

# W. P. Carey Inc. Capitalization & Leverage

## 4Q19

Investing for the long run®



# Balance Sheet Progression

W. P. Carey remains committed to maintaining its credit rating, growing its pool of unencumbered assets and strengthening its balance sheet

- Since W. P. Carey was rated by S&P and Moody's in 2013, maturing mortgages have generally been paid off with proceeds from equity or unsecured notes and new acquisitions have been unencumbered

	December 2013 <sup>(1)</sup>	December 2019		% Change
<b>Total mortgage debt</b>	\$3.1 billion	\$1.5 billion	↓	(52%)
<b>Secured debt as % of gross assets</b>	35.9%	9.7%	↓	(26%)
<b>Unencumbered net lease ABR (pro rata) <sup>(2)</sup></b>	\$153 million	\$817 million	↑	434%
<b>Estimated unencumbered net lease asset value <sup>(3)</sup></b>	\$2.0 billion	\$10.9 billion	↑	434%
<b>Unsecured credit rating</b>	BBB- (S&P / stable) Baa2 (Moody's / stable)	BBB (S&P / positive) Baa2 (Moody's / stable)	↑	

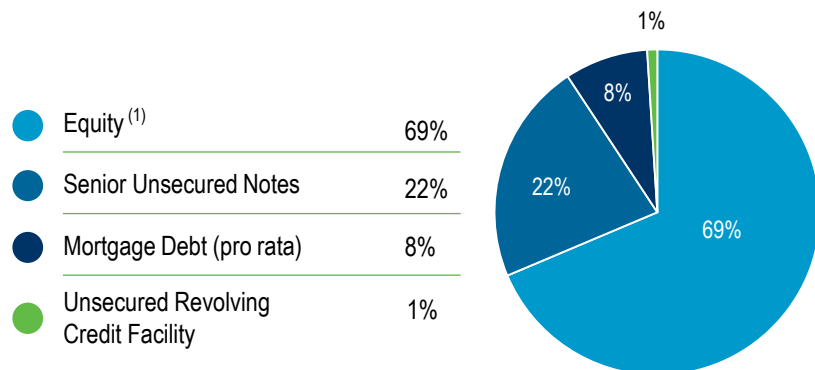
(1) Pro forma for W. P. Carey's January 31, 2014 acquisition of Corporate Property Associates:16 – Global Incorporated.

(2) "ABR" represents pro rata contractual minimum annualized base rent (see definition in Disclosures at end).

(3) Unencumbered net lease asset value reflects ABR at a 7.50% capitalization rate, consistent with capitalization rate in the covenants governing the Senior Unsecured Notes.

# Balance Sheet Overview

## Capitalization (%)



## Capital Markets and Balance Sheet

- FY 2020: Amended and restated \$2.1B credit facility, consisting of \$1.8B revolving line of credit, £150MM term loan, and a \$105MM delayed draw term loan.
- FY 2019: Reduced secured debt outstanding by \$1.3B, primarily with proceeds from our ATM equity issuance and unsecured note offerings
- FY 2019: Issued \$523 MM of equity through the ATM program
- September 2019: Issued €500MM of 1.350% Senior Unsecured Notes due 2028 through European subsidiary
- June 2019: Issued \$325MM of 3.85% Senior Unsecured Notes due 2029

(1) Based on a closing stock price of \$80.04 on December 31, 2019, and 172,278,242 common shares outstanding as of December 31, 2019.

(2) Pro rata net debt to enterprise value and pro rata net debt to Adjusted EBITDA are based on pro rata debt less consolidated cash and cash equivalents.

(3) Gross assets represent consolidated total assets before accumulated depreciation on real estate. Gross assets are net of accumulated amortization on in-place lease and above-market rent intangible assets.

(4) Adjusted EBITDA represents 4Q19 annualized Adjusted EBITDA, as reported in the Form 8-K filed with the SEC on February 21, 2020.

