

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **August 9, 2022**

The Necessity Retail REIT, Inc.
(Exact Name of Registrant as Specified in Charter)

Maryland

(State or other jurisdiction
of incorporation)

001-38597

(Commission File Number)

90-0929989

(I.R.S. Employer
Identification No.)

650 Fifth Avenue, 30th Floor
New York, New York 10019

(Address, including zip code, of Principal Executive Offices)

Registrant's telephone number, including area code: (212) 415-6500

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share	RTL	The Nasdaq Global Select Market
7.50% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share	RTLPP	The Nasdaq Global Select Market
7.375% Series C Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share	RTLPO	The Nasdaq Global Select Market
Preferred Stock Purchase Rights		The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

In Current Reports on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on February 14, 2022, February 28, 2022, March 21, 2022, April 25, 2022, May 2, 2022, May 27, 2022 and July 7, 2022 (each an “Acquisition 8-K” and collectively, the “Acquisition 8-Ks”), The Necessity Retail REIT, Inc., a Maryland corporation (the “Company”), reported, among other things, the acquisition through multiple closings, of 81 properties from certain subsidiaries of CIM Real Estate Finance Trust, Inc. (the “Sellers”) pursuant to a contract described below. A total of 56 properties were acquired through March 31, 2022 and 25 properties remained probable as of that date. On April 8, 2022, in a Current Report on Form 8-K/A (the “Initial Form 8-K/A”), the Company amended and supplemented the Acquisition 8-Ks that were filed on February 14, 2022, February 28, 2022 and March 21, 2022 to provide, among other things, the historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K with respect to the 56 acquired properties reported on those Acquisition 8-Ks. As disclosed in the Acquisition 8-Ks filed on April 25, 2022, May 2, 2022, May 27, 2022 and July 7, 2022, the Company completed the acquisition of the 25 remaining properties from the Sellers. On June 24, 2022, in a Current report on Form 8-K/A (the “Second Form 8-K/A”), the Company amended and supplemented the Acquisition 8-Ks that were filed on April 25, 2022, May 2, 2022 and May 27, 2022 to provide, among other things, the historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K with respect to the 80 acquired properties reported on those Acquisition 8-Ks. All of the properties have been acquired as of the filing of this Current Report on Form 8-K. This Current Report on Form 8-K provides historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K for the Acquired CIM Properties (defined below) and reported on those Acquisition 8-Ks and should be read in conjunction with all of the Acquisition 8-Ks, the Initial Form 8-K/A and the Second Form 8-K/A.

As previously disclosed, on December 17, 2021, the Company and its subsidiary, The Necessity Retail REIT Operating Partnership, a Delaware limited partnership (the “Operating Partnership”), entered into a definitive purchase and sale agreement (the “PSA”) to acquire, in the aggregate, 81 properties (together, the “CIM Portfolio”), from the Sellers for approximately \$1.3 billion. The CIM Portfolio consists of 79 power centers and grocery-anchored multi-tenant retail centers, two single-tenant retail properties and a detention pond parcel, located across 27 states and aggregating approximately 9.5 million square feet. As of the filing of this Current Report on Form 8-K, the Company has acquired 81 power centers and grocery-anchored multi-tenant retail centers and a detention pond parcel at an aggregate purchase price of \$1.3 billion including debt assumption of \$352.8 million but excluding closing costs (the “Acquired CIM Properties”).

The Company is filing this Current Report on Form 8-K to provide the following financial information with respect to the Acquired CIM Properties: (1) the Combined Statements of Revenues and Certain Expenses of the Acquired CIM Properties for the six months ended June 30, 2022 and for the year ended December 31, 2021 (including the notes thereto) attached hereto as Exhibit 99.1, and (2) the Company’s Unaudited Pro Forma Consolidated Financial Statements, which include the Company’s Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2022 (including the notes thereto) and the Company’s Unaudited Pro Forma Consolidated Statements of Operations for the six months ended June 30, 2022 and for the year ended December 31, 2021 (including the notes thereto), giving effect to the Acquired CIM Properties attached hereto as Exhibit 99.2.

The Company’s Unaudited Pro Forma Consolidated Financial Statements (including the notes thereto) of the Company are qualified in their entirety and should be read in conjunction with the combined financial statements of the Acquired CIM Properties for the fiscal year ended December 31, 2021.

The Company’s Unaudited Pro Forma Consolidated Financial Statements have been prepared on the basis of certain assumptions and estimates described in the notes thereto and are subject to other uncertainties and do not purport to reflect what the actual results of operations or financial condition of the Company would have been had the Acquired CIM Properties been acquired on the dates assumed for purposes of such pro forma financial statements or to be indicative of the financial condition or results of operations of the Company as of or for any future date or period. Additionally, the acquisition accounting used in preparing the pro forma adjustments included in the Unaudited Pro Forma Consolidated Financial Statements are preliminary, and accordingly, the pro forma adjustments may be revised as additional information becomes available and as additional analyses are performed. Differences between these preliminary analyses and the final acquisition accounting will likely occur, and these differences could have a material impact on the Unaudited Pro Forma Consolidated Financial Statements and the Company’s future results of operations and financial position giving effect to the acquisition of the Acquired CIM Properties. For further information, see Exhibit 99.2.

