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): **February 27, 2023**

The Necessity Retail REIT, Inc.

(Exact Name of Registrant as Specified in Charter)

Maryland	**001-38597**	**90-0929989**
(State or other jurisdiction of incorporation)	(Commission File Number)	(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. On August 9, 2022, in a Current Report on Form 8-K (the "August 2022 Form 8-K"), the Company provided 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 the Acquisition 8-Ks. This Current Report on Form 8-K provides additional unaudited pro forma information required by Item 9.01(b) of Form 8-K for the Acquired CIM Properties and reported on the Acquisition 8-Ks and should be read in conjunction with all of the Acquisition 8-Ks, the Initial Form 8-K/A, the Second Form 8-K/A and the August 2022 Form 8-K.

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 Company's Unaudited Pro Forma Consolidated Financial Statements, which include the Company's Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 2022 (including the notes thereto), giving effect to the Acquired CIM Properties attached hereto as Exhibit 99.1.

The Company's Unaudited Pro Forma Consolidated Financial Statements (including the notes thereto) 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, 2022.

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. For further information, see Exhibit 99.1.

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 the outcome to be materially different. The words such as "may," "will," "seeks," "anticipates," "believes," "expects," "estimates," "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, (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, and (iii) inflationary conditions and higher interest rate environments, as well as those set forth in the Risk Factors section of the Company's most recent Annual Report on Form 10-K for the year ended December 31, 2022 filed on February 23, 2023, 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 by law.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The following pro forma financial information for the Company is attached as Exhibit 99.1 and is incorporated herein by reference:

- Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2022
- Notes to the Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2022

(d) Exhibits

Exhibit No	**Description**
99.1	UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
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, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THE NECESSITY RETAIL REIT, INC.
Date: February 27, 2023	By: /s/ Edward M. Weil, Jr.
	Edward M. Weil, Jr.
	Chief Executive Officer and President

EXHIBIT 99.1

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 all 81 properties were acquired in seven closings during the year ended December 31,, 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 funded the Purchase Price through a combination, 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 that were assumed by the Company, 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 purchase and sale agreement provided for contingent considerations relating to leasing activity at each acquired property for a six-month period subsequent to the respective closing dates of each acquired property. The Company has paid $59.3 million and accrued an additional $6.7 million as of December 31, 2022 based on leases executed as of December 31, 2022. Subsequent to December 31, 2022, an additional $5.4 million is considered to be probable of payment in connection with the acquired properties that related to contingencies resolved or that are considered probable based on events subsequent to December 31, 2022 and, accordingly, were not yet recorded by the Company as of the balance sheet date. No further contingent consideration is expected to be paid under the terms of the contract.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2022 is presented as if the acquisition of the CIM Portfolio and other significant capital transactions were completed on January 1, 2022. The historical results of RTL for the year ended December 31, 2022 include the operating results of all 81 properties acquired in seven closings during the year ended December 31, 2022 from their respective acquisition dates through December 31, 2022. Also, the unaudited pro forma consolidated statement of operations for the year ended December 31, 2022 includes adjustments for the pre-acquisition period historical operating results of all 81 properties acquired during the year ended December 31, 2022 (the "Acquired Property Results Not Included in December 31, 2022 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 years ended December 31, 2022, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 23, 2023. The combined financial statements of the CIM Portfolio for the six months ended June 30, 2022 (the last interim calendar period prior to the acquisition) were previously included as part of the Company's Form 8-K dated August 9, 2022 in Exhibit 99.1 therein. The statements of operations are not necessarily indicative of what the actual operating results would have been had the acquisition of the CIM Portfolio and the other significant capital transactions occurred on January 1, 2022, respectively, nor are they indicative of future operating results of the Company.