## Capitalization (\$MM)

12/31/19

**Total Equity<sup>(1)</sup> \$13,789**

### Pro Rata Net Debt

Senior Unsecured Notes USD	1,625
Senior Unsecured Notes EUR	2,809
Mortgage Debt, pro rata USD	1,220
Mortgage Debt, pro rata (EUR \$397 / Other \$47)	443
Unsecured Revolving Credit Facility USD	-
Unsecured Revolving Credit Facility (EUR \$131 / Other \$70)	201

**Total Pro Rata Debt \$6,298**

Less: Cash and Cash Equivalents (196)

**Total Pro Rata Net Debt \$6,102**

**Enterprise Value \$19,891**

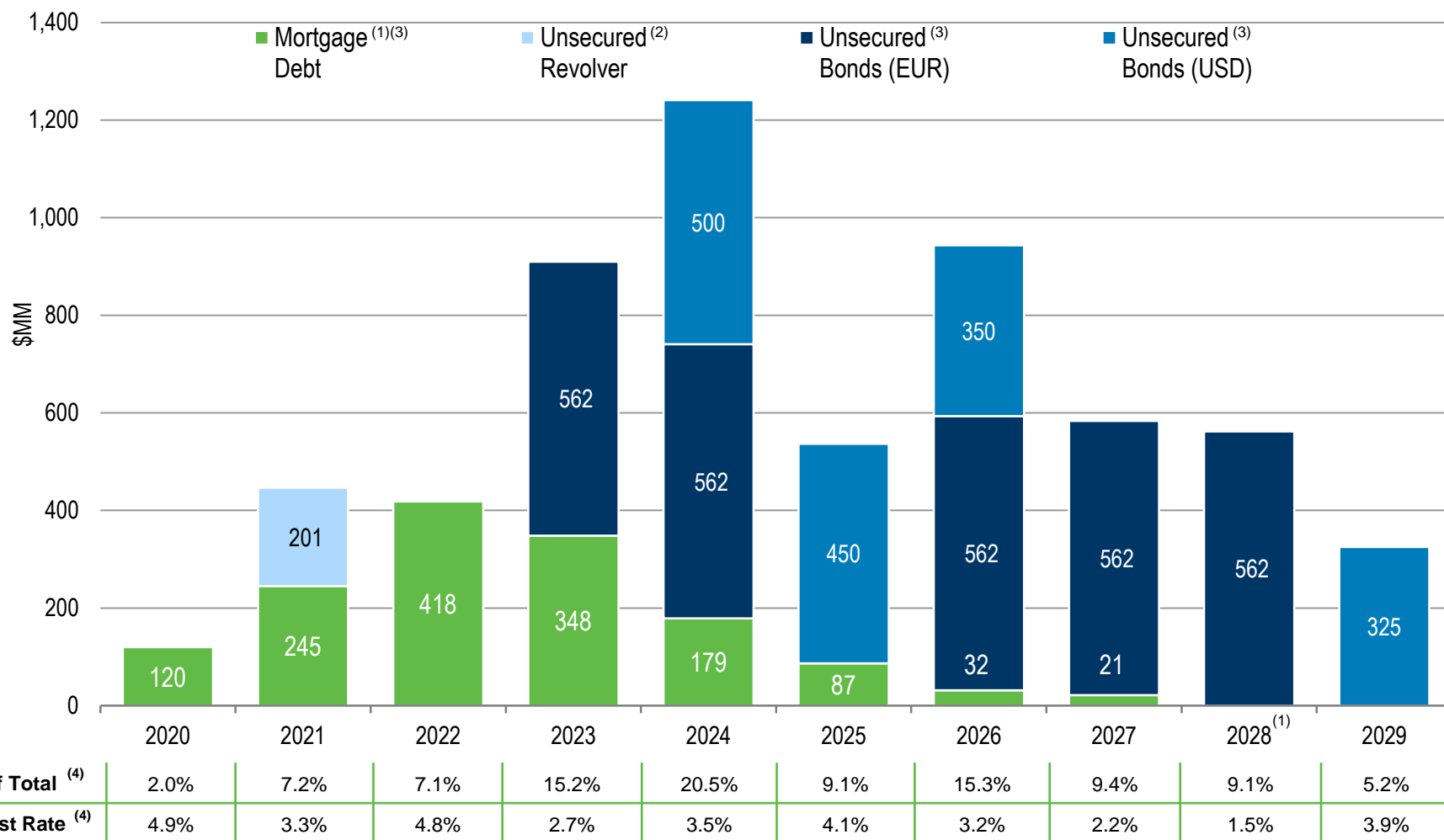
**Total Capitalization \$20,087**

## Leverage Metrics

Pro Rata Net Debt / Adjusted EBITDA <sup>(2)(4)</sup>	5.4x
Pro Rata Net Debt / Enterprise Value <sup>(1)(2)</sup>	30.7%
Total Consolidated Debt / Gross Assets <sup>(3)</sup>	40.3%
Weighted Average Interest Rate (pro rata)	3.2%
Weighted Average Debt Maturity (pro rata)	5.1 years

# Debt Maturity Schedule

## Principal at Maturity



(1) Reflects pro rata balloon payments due at maturity. W. P. Carey has two additional fully amortizing mortgages due in 2028 (\$10MM) and 2031 (\$4MM).

