REALTY INCOME CORP
Form 425
December 21, 2012

Filed by Realty Income Corporation

Pursuant to Rule 425 Under the Securities Act of 1933

And Deemed Filed Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: American Realty Capital Trust, Inc.

Registration Statement No. 333-184201

DECEMBER 2012
Creating the Top Net Lease REIT
Acquisition of
The Monthly Dividend Company
®
NYSE: O

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Additional Information and Where to Find It
Participants in Solicitation
Introductory Notes
In connection with the proposed merger, the Company and Realty have filed a definitive proxy statement with the SEC on December 6, 2012 and commenced mailing the definitive proxy statement and a form of proxy to the stockholders of the Company. BEFORE MAKING ANY VOTING DECISION, INVESTORS ARE URGED TO READ THE DEFINITIVE

PROXY STATEMENT REGARDING THE PROPOSED MERGER CAREFULLY AND IN ITS ENTIRETY BECAUSE THE PROXY STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors will be able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents filed with the SEC from the SEC s website at http://www.sec.gov. Copies of the documents filed by the Company with the SEC are also available free of charge on the Company s website at http://ir.arctreit.com, and copies of the documents filed by Realty with the SEC are available free of charge on Realty s website at http://www.realtyincome.com.

The Company, Realty and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the Company s and Realty s stockholders in respect of the proposed merger. Information regarding the Company s directors and executive officers can be found in the Company s definitive proxy statement filed with the SEC on May 21, 2012. Information regarding Realty s directors and executive officers can be found in Realty s definitive proxy statement filed with the SEC on March 30, 2012. Stockholders may obtain additional information regarding the interests of the Company and its directors and executive officers in the proposed merger, which may be different than those of the Company s stockholders generally, by reading the definitive proxy statement filed in connection with the proposed merger with the SEC on December 6, 2012 and other relevant documents regarding the proposed merger filed with the SEC. These documents are available free of charge on the SEC s website and from the Company or Realty, as applicable, using the sources indicated above.

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Forward-Looking Statements

Information set forth herein (including information included or incorporated by reference herein) contains forward-looking statements
(as defined in Section 21E of the Securities Exchange Act of 1934, as amended), which reflect the
Company s and Realty s expectations regarding future events. The forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-

looking statements. Such forward-looking statements include, but are not limited to whether and when the transactions contemplated by the merger agreement will be consummated, the new combined company s plans, market and other expectations, objectives, intentions and other statements that are not historical facts.

The following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain regulatory approvals for the transaction and the approval of the merger agreement by the stockholders of both parties; unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; the inability to retain key personnel; continuation or deterioration of current market conditions; future regulatory or legislative actions that could adversely affect the companies; and the business plans of the customers of the respective parties. Additional factors that may affect future results are contained in the Company s and Realty s filings with the SEC, which are available at the SEC s website at www.sec.gov. The Company and Realty disclaim any obligation to update and revise statements contained in these materials based on new information or otherwise.

Introductory Notes (Continued)

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A Compelling Transaction for ARCT s Stockholders
Premium
Valuation:
Realty
Income
is

valuing
ARCT s
assets
at
a
significantly
higher
price and lower cap rate than ARCT s cost basis, which represents the lowest cap rate of
similar
net
lease
REIT
transactions
1

5.9% cash cap rate / 6.1% GAAP cap rate vs. 8.2% weighted average cap rate basis

Cap
rate
is
significantly
lower
than
similar
transactions,
which
range
from
7.1%
-
8.25%
1

15.7x forward EBITDA multiple represents second highest amongst similar REIT
transactions
2
Ideal
Strategic
Buyer:
Realty
Income
represents
the
ideal
strategic
buyer
given
their
business
focus,

size
and
scale,
investment
grade
balance
sheet
/
cost
of
capital
and
share
liquidity
No
Inquiries
Received:
Since
announcement
of
the
transaction,
no
third
party
has
approached ARCT or its advisors with an alternative transaction or with a request for information despite low break fee of ~1.7% of transaction value
1
2
3
(1)
See page 11 for similar transaction cap rates.
(2)
See page 12 for similar transaction forward EBITDA multiples.