The statements in this Current Report on Form 8-K that are not historical facts may be forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results or events to be materially different. The words “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “projects,” “plans,” “intends,” “should” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside of the Company’s control, which could cause actual results to differ materially from the results contemplated by the forward-looking statements. These risks and uncertainties include the potential adverse effects of (i) the ongoing global COVID-19 pandemic, including actions taken to contain or treat COVID-19, and (ii) the geopolitical instability due to the ongoing military conflict between Russia and Ukraine, including related sanctions and other penalties imposed by the U.S. and European Union, and the related impact on the Company, the Company’s tenants and the global economy and financial markets, as well as those risks and uncertainties set forth in the Risk Factors section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022 and all other filings with the SEC after that date, as such risks, uncertainties and other important factors may be updated from time to time in the Company’s subsequent reports. Further, forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update or revise any forward-looking statement to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required to do so by law.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Properties Acquired.

The following financial statements for the Acquired CIM Properties are attached hereto as Exhibit 99.1 and incorporated by reference herein:

- Combined Statements of Revenues and Certain Expenses of the Acquired CIM Properties for the six months ended June 30, 2022

(b) Pro Forma Financial Information.

The following pro forma financial information for the Company is attached as Exhibit 99.2 and is incorporated herein by reference:

- Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2022
 - Notes to the Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2022
 - Unaudited Pro Forma Consolidated Statement of Operations for the Six Months Ended June 30, 2022
 - Notes to the Unaudited Pro Forma Consolidated Statement of Operations for the Six Months Ended June 30, 2022
 - Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2021
 - Notes to the Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2021
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(d) Exhibits.

Exhibit Number	Description
10.1	Agreement of Purchase and Sale, dated as of December 17, 2021, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 20, 2021).
10.2	First Amendment to Agreement of Purchase and Sale, L.P., dated January 3, 2022, by and between the Sellers identified therein and American Finance Operating Partnership (incorporated herein by reference to Exhibit 10.45 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.3	Second Amendment to Agreement of Purchase and Sale, dated January 10, 2022, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.46 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.4	Third Amendment to Agreement of Purchase and Sale, dated January 14, 2022, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.47 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.5	Fourth Amendment to Agreement of Purchase and Sale, dated January 19, 2022, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.48 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.6	Fifth Amendment to Agreement of Purchase and Sale, dated January 21, 2022, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.49 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.7	Leasing Earnout Side Letter Agreement, dated February 9, 2022, by and between the Sellers identified therein and American Finance Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.50 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.8	Sixth Amendment to Agreement of Purchase and Sale, dated February 10, 2022, by and between the Sellers identified therein and The Necessity Retail REIT Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.51 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.9	Seventh Amendment to Agreement of Purchase and Sale, dated February 11, 2022, by and between the Sellers identified therein and The Necessity Retail REIT Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.52 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 24, 2022).
10.10	Form of Property Management Agreement by and between Necessity Retail Properties, LLC and certain subsidiaries of The Necessity Retail REIT Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.10 to the Current Report on Form 8-K filed on April 25, 2022).
10.11	Eighth Amendment to Agreement of Purchase and Sale, dated March 9, 2022, by and between the Sellers identified therein and The Necessity Retail REIT Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 filed on August 4, 2022).
10.12	Ninth Amendment to Agreement of Purchase and Sale, dated July 26, 2022, by and between the Sellers identified therein and The Necessity Retail REIT Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 filed on August 4, 2022).
99.1	Combined Statements of Revenue and Certain Expenses of the CIM Portfolio
99.2	Unaudited Pro Forma Consolidated Financial Statements of the Company
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE NECESSITY RETAIL REIT, INC.

Date: August 9, 2022

By: /s/ Edward M. Weil, Jr.

Name: Edward M. Weil, Jr.

Title: Chief Executive Officer and President

**CIM PORTFOLIO
COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES**

CIM PORTFOLIO
COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES
(In thousands)

	Six Months Ended June 30, 2022	
	Acquired Properties ⁽¹⁾ (Unaudited)	Total (Unaudited)
Revenues:		
Revenue from tenants	\$ 31,998	\$ 31,998
Other income	95	95
Total revenues	32,093	32,093
Certain expenses:		
Property operating expense	11,342	11,342
Total expenses	11,342	11,342
Revenues in excess of certain expenses	\$ 20,751	\$ 20,751

(1) Includes 80 properties acquired in the six months ended June 30, 2022 and one property acquired subsequent to June 30, 2022.

The accompanying notes are an integral part of the combined statement of revenues and certain expenses.

CIM PORTFOLIO

NOTES TO COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES

Note 1 — Organization

On December 17, 2021, American Finance Trust, Inc. (now known as “The Necessity Retail REIT, Inc.”), a Maryland corporation (the “Company”) and its subsidiary, American Finance Operating Partnership L.P. (now known as “The Necessity Retail REIT Operating Partnership L.P.”), a Delaware limited partnership (the “Operating Partnership”), entered into a definitive purchase and sale agreement (the “PSA”) to acquire, in the aggregate, 81 properties (the “CIM Portfolio”), from certain subsidiaries of CIM Real Estate Finance Trust, Inc. (the “Sellers”) for approximately \$1.3 billion (the “Purchase Price”). The acquisition of the CIM Portfolio is referred to herein as the “Transaction” or the “Transactions.” The CIM Portfolio consists of 79 power centers and grocery-anchored multi-tenant retail centers, two single-tenant retail properties and a detention pond parcel, located across 27 states and aggregating approximately 9.5 million square feet. The 79 power or grocery-anchored centers are leased primarily to “necessity-based” retail tenants. Upon the closing of the Transactions, the Operating Partnership will acquire all of the rights, titles and interests in each of the acquired CIM Portfolio properties owned by the applicable Sellers. During the six months ended June 30, 2022, the Company closed on 80 properties and subsequent to June 30, 2022 the Company closed on one property.