(2) On February 20, 2020, we closed our fourth amended and restated credit facility, with a new borrowing capacity of \$2.1 billion and the ability to increase up to \$2.75 billion, subject to certain conditions in our credit agreement.

(3) Reflects amount due at maturity, excluding unamortized discount and unamortized deferred financing costs.

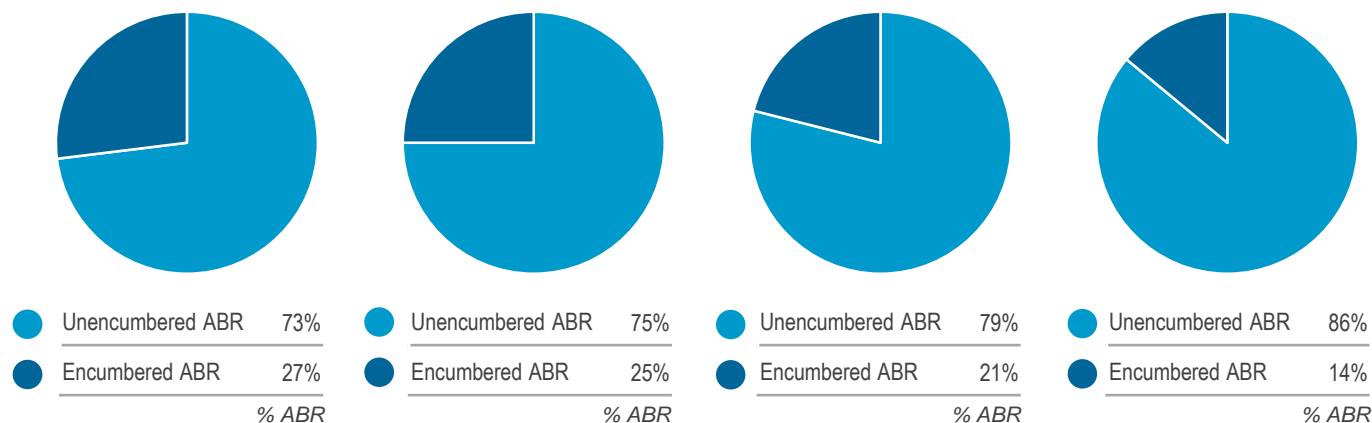
(4) Reflects the weighted average percentage of debt outstanding and the weighted average interest rate for each year based on the total outstanding balance.

# Unencumbered Pool

## Unencumbered ABR Based on Scheduled Debt Maturity Repayments <sup>(1)</sup>

	As of Dec 31, 2019	As of Dec. 31, 2020	As of Dec. 31, 2021	As of Dec. 31, 2022
Unencumbered ABR	\$817MM	\$834MM	\$880MM	\$959MM

*Analysis excludes potential future unencumbered acquisitions, dispositions and contractual rent increases*



(1) Projection based on unencumbered ABR as of December 31, 2019 and excludes operating properties. Assumes that W. P. Carey will choose not to refinance maturing mortgages with mortgage debt and that such properties and associated ABR will become unencumbered, which may not occur.

# Unsecured Bond Covenants <sup>(1)</sup>

Investment grade balance sheet with Baa2/stable rating from Moody's and BBB/positive rating from S&P

## Senior Unsecured Notes <sup>(2)</sup>

	Metric	Covenant	December 31, 2019
<b>Total Leverage</b>	Total Debt / Total Assets	≤ 60%	40.0%
<b>Secured Debt Leverage</b>	Secured Debt / Total Assets	≤ 40%	9.6%
<b>Fixed Charge Coverage</b>	Consolidated EBITDA / Annual Debt Service Charge	≥ 1.5x	5.3x
<b>Maintenance of Unencumbered Asset Value</b>	Unencumbered Assets / Total Unsecured Debt	≥ 150%	242.9%

(1) This is a summary of the key financial covenants for our Senior Unsecured Notes, along with estimated calculations of our compliance with those covenants at the end of the period presented. These ratios are not measures of our liquidity or performance and serve only to demonstrate our ability to incur additional debt, as permitted by the covenants governing the Senior Unsecured Notes.