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A Compelling Transaction for ARCT s Stockholders
(Continued)
4
5
6
Favorable

Analyst
Reaction:
The
transaction
has
been
reviewed
favorably
by
the
research analyst community

As part of the merger agreement, ARCT management agreed to reduce its total compensation and capped potential financial upside
Alignment
of
Interests:
Pro
forma
for
the
transaction,
ARCT
management
will
own
~$45
million of equity in Realty Income, including over $25 million of existing equity in ARCT
Future
Growth
Opportunities
and
Value
Creation:
Realty
Income s
experienced
management team has a successful track record of driving dividend growth and producing enhanced stockholder returns

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Transaction Summary

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Transaction Summary
Highly Compelling Offer Unanimously Approved by ARCT and Realty Income s Boards
As in the Best Interests of the Companies and Their Stockholders

Transaction Value:
Realty Income will acquire ARCT for approximately $2.95 billion in a

100% stock transaction at a fixed exchange ratio of 0.2874 shares of Realty Income for each share of ARCT

Implied Price Per Share:
As of September 5, 2012, the day prior to the announcement date, Realty Income s closing price implied a value of $12.21 per share for ARCT [1], which was a 6.8% premium to ARCT s average closing price for the 30 calendar days prior to announcement

Pro Forma Enterprise Value:
Combined enterprise value is $11.42 billion, making Realty Income the largest net lease REIT and 18th largest U.S. REIT

Ownership Structure:
ARCT stockholders will own approximately 25.6% of the combined company s common stock

Approvals and Timing:
Transaction subject to approval of both companies stockholders at special meetings scheduled for January 16, 2013
(1)

Implied price per share of $12.21 based on 0.2874 exchange ratio applied to Realty Income s closing share price of $42.48 on September 5, 2012.

(2)

As of September 5, 2012, one day prior to announcement date.

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Ownership of Realty Income, the Best Performing
Net Lease REIT Over the Past 40 Years

Merger will result in ARCT stockholders owning Realty Income, the best performing publicly traded net lease REIT

Realty Income has paid 508 consecutive monthly dividends since 1970 and has increased its monthly dividend 68 times since its listing on the New York Stock Exchange in 1994

Realty Income has increased its annualized dividend 102%, from $0.90 per share in 1994 to $1.82 per share today; upon the closing of the transaction the dividend is expected to increase another 7% to $1.95 per share 1

Since Realty Income s listing, the compounded annual return to stockholders has been 17.7%, which is more than 670 bps higher than the Dow Jones Industrial Average, Standard & Poor s 500, NASDAQ and FTSE NAREIT Index for the same time period 2

(1)
Current annualized dividend based on December declared dividend of $0.1514 per share. Projected dividend increase assumes a March 2013 close based on 2013E AFFO.

(2)
Compounded annual returns per Bloomberg from Realty Income s NYSE listing on October 18, 1994 through September 30, reinvestment of dividends, except for NASDAQ.

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Compelling Growth Potential to Drive Future
Stockholder Value

The combined company will be significantly larger and financially stronger than its competitors and will have one of the lowest cost of capital in a sector where low cost capital creates competitive advantage

The combined company s cost of capital advantage positions it to grow earnings while increasing dividends

The combined company s greater scale will facilitate the execution of large transactions through improved access to capital, further enhancing the company s ability to realize value in the relatively fragmented net lease real estate sector

As a Result of the Merger, ARCT Stockholders Stand to Benefit from Greater Risk Adjusted Returns Due to the Enhanced Stability and Diversity of the Combined Property Portfolio

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Transaction Value Represents a Significant
Premium to ARCT s Asset Cost

On
September
5,

2012, the offer value implied a weighted average capitalization rate for ARCT s assets of 6.1%, or 5.9% based on current cash rents, significantly below the weighted average capitalization rate of 8.2% paid by ARCT for its assets

(1) 2012 YTD as of June 30, 2012 and includes only closed acquisitions.

(2) Contract purchase price excluding acquisition related costs.

(3) As reported, calculated as net operating income divided by purchase price.