Note 2 — Basis of Presentation

The accompanying combined statement of revenues and certain expenses for the CIM Portfolio has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and with the provisions of SEC Rule 3-14 of Regulation S-X, which require certain information with respect to real estate operations to be included with certain filings with the SEC. The accompanying combined statement of revenues and certain expenses for the CIM Portfolio includes the combined historical revenues and certain expenses of the CIM Portfolio for the 80 properties acquired as of June 30, 2022 (includes revenues and certain expenses from January 1, 2022 through the respective property acquisition dates in the six months ended June 30, 2022) and the one property acquired subsequent to June 30, 2022 (together, the “Acquired Properties”).

The accompanying combined statement of revenues and certain expenses for the CIM Portfolio is exclusive of items which may not be comparable to the proposed future operations of the CIM Portfolio subsequent to its acquisition by the Company. Material amounts that would not be directly attributable to future operating results of the CIM Portfolio are excluded, and the combined statement of revenues and certain expenses are not intended to be a complete presentation of the CIM Portfolio’s revenues and expenses. Items excluded consist primarily of interest expense and depreciation and amortization expense recorded in conjunction with the original purchase price accounting.

The combined statement of revenues and certain expenses for the six months ended June 30, 2022 is unaudited. In the opinion of management, the unaudited interim period includes all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the CIM Portfolio’s results of operations and the Company is not aware of any other material factors that would cause the financial statements not to be indicative of future operating results. The results of operations for the unaudited interim period presented are not necessarily indicative of full year results of operations.

CIM PORTFOLIO

NOTES TO COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES (continued)

Note 3 — Summary of Significant Accounting Policies

Use of Estimates

The preparation of the combined statement of revenues and certain expenses in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses. Actual results could differ from those estimates.

Revenue Recognition

Revenue from tenants is recognized on a straight-line basis. As such, the rental revenue for those leases that contain rent abatements and contractual increases are recognized on a straight-line basis over the applicable terms of the related lease.

Property Operating Expense

Property operating expense represents the direct expenses of operating the properties and consist primarily of repairs and maintenance, real estate taxes, management fees, insurance, utilities and other operating expenses that are expected to continue in the proposed future operations of the properties.

Note 4 — Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. There is no material litigation nor to management’s knowledge is any material litigation currently threatened against the property other than routine litigation, claims and administrative proceedings arising in the ordinary course of business.

Note 5 — Subsequent Events

The Company has evaluated subsequent events through August 9, 2022, the date on which the statement of revenues and certain expenses has been issued and has determined that there have not been any events that have occurred that would require adjustments to, or disclosure in, this financial statement.

THE NECESSITY RETAIL REIT, INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

On December 17, 2021, The Necessity Retail REIT, Inc., a Maryland corporation ("RTL" or the "Company") and its subsidiary, Necessity Retail REIT Partnership, a Delaware limited partnership (the "Operating Partnership"), entered into a definitive purchase and sale agreement (the "PSA") to acquire, in the aggregate, 81 properties (the "CIM Portfolio"), from certain subsidiaries of CIM Real Estate Finance Trust, Inc. (the "Sellers") for approximately \$1.3 billion (the "Purchase Price"). The Purchase Price is subject to adjustment if certain of the existing tenants that have rights of first refusal to purchase an underlying property exercise those rights, if the Operating Partnership exercises limited rights to exclude certain properties not exceeding \$200 million in value from those being acquired or if earn out amounts associated with certain leases are satisfied. The acquisition of the CIM Portfolio is referred to herein as the "Transaction" or the "Transactions." The CIM Portfolio consists of 79 power centers and grocery-anchored multi-tenant retail centers, two single-tenant retail properties and a detention pond parcel, located across 27 states and aggregating approximately 9.5 million square feet. The 79 power and grocery-anchored centers are leased primarily to "necessity-based" retail tenants. Upon the closing of the Transactions, of which 80 properties were acquired in six closings as of June 30, 2022 and one property was acquired subsequent to June 30, 2022 (collectively, the "Acquired Properties"), the Operating Partnership has acquired all of the right, title and interest in each of the properties acquired in the CIM Portfolio owned by the applicable Sellers, which include certain leasehold interests in land parcels. The Company determined that the Transactions were accounted for as asset acquisitions.

As previously announced, the Company expected to fund the Purchase Price through a combination, to be determined at each closing, of cash on the balance sheet, including net proceeds of \$254.5 million from the sale of its Sanofi asset, borrowings under the Company's credit facility, as well as debt currently encumbering certain of the properties that the Operating Partnership will seek to assume, and the issuance of \$53.4 million in value of the Company's Class A common stock, par value \$0.01 (the "Class A Common Stock") to the Sellers. The Company funded the acquisition of the 81 properties with borrowings under its Credit Facility of \$513.0 million, cash on hand of \$365.8 million, which included net proceeds from the sale of its Sanofi asset and remaining proceeds from the issuance of its Senior Notes, the issuance of 6,450,107 shares of the Company's Class A common stock with a value of \$53.4 million, the application of its \$40.0 million deposit and the assumption of \$352.8 million of fixed-rate mortgage debt.