THE NECESSITY RETAIL REIT, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands, except per share amounts)

		CIM Transaction and Financing			
	December 31, 2022 RTL (A)	**Acquired Property Results Not Included in December 31, 2022 RTL (B)**	**Pro Forma Adjustments (C)**	**Credit Facility Draw (D)**	**Pro Forma RTL**
Revenue from tenants	$ 446,438	$ 32,015	$ 97(F)	$ —	$ 478,550
Operating expenses:					
Asset management fees to related party	32,026	—	—	—	32,026
Property operating expense	101,558	11,174	—	—	112,732
Impairment of real estate assets	97,265	—	—	—	97,265
Acquisition, transaction and other costs	1,221	—	—	—	1,221
Equity-based compensation	14,433	—	—	—	14,433
General and administrative	32,365	—	—	—	32,365
Depreciation and amortization	195,854	—	15,533(G)	—	211,387
Total operating expenses	474,722	11,174	15,533	—	501,429
Operating income before gain on sale/exchange of real estate investments	(28,284)	20,841	(15,436)	—	(22,879)
Gain on sale of real estate investments	61,368	—	—	—	61,368
Operating income	33,084	20,841	(15,436)	—	38,489
Other (expense) income:					
Interest expense	(118,925)	—	(4,899)(H)	(4,749)(H)	(128,573)
Other income	988	112	—	—	1,100
Gain on non-designated derivatives	2,250(I)	—	—	—	2,250
Total other expenses, net	(115,687)	112	(4,899)	(4,749)	(125,223)
Net (loss) income	(82,603)	20,953	(20,335)	(4,749)	(86,734)
Net income attributable to non-controlling interests	97	—	—	—	97
Allocation for preferred stock	(23,348)	—	—	—	(23,348)
Net (loss) income attributable to common stockholders	$ (105,854)	$ 20,953	$ (20,335)	$ (4,749)	$ (109,985)
Weighted-average shares outstanding — Diluted **(E)**	132,036,958				132,883,671
Net loss per share attributable to common stockholders — Basic and Diluted	$ (0.81)				$ (0.83)

Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2022:

(A) Reflects the historical consolidated statement of operations of the Company for the year ended December 31, 2022 as presented in the Company's Annual Report on Form 10-K (filed with the SEC on February 23, 2023), and only includes operating results from the respective property acquisition dates through December 31, 2022 for the 81 properties acquired in the year ended December 31, 2022.

(B) Represents the historical operating results from January 1, 2022 through the respective property acquisition dates in the year ended December 31, 2022 for the 81 properties acquired during the year ended December 31, 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, 2022. The Company has accounted for all these transactions as asset acquisitions.

(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, 2022.

(E) 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, 2022. These shares were issued in the three months ended March 31, 2022.

(F) Represents adjustments to estimated straight-line rent using the most recent data for lease terms, assuming an acquisition date of January 1, 2022 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.

(In thousands)	**Pro Forma Adjustments (1)**
Straight-line rent and other adjustments	$ 254
Accretion of below market leases	3,330
Amortization of above market leases	(3,487)
Total	$ 97

(1) Includes adjustments for the 81 properties acquired in the year ended December 31, 2022, for the period prior to the Company's ownership.

(G) 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, 2022. 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, 2022, 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:

(In thousands)	**Pro Forma Adjustments (1)**
Depreciation expense	$ 5,879
Amortization expense — In-place leases	9,654
Total	$ 15,533

(1) Includes adjustments for the 81 properties acquired in the year ended December 31, 2022, for the period prior to the Company's ownership.

(H) 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, 2022, as follows:

	Principal (In thousands)		Rate	Fixed/Variable	Interest Expense (In thousands)	
Additional interest expense for assumed mortgage debt in the year ended December 31, 2022 [1]	$	350,514(2)	3.92%	Fixed	$	4,899
Total interest expense adjustments related to assumed mortgage debt					$	4,899
Additional interest expense for actual borrowings under the Credit Facility through December 31, 2022 [3]	$	458,000	4.03%	Variable	$	4,749

(1) Represents estimated fair value of debt assumed for $352.8 million of principal mortgage debt.

(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 81 properties completed during the year ended December 31, 2022. Calculated using the weighted-average mortgage rates on the assumed mortgages during the year ended December 31, 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 81 properties completed during the year ended December 31, 2022. Calculated using the weighted-average interest rate on the Credit Facility for the year ended December 30, 2022.

(I) 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 gain.