Year	Acquisition Volume ($ mm)[2]	Weighted Average Cap Rate[3]
2008	$ 149	7.7%
2009	180	8.7%
2010	543	8.6%
2011	1,239	7.9%
2012 YTD[1]	13	8.5%
Total	$ 2,124	8.2%
Proposed Acquisition	$ 2,950	6.1%

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Cap Rate is the Lowest of Similar Public Net Lease
REIT Transactions
Implied Cap Rate
Source: Company filings, Wall Street Research and Investor Presentations
(1) Represents a 5.9% cash cap rate or 6.1% GAAP cap rate.
5.9%

7.10
-8.25%
7.6%
7.5%
7.5%
7.4%
7.2%
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
6.0%
7.0%
8.0%
9.0%
American Realty
Capital Trust (1) /
Realty Income
(5-Sep-2012)
American Financial
Realty Trust /
Gramercy Capital Corp.
(5-Nov-2007)
Newkirk Realty Trust / Government Properties
Lexington Realty Trust
(23-Jul-2006)
Trust /
Record Realty Trust
(23-Oct-2006)
Trustreet Properties /
General Electric
Capital Corporation
(30-Oct-2006)
Spirit Finance
Corporation /
Investor Group led by
Macquarie Bank
(13-Mar-2007)
Capital Automotive
REIT /
DRA Advisors LLC
(6-Sep-2005)

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EBITDA Multiple at High End of Similar Public
Net Lease REIT Transactions
Implied
Forward
EBITDA
Multiple

(1)
Based on announced transaction value and forward consensus median EBITDA estimates.
(2)
EBITDA estimate of $251.9 million as at 15-Mar-2007. As of the announcement date, the EBITDA estimate was $174.0 million implying a transaction multiple of 20.1x.
Source: Company filings, DataStream, SNL Financial
15.7 x
18.4 x
14.1 x
13.9 x
13.8 x
13.2 x
8.0 x
0.0 x
2.0 x
4.0 x
6.0 x
8.0 x
10.0 x
12.0 x
14.0 x
16.0 x
18.0 x
20.0 x
American Realty
Capital Trust /
Realty Income
(5-Sep-2012)
American Financial
Realty Trust /
Gramercy Capital Corp.
(5-Nov-2007)
Government Properties
Trust /
Record Realty Trust
(23-Oct-2006)
Spirit Finance
Corporation[2]
/
Investor Group led by
Macquarie Bank
(13-Mar-2007)
Trustreet Properties /
General Electric
Capital Corporation
(30-Oct-2006)
Capital Automotive
REIT /
DRA Advisors LLC
(6-Sep-2005)

Newkirk Realty Trust /
Lexington Realty Trust
(23-Jul-2006)
1

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Transaction Value Represents a Significant
Premium to ARCT s Historical Trading Levels

Implied offer value of $12.21 per share of ARCT common stock represents a premium of:

23.5% to ARCT s volume-weighted average price on first day of trading of $9.89

12.3%
to
the
average
closing
price
per
share
of
$10.87
since
its
NASDAQ
listing
on
March 1, 2012 through announcement

6.8% to ARCT s 30-calendar-day average share price prior to announcement of $11.43

2.1% to ARCT s closing price on the day prior to announcement of $11.96
$ 11.96
$ 9.50
$ 10.00
$ 10.50
$ 11.00
$ 11.50
$ 12.00
$ 12.50
1-Mar-12
1-Apr-12
1-May-12
1-Jun-12
1-Jul-12
1-Aug-12
1-Sep-12
Implied Value[1]
on 5-Sep-2012 = $12.21
Average Since Listing[2]
(1-Mar-2012) = $10.87
30-Calendar-Day Average Prior to 5-Sep-2012 = $11.43
Source: Bloomberg
(1)
Implied value based on 0.2874 exchange ratio applied to Realty Income s closing share price of $42.48 on September 5, 2012
(2)
Average closing price per share from listing on March 1, 2012 until September 5, 2012.

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After a Comprehensive Strategic Review Process the
ARCT Board Concluded That the Realty Income
Offer Was in the Best Interests of Stockholders
Timeline
Process Details
May 2011

ARCT filed 8-K to announce it was evaluating strategic alternatives

Board hired Goldman, Sachs & Co. as financial advisor and Proskauer Rose LLP as external legal counsel
Early June 2011
to
September 2011

Over 40 parties were contacted regarding interest in engaging in a potential acquisition of ARCT

18 parties entered dataroom

6 parties submitted non-binding indications of interest

No proposal was above ARCT s initial public offering price of $10.00 per share

Several proposals only related to the acquisition of a portion of ARCT s portfolio
June 29, 2011

Realty Income submitted a proposal to acquire ARCT s real estate portfolio as of May 31, 2011 (350 properties) with consideration in the form of cash, restricted and unrestricted common stock and convertible preferred stock

Complex offer inadequate and difficult to value

Burdened stockholders with liquidity constraints
February 21, 2012

Realty Income submitted a new non-binding indicative proposal, at a price of $10.25 per share, composed of a fixed exchange ratio of 0.168 and $4.10 per share in cash
March 1, 2012