The acquisition accounting includes certain valuations which have not progressed to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments included herein are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated financial information, and may be revised as additional information becomes available and as additional analyses are performed. Differences between the preliminary estimates reflected in these unaudited pro forma consolidated financial statements and the final acquisition accounting will likely occur, and these differences could have a material impact on the accompanying unaudited pro forma consolidated financial statements and the combined company's future results of operations and financial position.

The unaudited pro forma statement of operations for the year ended December 31, 2021 included herein includes the impacts of the sale of the Company's Sanofi property (closed on January 6, 2022), the proceeds of which were used to fund a portion of the CIM Acquisition. The Company believes it is appropriate to make these adjustments since the completion of these transactions, and the use of the proceeds therefrom, provided the capacity needed under the Company's Credit Facility to fund a portion of the acquisition of the CIM Portfolio.

The unaudited pro forma consolidated balance sheet as of June 30, 2022 is presented as if the acquisition of the CIM Portfolio and other significant capital transactions were completed on June 30, 2022. Accordingly, this includes one property that was acquired subsequent to June 30, 2022 (the "Property Acquired Subsequent to June 30, 2022").

The unaudited pro forma consolidated statement of operations for the six months ended June 30, 2022 is presented as if the acquisition of the CIM Portfolio and other significant capital transactions were completed on January 1, 2021. The historical results of RTL for the six months ended June 30, 2022 include the operating results of the 80 properties acquired in six closings as of June 30, 2022 from their respective acquisition dates through June 30, 2022. Also, the unaudited pro forma consolidated statement of operations for the six months ended June 30, 2022 includes adjustments for the pre-acquisition period historical operating results of the 80 properties acquired during the six months ended June 30, 2022 and the full year-to-date historical operating results of the Property Acquired Subsequent to June 30, 2022 (the "Acquired Property Results Not Included in June 30, 2022 RTL").

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2021 is presented as if the acquisition of the CIM Portfolio and other significant capital transactions were completed on January 1, 2021. Accordingly, the unaudited pro forma consolidated statement of operations for the year ended December 31, 2021 includes adjustments for the full-year historical operating results for all 81 properties that have been acquired (the "Acquired Property Results Not Included in December 31, 2021 RTL").

The unaudited pro forma consolidated financial statements (including notes thereto) of the Company are qualified in their entirety and should be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2021, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2022 and the consolidated financial statements for the three and six months ended June 30, 2022, and related notes thereto, included in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 filed with the SEC on August 4, 2022. The unaudited pro forma consolidated financial statements (including the notes thereto) of the Company are qualified in their entirety and should be read in conjunction with the combined financial statements of the CIM Portfolio for the fiscal year ended December 31, 2021, included in the Company's Form 8-K/A filed with the SEC on April 8, 2022, and for the six months ended June 30, 2022, and the related notes thereto. The combined financial statements of the CIM Portfolio for the six months ended June 30, 2022 are included as part of this Form 8-K in Exhibit 99.1. The unaudited pro forma consolidated balance sheet and statements of operations are not necessarily indicative of what the actual financial position and operating results would have been had the acquisition of the CIM Portfolio and the other significant capital transactions occurred on June 30, 2022 and January 1, 2021, respectively, nor are they indicative of future operating results of the Company.

THE NECESSITY RETAIL REIT, INC.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
JUNE 30, 2022
(In thousands)

	June 30, 2022 RTL (A)	Purchase Price Allocation Property Acquired Subsequent to June 30, 2022 (B)	Pro Forma RTL
ASSETS			
Real estate investments, at cost:			
Land	\$ 1,000,884	\$ 8,785(C)	\$ 1,009,669
Buildings, fixtures and improvements	3,450,564	58,444(C)	3,509,008
Acquired intangible lease assets	616,870	11,244(C)	628,114
Total real estate investments, at cost	5,068,318	78,473	5,146,791
Less accumulated depreciation and amortization	(697,288)	—	(697,288)
Total real estate investments, net	4,371,030	78,473	4,449,503
Cash and cash equivalents	69,431	(16,389)(D)	53,042
Restricted cash	17,619	—	17,619
Deposits for real estate investments	16,250	(16,250)(E)	—
Deferred costs, net	19,565	—	19,565
Straight-line rent receivable	65,307	—	65,307
Operating lease right-of-use assets	17,946	—	17,946
Prepaid expenses and other assets	33,666	1,850(C)	35,516
Assets held for sale	80,779	—	80,779
Total assets	\$ 4,691,593	\$ 47,684	\$ 4,739,277
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY			
Mortgage notes payable, net	\$ 1,768,025	\$ 38,261(F)	\$ 1,806,286
Senior notes, net	491,651	—	491,651
Credit facility	488,000	—	488,000
Below-market lease liabilities, net	132,523	9,423(C)	141,946
Accounts payable, accrued expenses and other liabilities	58,700	—	58,700
Operating lease liability	19,164	—	19,164
Deferred rent and other liabilities	8,075	—	8,075
Dividends payable	5,836	—	5,836
Total liabilities	2,971,974	47,684	3,019,658
Mezzanine Equity:			
Redeemable securities	53,388	—	53,388
Series A preferred stock	79	—	79
Series C preferred stock	46	—	46
Common stock	1,268	—	1,268
Additional paid-in capital	2,937,395	—	2,937,395
Distributions in excess of accumulated earnings	(1,289,400)	—	(1,289,400)
Total stockholders' equity	1,649,388	—	1,649,388
Non-controlling interests	16,843	—	16,843
Total equity	1,666,231	—	1,666,231
Total liabilities, mezzanine equity and stockholders' equity	\$ 4,691,593	\$ 47,684	\$ 4,739,277