(2) As of December 31, 2019, our Senior Unsecured Notes consisted of the following note issuances: (i) \$500 million 4.6% senior unsecured notes due 2024, (ii) €500 million 2.0% senior unsecured notes due 2023, (iii) \$450 million 4.0% senior unsecured notes due 2025, (iv) \$350 million 4.25% senior unsecured notes due 2026 (v) €500 million 2.25% senior unsecured notes due 2024, (vi) €500 million 2.125% senior unsecured notes due 2027, (vii) €500 million 2.25% senior unsecured notes due 2026, (viii) €500 million 1.35% senior unsecured notes due 2028 and (ix) \$325 million 3.85% senior unsecured notes due 2029.

# Cautionary Statement Concerning Forward-Looking Statements

Certain of the matters discussed in this communication constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Exchange Act of 1934, both as amended by the Private Securities Litigation Reform Act of 1995. The forward-looking statements include, among other things, statements regarding the intent, belief or expectations of W. P. Carey and can be identified by the use of words such as “may,” “will,” “should,” “would,” “assume,” “outlook,” “seek,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “forecast” and other comparable terms. These forward-looking statements include, but are not limited to, statements regarding our corporate strategy and estimated or future economic performance and results; underlying assumptions about our portfolio (e.g., occupancy rate, lease terms and tenant credit quality), possible new acquisitions and dispositions, and our international exposure and acquisition volume; our capital structure, future capital expenditure levels (including any plans to fund our future liquidity needs), and future leverage and debt service obligations; prospective statements regarding our capital markets program, including our credit ratings and “at-the-market” (“ATM”) program; the outlook for the investment programs that we manage, including possible liquidity events for those programs; and statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust (“REIT”).

These statements are based on the current expectations of the management of W. P. Carey. It is important to note that W. P. Carey’s actual results could be materially different from those projected in such forward-looking statements. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results, performance or achievements of W. P. Carey. Discussions of some of these other important factors and assumptions are contained in W. P. Carey’s filings with the SEC and are available at the SEC’s website at <http://www.sec.gov>, including Part I, Item 1A. Risk Factors in W. P. Carey’s Annual Report on Form 10-K for the year ended December 31, 2019. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this communication may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication, unless noted otherwise. Except as required under the federal securities laws and the rules and regulations of the SEC, W. P. Carey does not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances after the date of this communication or to reflect the occurrence of unanticipated events.

***All data presented herein is as of December 31, 2019 unless otherwise noted.***

***Amounts may not sum to totals due to rounding.***

***Past performance does not guarantee future results.***

# Disclosures

## The following non-GAAP financial measures are used in this presentation

### FFO and AFFO

Due to certain unique operating characteristics of real estate companies, as discussed below, NAREIT, an industry trade group, has promulgated a non-GAAP measure known as FFO, which we believe to be an appropriate supplemental measure, when used in addition to and in conjunction with results presented in accordance with GAAP, to reflect the operating performance of a REIT. The use of FFO is recommended by the REIT industry as a supplemental non-GAAP measure. FFO is not equivalent to, nor a substitute for, net income or loss as determined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as restated in December 2018. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property, impairment charges on real estate, gains or losses on changes in control of interests in real estate and depreciation and amortization from real estate assets; and after adjustments for unconsolidated partnerships and jointly owned investments. Adjustments for unconsolidated partnerships and jointly owned investments are calculated to reflect FFO.

We also modify the NAREIT computation of FFO to adjust GAAP net income for certain non-cash charges, such as amortization of real estate-related intangibles, deferred income tax benefits and expenses, straight-line and other non-cash rent adjustments, stock-based compensation, non-cash environmental accretion expense and amortization of deferred financing costs. Our assessment of our operations is focused on long-term sustainability and not on such non-cash items, which may cause short-term fluctuations in net income but have no impact on cash flows. Additionally, we exclude non-core income and expenses, such as gains or losses from extinguishment of debt, restructuring and related compensation expenses and merger and acquisition expenses. We also exclude realized and unrealized gains/losses on foreign currency exchange transactions (other than those realized on the settlement of foreign currency derivatives), which are not considered fundamental attributes of our business plan and do not affect our overall long-term operating performance. We refer to our modified definition of FFO as AFFO. We exclude these items from GAAP net income to arrive at AFFO as they are not the primary drivers in our decision-making process and excluding these items provides investors a view of our portfolio performance over time and makes it more comparable to other REITs that are currently not engaged in acquisitions, mergers and restructuring, which are not part of our normal business operations. AFFO also reflects adjustments for unconsolidated partnerships and jointly owned investments. We use AFFO as one measure of our operating performance when we formulate corporate goals, evaluate the effectiveness of our strategies and determine executive compensation.