ARCT internalized its management services and listed on the NASDAQ

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Transaction Results From Comprehensive
Strategic Review Process (Continued)
Timeline
Process Details
Early August 2012

In August 2012, Realty Income contacted ARCT to indicate interest in revisiting a possible strategic transaction with ARCT
August 16, 2012

Realty Income proposed an exchange ratio of 0.2841 for 100% stock consideration that was rejected by ARCT as being insufficient
August 17, 2012

The exchange ratio was negotiated upward to 0.2874
August 2012
to
Early September 2012

ARCT s board of directors met several times to review Realty Income s proposals and discuss the merger agreement

The independent directors also met several times to discuss various aspects of the proposed merger
September 5, 2012

Realty Income s board of directors unanimously approved the transaction
September 6, 2012

ARCT s board of directors unanimously approved the transaction

Transaction was announced before market open through a joint press release issued by ARCT and Realty Income

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Transaction Has Been Reviewed Favorably By the
Research Analyst Community

In our view, O s deal for ARCT is an attractive one as it has the lowest capital costs in the public markets and we don t see better offers being out there for the enterprise.

-

J.P. Morgan research report, 3Q a Penny Shy of Our Estimate on Lighter Revenue; Deal Volume as Expected - October 25, 2012

Points for Solid Execution: Sure, commercial real estate values have gone up since ARCT bought most of its properties. But they have appreciated at the same pace as, say, the typical strip center owned by the REITs in our coverage universe, then the weighted average cap rate at today s values would be about 7.3%. The giant gap between that figure and the 5.9% cap rate ARCT management is selling the company for suggests great execution by them on behalf of their shareholders.

- Green Street Advisors research report, A Rare Non-Traded REIT Success Story - September 11, 2012

In all, through both a major acquisition like ARCT and the consistent level of acquisition activity on a quarterly basis, Realty Income is poised for substantial growth in our view.

- RBC Capital Markets research report, 3Q Earnings Review: Operations, Acqs Strong; Raising 12/13 Est, Introducing 14 - October 29,

2012

For ARCT shareholders, the benefits include a decline in cost of
and a greater access to capital, overhead savings, and
partnering with the best in class management team with a track record of producing attractive shareholder returns and dividend
growth.

-
JMP
Securities
research
report,
Merger
Overshadows
3Q
Report;
Maintain
MP
-
November
2,
2012

For shareholders in American Realty Capital Trust, yesterday s announcement will be greeted with justifiable smiles and applause; especially given the negative news that has been flowing from the non-traded REIT space over the past year or so Bottom line: AR Capital s and ARCT management s interests were aligned with those of rank-and-file investors, and AR
definitely did the right thing.

-
REIT
Wrap
publication
-
September
7,
2012

(1)
Permission for quotation was neither sought nor obtained.

1
1
1
1
1

17
Overview of Realty Income

18
Overview of Realty Income

Realty Income (NYSE: O) is an $8.7 billion commercial real estate company with a Baa1/BBB/BBB+ (Moody s/S&P/Fitch) credit rating

Founded in 1969 to provide monthly dividends to stockholders through the ownership of net lease real estate

508 consecutive monthly dividends with 68 dividend increases since NYSE listing in 1994

Monthly dividends supported by cash flow from long-term leases

Over 2,750 properties under long-term leases to commercial and retail tenants

Significant growth since NYSE listing in 1994

Total capitalization increased from $402 million to $8.7 billion

Properties owned increased from 630 to 2,838

Property square footage increased from 4.1 million to 34.3 million

Tenant industries increased from 5 to 44

Share price increased from $8.00 to $40.17

Dividend per share increased from $0.90 per share to $1.95 per share, pro forma for this transaction
Note: Capitalization and share price as of December 5, 2012.