Notes to Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2022:

- (A) Reflects the historical consolidated balance sheet of the Company as of June 30, 2022 as presented in the Company's Quarterly Report on Form 10-Q (filed with the SEC on August 4, 2022), which includes amounts for the 80 properties acquired as part of the CIM Portfolio acquisition as of June 30, 2022.
- (B) Reflects the preliminary purchase accounting allocation for the acquisition of the one Property Acquired Subsequent to June 30, 2022 as if the transaction was completed on June 30, 2022. For purposes of these pro forma financial statements, for this transaction, the Company (i) accounted for this acquisition as an asset acquisition and (ii) has paid for this acquisition with a combination of assumed debt from the CIM Portfolio, cash (from cash on hand and additional draw on the Company's credit facility), and the application of \$16.2 million of the the previously funded \$40.0 million deposit.

	<i>(In thousands)</i>
	Property Acquired Subsequent to June 30, 2022
Preliminary allocation of assets acquired and liabilities assumed:	
Real estate investments, at cost:	
Land	\$ 8,785
Buildings, fixtures and improvements	58,444
Total tangible assets	67,229
Acquired intangible assets:	
In-place leases	11,244
Above market lease assets	—
Total intangible assets	11,244
Other assets acquired	1,850
Liabilities assumed:	
Mortgage notes payable	38,261
Below market lease liabilities	9,423
Net assets and liabilities assumed	<u>\$ 32,639</u>

Consideration transferred to acquire the CIM Portfolio:

Cash	\$ 16,389
Deposits for real estate investments	16,250
Total consideration transferred	<u>\$ 32,639</u>

- (C) Represents the preliminary allocation of the purchase price for the CIM Portfolio acquisition for the one Property Acquired Subsequent to June 30, 2022, including transaction costs, as if the transaction was completed as of June 30, 2022. The acquisition is considered an asset acquisition in accordance with accounting principles generally accepted in the United States of America, and accordingly, the Company allocated the total purchase price to the assets acquired based on relative fair value. The following table details the typical useful lives of the assets acquired:

	Useful Lives
Land	N/A
Buildings and improvements	40 years
Acquired intangible assets	9 to 15 years

- (D) Represents total cash paid upon the closing of the one Property Acquired Subsequent to June 30, 2022.
- (E) Represents the application of a \$16.2 million deposit, which was funded in December 2021.
- (F) Represents a mortgage assumed upon the closing of the one Property Acquired Subsequent to June 30, 2022, recorded at estimated fair value. This mortgage has an outstanding balance of \$39.0 million with a stated rate of 4.05% and matures in May 2024.

THE NECESSITY RETAIL REIT, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In thousands, except per share amounts)

	<u>CIM Transaction and Financing</u>					
	<u>June 30, 2022 RTL</u>	<u>Acquired Property Results Not Included in June 30, 2022 RTL</u>	<u>Pro Forma Adjustments</u>	<u>Credit Facility Draw</u>	<u>Disposition of Sanofi Property</u>	<u>Pro Forma RTL</u>
	(A)	(B)	(C)	(D)	(E)	
Revenue from tenants	\$ 211,872	\$ 31,998	\$ 213(G)	\$ —	\$ (228)	\$ 243,855
Operating expenses:						
Asset management fees to related party	16,122	—	—	—	—	16,122
Property operating expense	46,659	11,342	—	—	8	58,009
Impairment of real estate assets	64,896	—	—	—	—	64,896
Acquisition, transaction and other costs	485	—	—	—	—	485
Equity-based compensation	7,021	—	—	—	—	7,021
General and administrative	15,223	—	—	—	—	15,223
Depreciation and amortization	84,261	—	19,841(H)	—	—	104,102
Total operating expenses	234,667	11,342	19,841	—	8	265,858
Operating income before gain on sale/exchange of real estate investments	(22,795)	20,656	(19,628)	—	(236)	(22,003)
Gain on sale of real estate investments	67,007	—	—	—	(53,569)	13,438
Operating income	44,212	20,656	(19,628)	—	(53,805)	(8,565)
Other (expense) income:						
Interest expense	(52,069)	—	(4,933)(I)	(2,185)(I)	—	(59,187)
Other income	962	95	—	—	—	1,057
Gain on non-designated derivatives	2,250	—	(2,250)(J)	—	—	—
Total other expenses, net	(48,857)	95	(7,183)	(2,185)	—	(58,130)
Net income (loss)	(4,645)	20,751	(26,811)	(2,185)	(53,805)	(66,695)
Net income attributable to non-controlling interests	(6)	—	—	—	—	(6)
Allocation for preferred stock	(11,674)	—	—	—	—	(11,674)
Net income (loss) attributable to common stockholders	<u>\$ (16,325)</u>	<u>\$ 20,751</u>	<u>\$ (26,811)</u>	<u>\$ (2,185)</u>	<u>\$ (53,805)</u>	<u>\$ (78,375)</u>
Weighted-average shares outstanding — Diluted (F)	130,646,294					132,353,753
Net income (loss) per share attributable to common stockholders — Basic and Diluted	<u>\$ (0.13)</u>					<u>\$ (0.59)</u>

Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Six Months Ended June 30, 2022:

- (A) Reflects the historical consolidated statement of operations of the Company for the six months ended June 30, 2022 as presented in the Company's Quarterly Report on Form 10-Q (filed with the SEC on August 4, 2022), and only includes operating results from the respective property acquisition dates through June 30, 2022 for the 80 properties acquired in the first six months of 2022.
- (B) Represents the historical operating results from January 1, 2022 through the respective property acquisition dates in the six months ended June 30, 2022 for the 80 properties acquired during the six months ended June 30, 2022 and the full six months historical operating results of the 1 Property Acquired Subsequent to June 30, 2022.
- (C) This column represents pro forma accounting impacts of the acquisition of the CIM Portfolio as if the transaction was completed on January 1, 2021. For purposes of these pro forma financial statements, the Company has assumed that the transaction will be accounted for as an asset acquisition.
- (D) Assumes a draw on the Company's Credit Facility to partially fund the closings of the 81 properties of the CIM Portfolio on January 1, 2021.
- (E) This column reflects the removal of amounts related to the Company's Sanofi property, assumed to be sold on January 1, 2021 for the purposes of this pro forma financial statement. The sale closed in the first quarter of 2022.
- (F) The pro forma weighted average common shares outstanding are calculated as if the issuance of the 6,450,107 shares that were issued to purchase the CIM Properties had occurred on January 1, 2021. These shares were issued in the three months ended March 31, 2022.
- (G) Represents adjustments to estimated straight-line rent using the most recent data for lease terms, assuming an acquisition date of January 1, 2021 for all 81 properties of the CIM Portfolio acquisition. For purposes of this pro forma financial statement, no assumptions were made for potential lease renewals.

<i>(In thousands)</i>	Pro Forma Adjustments ⁽¹⁾
Straight-line rent and other adjustments	\$ 318
Accretion of below market leases	2,220
Amortization of above market leases	(2,325)
Total	<u>\$ 213</u>

(1) Includes adjustments for the 80 properties acquired in the six months ended June 30, 2022, for the period prior to the Company's ownership, and adjustments for the one Property Acquired Subsequent to June 30, 2022 for six months.

- (H) Represents the pro forma adjustment for depreciation and amortization expense, which is based on the Company's basis in the assets that would have been recorded assuming the CIM Portfolio was acquired on January 1, 2021. Depreciation and amortization amounts were determined in accordance with the Company's policies and are based on management's valuation of the estimated useful lives of the property and intangibles. The amounts allocated to buildings and improvements are depreciated over the estimated useful life (generally 40 years for buildings and 15 years or less for improvements), beginning on the assumed acquisition date of January 1, 2021, while the amounts allocated to lease intangibles are amortized over the remaining life of the related leases. The following table details the depreciation and amortization expense for all 81 properties of the CIM Acquisition:

<i>(In thousands)</i>	Pro Forma Adjustments ⁽¹⁾
Depreciation expense	\$ 5,763
Amortization expense — In-place leases	14,078
Total	<u>\$ 19,841</u>

(1) Includes adjustments for the 80 properties acquired in the six months ended June 30, 2022, for the period prior to the Company's ownership, and adjustments for the one Property Acquired Subsequent to June 30, 2022 for six months.

- (I) Represents interest expense on debt assumed from the CIM Portfolio and the additional Credit Facility draws, as if all of these borrowings occurred on January 1, 2021, as follows:

	<u>Principal</u> <i>(In thousands)</i>	<u>Rate</u>	<u>Fixed/Variable</u>	<u>Interest Expense</u> <i>(In thousands)</i>
Additional interest expense for assumed mortgage debt in the six months ended June 30, 2022 ⁽¹⁾	\$ 312,253 ⁽²⁾	3.91%	Fixed	\$ 4,158
Assumed mortgage debt — Acquired Property Results Not Included in June 30, 2022 RTL ⁽¹⁾	38,261 ⁽²⁾	4.05%	Fixed	775
Total interest expense adjustments related to assumed mortgage debt				<u>\$ 4,933</u>
Additional interest expense for actual borrowings under the Credit Facility through June 30, 2022 ⁽³⁾	\$ 488,000	2.51%	Variable	<u>\$ 2,185</u>

- (1) Represents estimated fair value of debt assumed for \$313.8 million and \$39.0 million of principal mortgage debt, respectively.
- (2) Represents additional interest for the period from January 1, 2022 to the dates of the respective mortgage assumptions used to fund the acquisitions of the 80 properties completed during the six months ended June 30, 2022. Calculated using the weighted-average mortgage rates on the assumed mortgages during the six months ended June 30, 2022.
- (3) Represents additional interest for the period from January 1, 2022 to the dates of the respective borrowings under the Credit Facility used to fund the acquisitions of the 80 properties completed during the six months ended June 30, 2022. Calculated using the weighted-average interest rate on the Credit Facility for the six months ended June 30, 2022.