We believe that AFFO is a useful supplemental measure for investors to consider as we believe it will help them to better assess the sustainability of our operating performance without the potentially distorting impact of these short-term fluctuations. However, there are limits on the usefulness of AFFO to investors. For example, impairment charges and unrealized foreign currency losses that we exclude may become actual realized losses upon the ultimate disposition of the properties in the form of lower cash proceeds or other considerations. We use our FFO and AFFO measures as supplemental financial measures of operating performance. We do not use our FFO and AFFO measures as, nor should they be considered to be, alternatives to net income computed under GAAP, or as alternatives to net cash provided by operating activities computed under GAAP, or as indicators of our ability to fund our cash needs.



# Disclosures (cont'd)

**The following non-GAAP financial measures are used in this presentation (cont'd)**

## **EBITDA and Adjusted EBITDA**

We believe that EBITDA is a useful supplemental measure to investors and analysts for assessing the performance of our business segments because (i) it removes the impact of our capital structure from our operating results and (ii) because it is helpful when comparing our operating performance to that of companies in our industry without regard to such items, which can vary substantially from company to company. Adjusted EBITDA as disclosed represents EBITDA, modified to include other adjustments to GAAP net income for certain non-cash charges, such as impairments, non-cash rent adjustments and unrealized gains and losses from our hedging activity. Additionally, we exclude gains and losses on sale of real estate, which are not considered fundamental attributes of our business plans and do not affect our overall long-term operating performance. We exclude these items from adjusted EBITDA as they are not the primary drivers in our decision-making process. For the three months ended December 31, 2018, we also modified adjusted EBITDA for the pro rata share of cash NOI for the partial period with an amount estimated to be equivalent to the additional pro rata share of cash NOI necessary to reflect ownership of properties acquired in the CPA:17 Merger for the full quarter; we also reduced adjusted EBITDA for advisory fees received from CPA:17 – Global during that quarter. Adjusted EBITDA reflects adjustments for unconsolidated partnerships and jointly owned investments. Our assessment of our operations is focused on long-term sustainability and not on such non-cash and non-core items, which may cause short-term fluctuations in net income but have no impact on cash flows. We believe that adjusted EBITDA is a useful supplemental measure to investors and analysts, although it does not represent net income that is computed in accordance with GAAP. Accordingly, adjusted EBITDA should not be considered as an alternative to net income or as an indicator of our financial performance. EBITDA and adjusted EBITDA as calculated by us may not be comparable to similarly titled measures of other companies.

## **Other Metrics**

### **Pro Rata Metrics**

This supplemental package contains certain metrics prepared under the pro rata consolidation method. We refer to these metrics as pro rata metrics. We have a number of investments, usually with our affiliates, in which our economic ownership is less than 100%. Under the full consolidation method, we report 100% of the assets, liabilities, revenues and expenses of those investments that are deemed to be under our control or for which we are deemed to be the primary beneficiary, even if our ownership is less than 100%. Also, for all other jointly owned investments, which we do not control, we report our net investment and our net income or loss from that investment. Under the pro rata consolidation method, we present our proportionate share, based on our economic ownership of these jointly owned investments, of the assets, liabilities, revenues and expenses of those investments. Multiplying each of our jointly owned investments' financial statement line items by our percentage ownership and adding or subtracting those amounts from our totals, as applicable, may not accurately depict the legal and economic implications of holding an ownership interest of less than 100% in our jointly owned investments.

### **ABR**

ABR represents contractual minimum annualized base rent for our net-leased properties, net of receivable reserves as determined by GAAP, and reflects exchange rates as of December 31, 2019. If there is a rent abatement, we annualize the first monthly contractual base rent following the free rent period. ABR is not applicable to operating properties and is presented on a pro rata basis.