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Realty Income s Long-Term Goals

Moderate FFO growth

Moderate dividend growth

Maintain a conservative business strategy that does not take excessive risk in the pursuit of objectives

Maintain a conservative financial position for stockholders

Realty Income Delivers Consistent Earnings and Dividend Growth
Using Conservative Operating and Balance Sheet Strategies
Debt:
Maximum 20 -
35%
Preferred:
Maximum 10 -
15%
Interest Coverage Ratio:
3.0x or above
Fixed Charge Ratio:
2.5x or above
Solid dividend coverage
Payout Ratio:
At or below 85%

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Proven Track Record of Consistent Dividend
Growth

Realty Income has a consistent track record of generating dividend growth over its 18 years as a public company

Realty
Income
has
increased
its
dividend
68
times
since
its
1994
NYSE
listing
and
has
had 508 consecutive monthly dividends

The
dividend
has
increased
every
year
since
the
listing
1
Source: Bloomberg
(1)
Annualized dividend amount reflects the December declared dividend rate per share multiplied by twelve.

21
Realty Income Has Achieved Outsized Returns
Relative to Major Indices Including the S&P 500
Compounded Annual Return
Source: Bloomberg.
Note:
(1)

Calculated as the difference between closing stock price as of period end, less the closing stock price as of previous period.

(2)

Per NAREIT website and Factset. Includes reinvestment of dividends.

(3)

Price only index, does not include dividends. Source: Factset.

All of these compounded average annual total return rates are calculated in the same manner: from Realty Income s NYSE listing on October 18, 1994 through September 30, 2012 and assuming reinvestment of dividends, except for NASDAQ. Past performance does not guarantee future performance. Realty Income presents this data only for informational purposes and makes no representation about its future performance or how it will compare in performance to other indices in the future.

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Combined Company Highlights

23
Superior Asset Portfolio

Achieves greater economies of scale than standalone ARCT and Realty Income by leveraging Realty Income s operating platform over a larger portfolio

Creates the largest public triple net lease company by over two times; well-positioned as a

premier consolidator in the net lease sector
ARCT Current
Realty Income Current
Combined Company
Meaningfully Increases Size &
Scale
1
506 Properties
15.7 mm Square Feet
~$2.8 billion
Total Capitalization
2,838 Properties
34.3 mm Square Feet
~$8.7 billion
Total Capitalization
3,344 Properties
50.0 mm Square Feet
~$11.6 billion
Total Capitalization
Increased Industry
Diversification
26 Tenant Industries
44 Tenant Industries
48 Tenant Industries
Decreased Top 15 Tenant
Concentration
2
63%
47%
41%
(1)
Total capitalization based on closing share prices as of December 5, 2012.
(2)
Based on average annual base rent.

Allows ARCT stockholders to exchange their shares for those of Realty Income, with a broader, more diverse asset portfolio, on a tax free basis

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Consolidation Opportunity

Estimated $1.5 to $2.0 trillion of U.S. real estate is held by corporate owners / users

Highly fragmented market without a dominant type of investor

Sector is underpenetrated by public companies

Limited competition from investors due to
constricted bank lending market

Increased transaction volume signifies more
inventory from sellers to transact
Source: Public filings and Real Capital Analytics. Represents total market value of real estate owned by O, NNN, EPR, ARCT, LXP, SIR, GTY and LSE.
Fragmented Net Lease Market Provides Ample Opportunity for Realty Income to
Continue to Grow
Estimated Ownership Profile
TTM Transaction Volume ($ in billions)
Realty
Income
Can
Drive
Higher
Earnings
and
Earnings
Growth
than
Any
of
its
Public
Comparables
Due to Significant Cost of Capital Advantage
Publicly
Owned
(<5%)
(1)
Not
Publicly
Owned
(>95%)
$39.3
$9.3
$21.3
Aug. 2007
Sep. 2009
Mar. 2012

25
Size is a Competitive Advantage and Drives Value
Source: Bloomberg
(1)
Average total return of the top 20 largest REITs by equity market capitalization at the end of each year, per NAREIT.
Total Return

The Largest REITs Consistently Outperform The Broader REIT Market

Average annual outperformance of 4.5%
5.7%
39.8%
36.8%
15.7%
42.8%
(13.6)%
(21.3)%
31.6%
29.6%
10.8%
16.9%
3.6%
36.7%
31.5%
12.1%
35.9%
(16.8)%
(38.0)%
28.6%
28.5%
8.7%
14.9%
2002
2003
2004
2005
2006
2009
2010
2011
2012
Top 20 Largest REITs[1]
MSCI U.S. REIT Index
2007
2008