- (J) The purchase and sale agreement included the planned issuance of shares of the Company's Class A common stock or Class A units in the Operating Partnership of up to \$53.4 million in value. The number of shares issued (6,450,107) was based on the value of the shares that may have been issued divided by the per-share volume weighted average price of the Company's Class A common stock measured over a five-day consecutive trading period immediately preceding (but not including) the date on which written notice is delivered, indicating the seller's election to receive either shares or units, to the Operating Partnership (the price of which is to be limited by a 7.5% collar in either direction from the per share volume weighted-average price of the Company's Class A common stock measured over a ten-day consecutive trading period immediately preceding (but not including) the effective date of the PSA, which was \$8.34 per share. The Company concluded that this arrangement constituted an embedded derivative which requires separate accounting. The initial value of the embedded derivative was an asset upon the signing of the PSA of \$1.7 million, and was a liability of \$2.3 million as of December 31, 2021 in the Company's balance sheet. Upon consummation, the stock portion of the transaction closed at values which were within the collar and accordingly, the liability for the derivative at closing should be reduced from \$2.3 million to zero. The adjusted loss represents the original value of the embedded derivative (which is also part of purchase accounting). This is expected to be a non-recurring loss.

THE NECESSITY RETAIL REIT, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands, except per share amounts)

	CIM Transaction and Financing				Other Relevant Transactions		
	December 31, 2021 RTL (A)	Acquired Property Results Not Included in December 31, 2021 RTL (B)	Pro Forma Adjustments (C)	Credit Facility Draw (D)	Issuance of 4.50% Senior Notes (E)	Disposition of Sanofi Property (F)	Pro Forma RTL
Revenue from tenants	\$ 335,156	\$ 153,408	\$ (2,934)(H)	\$ —	\$ —	\$ (17,195)	\$ 468,435
Operating expenses:							
Asset management fees to related party	32,804	—	—	—	—	—	32,804
Property operating expense	55,431	51,115	—	—	—	(104)	106,442
Impairment of real estate assets	33,261	—	—	—	—	—	33,261
Acquisition, transaction and other costs	4,378	—	—	—	—	—	4,378
Equity-based compensation	17,264	—	—	—	—	—	17,264
General and administrative	20,856	—	—	—	—	(4)	20,852
Depreciation and amortization	130,464	—	84,829(I)	—	—	(9,432)	205,861
Total operating expenses	294,458	51,115	84,829	—	—	(9,540)	420,862
Operating income before gain on sale of real estate investments	40,698	102,293	(87,763)	—	—	(7,655)	47,573
Gain on sale of real estate investments	4,757	—	—	—	—	44,580(K)	49,337
Operating income	45,455	102,293	(87,763)	—	—	36,925	96,910
Other (expense) income:							
Interest expense	(81,784)	—	(13,775)(J)	(13,225)(J)	(9,804)(J)	—	(118,588)
Other income	91	260	—	—	—	—	351
Loss on non-designated derivatives	(3,950)	—	2,250(L)	—	—	—	(1,700)
Total other expenses, net	(85,643)	260	(11,525)	(13,225)	(9,804)	—	(119,937)
Net loss	(40,188)	102,553	(99,288)	(13,225)	(9,804)	36,925	(23,027)
Net loss attributable to non-controlling interests	9	—	—	—	—	—	9
Allocation for preferred stock	(23,262)	—	—	—	—	—	(23,262)
Net loss attributable to common stockholders	\$ (63,441)	\$ 102,553	\$ (99,288)	\$ (13,225)	\$ (9,804)	\$ 36,925	\$ (46,280)
Weighted-average shares outstanding — Basic and Diluted (G)	115,404,635						121,854,742
Net loss per share attributable to common stockholders — Basic and Diluted	\$ (0.56)						\$ (0.38)

Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2021:

- (A) Reflects the historical consolidated statement of operations of the Company for the year ended December 31, 2021 as presented in the Company's Annual Report on Form 10-K (filed with the SEC on February 24, 2022), and does not include any properties acquired in the CIM Portfolio acquisition, which began closing acquisitions during the first quarter of 2022.
- (B) Represents the full-year historical operating results attributable to the 81 Acquired Properties in the CIM Portfolio acquisition, all of which have closed.
- (C) This column represents pro forma accounting impacts of the acquisition of the CIM Portfolio as if the transaction was completed on January 1, 2021. For purposes of these pro forma financial statements, the Company has assumed that the transaction will be accounted for as an asset acquisition.
- (D) Assumes a draw on the Company's Credit Facility to partially fund the closings of the 81 properties of the CIM Portfolio on January 1, 2021.
- (E) Reflects the issuance of the Company's Senior Notes on October 7, 2021 as if this transaction had occurred on January 1, 2021.
- (F) This column reflects the removal of amounts related to the Company's Sanofi property, assumed to be sold on January 1, 2021 for the purposes of this pro forma financial statement. The sale closed in the first quarter of 2022.
- (G) The pro forma weighted average common shares outstanding are calculated as if the issuance of the 6,450,107 shares that were issued to purchase the CIM Properties had occurred on January 1, 2021.
- (H) Represents adjustments to estimated straight-line rent using the most recent data for lease terms, assuming an acquisition date of January 1, 2021 for all 81 properties of the CIM Portfolio acquisition. For purposes of this pro forma financial statement, no assumptions were made for potential lease renewals.

