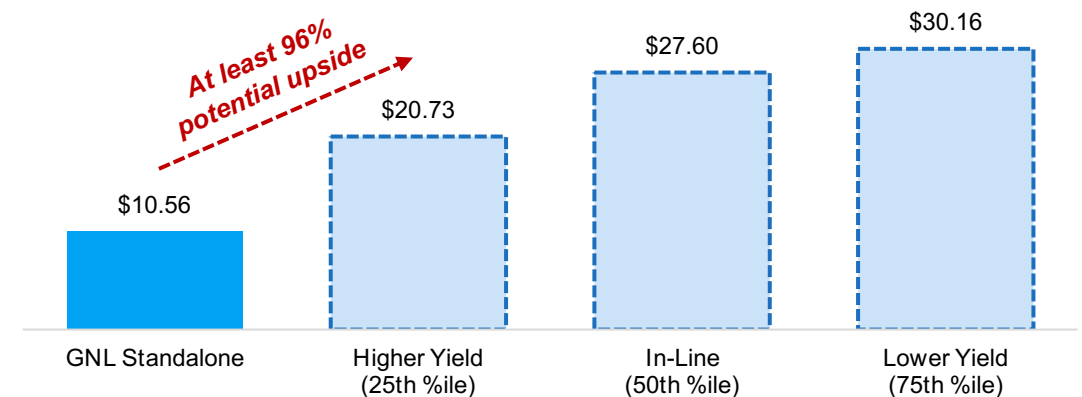
# We Believe the Combined Company Will Trade at a Much Higher Value

- The new Company will have many of the features institutional investors look for in a REIT:
  - Scale
  - Diversity of property types, industries and tenants
  - Efficiency by virtue of internal management and scale
  - Sustainable dividend
  - Good governance practices
- We believe the combined company's valuation will re-rate to match other REITs of similar scale, in which case GNL's stock price could easily double
- Alternatively, even if GNL continues to trade at a discount, its valuation should reflect its enhanced position

## Implied Valuation Based on 2023E AFFO<sup>1</sup>



## Implied Valuation Based on Annualized Dividend Yield<sup>1</sup>







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**CONTACT INFORMATION**

**Eric Abitbol**  
Managing Director

**Kayla Korman**  
Senior Associate

**Investor Relations**  
[IR@blackwellschap.com](mailto:IR@blackwellschap.com)

**Media Relations**  
Gagnier Communications  
Dan Gagnier  
646-569-5897

[Blackwells@gagnierfc.com](mailto:Blackwells@gagnierfc.com)

Longacre Square Partners  
Greg Marose  
646-386-0091

[blackwells@longacresquare.com](mailto:blackwells@longacresquare.com)