26
Combined Company Increased Size and Scale

Largest public triple net lease company by
over two times

18

th
largest public U.S. REIT

Cost of capital, operational and economies
of scale advantages

Increased float and liquidity

Pro forma real estate revenue to be
approximately 35% higher

Realty Income positioned as the premier
consolidator in the net lease sector

Realty Income s acquisition volume
through 3Q 2012 far exceeds that of
ARCT s
Total Market Capitalization
Annual Rental Revenues
Equity Value
Total Debt + Preferred
7,205
5,361
3,831
1,893
2,161
1,860
4,352
3,305
1,473
2,037
1,696
$11,556
$8,665
$5,304
$3,930
$3,857
$2,820
O (PF)
O
NNN
LXP
EPR
ARCT
$681
$505
$335
$332
$256
$176

O (PF)
O
NNN
LXP
EPR
ARCT
959

Realty Income has acquired properties at the rate of approximately $80 million per month while ARCT has acquired approximately $5 million per month

Note: $ in millions. Stock price as of December 5, 2012 used to calculate Total Market Capitalization. Rental revenues and de
plus preferred per 3Q 2012 Company filings.

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Improved Credit Profile and Access to Capital

Lower
cost
of
debt

capital
resulting
from
larger
size,
access
to
multiple
forms
of
capital,
and
Realty
Income s
investment
grade
credit
rating

Well positioned to benefit from external acquisition growth strategy compared to substantially all competitors with higher capi

In a worsening fiscal environment ARCT s current sub-investment grade credit rating could put the Company at a disadvantag
capital markets compared to combined company

Standalone ARCT is much more exposed to increases in interest rates than combined company
ARCT
Realty Income
Commentary
Unsecured Debt
No
Yes

Issued
unsecured
debt
with
coupons
as
low
as
2.0%
(6
year
notes)
and
3.25%
(10
year
notes)
1

Preferred Equity
No
Yes

Issued preferred equity with dividends ranging from 6.625% to 6.750%
Public Common Equity
No
Yes

Successful track record of follow-on equity offerings
Credit Ratings
Ba2/BB
Baa1/BBB/BBB+

ARCT stockholders will immediately benefit from current IG rating
Secured Debt as % of Total
Debt
~54%
~5%

More flexible capital structure with increase in unencumbered asset base
Floating Rate Exposure[2]
~46%
~1%

Less reliance on floating rate bank debt or secured mortgage debt
Weighted Average Debt
Tenor
4.1 years
7.6 years

Longer weighted average debt maturity
ARCT
Stockholders
Gain
Materially
Improved
Access
To
Capital
and
Benefit
From
Realty Income s Track Record as an Investment Grade Issuer
(1)
3.25% coupon was in the top 5 lowest issuances for 10-year note issuances for in the REIT space for 2011-2012 YTD .
(2)
Floating rate exposure calculated as floating rate debt as a percentage of total debt outstanding. Realty Income s
$1.0 billion revolver currently has $0 drawn, subsequent to 3Q 2012. ARCT s floating rate debt includes a revolver and term

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ARCT s Long Term Balance Sheet Goals Met Immediately

ARCT Balance Sheet Goal:
ARCT s long term balance sheet goal is to reduce levels of secured and floating rate debt and increase weighted average debt maturity in pursuit of an investment grade corporate credit rating

ARCT Balance Sheet Risks:
On a standalone basis, ARCT s goal to reduce the use of floating rate debt and increase debt duration in order to improve its Ba2/BB credit ratings is subject to significant timing and execution risks

Impact on ARCT of Interest Rate Increase:
The table below illustrates how ARCT s standalone AFFO per share, and ability to cover its current dividend (payout ratio), could be negatively affected by potential increases in interest rates[1]

Realty Income s Balance Sheet Advantage:
Realty Income s debt is primarily fixed rate and long term and its investment grade balance sheet and proven access to the unsecured bond markets allow immediate recapitalization of ARCT s variable rate deb highly favorable terms

Combined Balance Sheet Benefits:
Pro forma for the transaction, the combined company will be rated Baa1/BBB/BBB+ and will enjoy a much longer weighted average debt maturity than ARCT standalone (7.8 years vs. 4.1 years), further solidifying th viability of distributable cash flows and dividends
Access to Realty Income s Long-Term, Fixed-Rate Debt Meets All of ARCT s Balance Sheet Goals Immediately, Significantly Reducing ARCT s Floating Rate Interest Exposure and Debt Recapitalization Risk
Illustrative
Interest Rate Increase
in Floating Rate Debt
Illustrative
Annual Interest
Expense Increase[2]
($ in millions)
Illustrative
Annual Decrease in
AFFO Per Share[3] ($)