<i>(In thousands)</i>	Pro Forma Adjustments
Straight-line rent and other adjustments	\$ (2,725)
Accretion of below market leases	4,440
Amortization of above market leases	(4,649)
Total	<u>\$ (2,934)</u>

- (I) Represents the pro forma adjustment for depreciation and amortization expense, which is based on the Company's basis in the assets that would have been recorded assuming the CIM Portfolio was acquired on January 1, 2021. Depreciation and amortization amounts were determined in accordance with the Company's policies and are based on management's valuation of the estimated useful lives of the property and intangibles. The amounts allocated to buildings and improvements are depreciated over the estimated useful life (generally 40 years for buildings and 15 years or less for improvements), beginning on the assumed acquisition date of January 1, 2021, while the amounts allocated to lease intangibles are amortized over the remaining life of the related leases. The following table details the depreciation and amortization expense for both the Acquired Property Results Not Included in December 31, 2021 RTL for the year ended December 31, 2021:

<i>(In thousands)</i>	Pro Forma Adjustments
Depreciation expense	\$ 27,320
Amortization expense — In-place leases	57,509
Total	<u>\$ 84,829</u>

- (J) Represents interest expense on debt assumed from the CIM Portfolio, the additional Credit Facility draw and the issuance of the Senior Notes, partially offset by the removal of interest expense from the Sanofi mortgage and credit facility paydown, as if all of these borrowings occurred on January 1, 2021, as follows:

	<u>Principal</u> <i>(In thousands)</i>	<u>Rate</u>	<u>Fixed/ Variable</u>	<u>Interest Expense</u> <i>(In thousands)</i>
Assumed mortgage debt — Acquired Property Results Not Included in December 31, 2021 RTL ⁽¹⁾	\$ 350,514	3.93%	Fixed	<u>\$ 13,775</u>
Borrowings on the Credit Facility — Acquired Property Results Not Included in December 31, 2021 RTL ⁽²⁾	\$ 488,000	2.71%	Variable	<u>\$ 13,225</u>
Issuance of the Senior Notes ⁽³⁾	\$ 500,000	4.50%	Fixed	\$ 17,187
Removal of interest expense related to the Credit Facility repayment	186,242	2.71%	Variable	(5,047)
Removal of interest expense related to the Sanofi mortgage	125,000	3.27%	Fixed by swap	(3,350)
Amortization of deferred financing costs from Senior Notes ⁽³⁾				1,014
Total interest expense adjustments related to issuance of Senior Notes				<u>\$ 9,804</u>

- (1) Includes estimated fair value of debt assumed for \$352.8 million of principal mortgage debt assumed with the closing of the Acquired Property Results Not Included in December 31, 2021 RTL.
- (2) Calculated using the weighted average interest rate on the Credit Facility for the year ended December 31, 2021.
- (3) Represents the incremental amount of interest adjustments to assume a January 1, 2021 issuance of the Senior Notes, which were issued on October 7, 2021.
- (K) Reflects the gain on the sale of the Sanofi property as if it occurred on January 1, 2021. This is a one-time, non-recurring transaction and therefore is only included in the consolidated pro forma statement of operations for the year ended December 31, 2021. Additional details are as follows:

	<i>(In thousands)</i>
Net proceeds from sale of the Sanofi property — closed January 6, 2022	\$ 254,518
Net carrying value of the Sanofi-property related assets and liabilities as of December 31, 2021	(200,506)
Pro forma gain on sale of Sanofi property if closed as of December 31, 2021	54,012
Less: Depreciation from January 1, 2021 to December 31, 2021	(9,432)
Pro forma gain on sale of Sanofi property if closed as of January 1, 2021	<u>\$ 44,580</u>

- (L) The purchase and sale agreement included the planned issuance of shares of the Company's Class A common stock or Class A units in the Operating Partnership of up to \$53.4 million in value. The number of shares issued (6,450,107) was based on the value of the shares that may have been issued divided by the per-share volume weighted average price of the Company's Class A common stock measured over a five-day consecutive trading period immediately preceding (but not including) the date on which written notice is delivered, indicating the seller's election to receive either shares or units, to the Operating Partnership (the price of which is to be limited by a 7.5% collar in either direction from the per share volume weighted-average price of the Company's Class A common stock measured over a ten-day consecutive trading period immediately preceding (but not including) the effective date of the PSA, which was \$8.34 per share. The Company concluded that this arrangement constituted an embedded derivative which requires separate accounting. The initial value of the embedded derivative was an asset upon the signing of the PSA of \$1.7 million, and was a liability of \$2.3 million as of December 31, 2021 in the Company's balance sheet. Upon consummation, the stock portion of the transaction closed at values which were within the collar and accordingly, the liability for the derivative at closing should be reduced from \$2.3 million to zero. The adjusted loss represents the original value of the embedded derivative (which is also part of purchase accounting). This is expected to be a non-recurring loss.