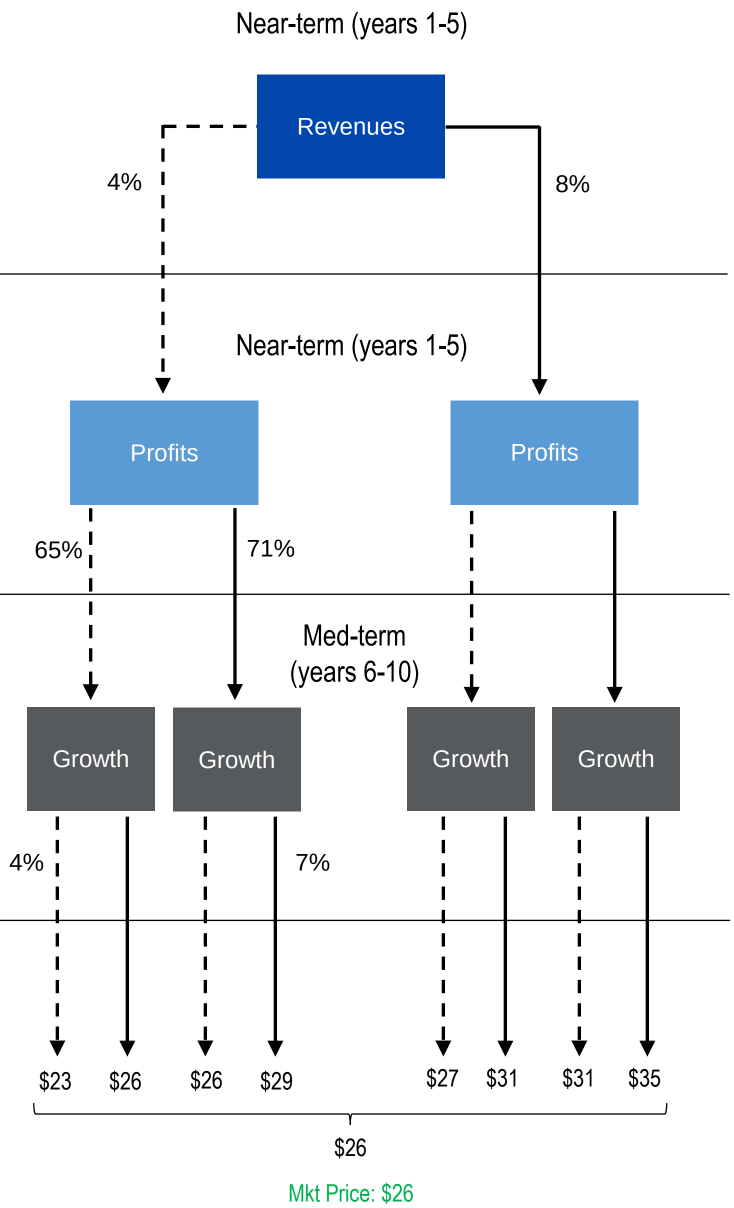
Valuation Waterfall

Revenue Growth
STORE functions as a provider of credit for small to medium-sized businesses ($10mm - $1B revenue / year) with triple net-lease agreements (i.e., client's responsible for maintenance). It signs long-term contracts with clients that build in price escalators capped at 2% / year and tied to CPI. A fragmented market means that STORE should be able to keep expanding as long as it has access to debt or equity capital (Note: revenue per share growth shown)

Profitability
The company is new, but founded by an experienced real estate investor. Because clients are small with limited access to credit, initial cap rates are high, leading to high profitability. Clients perceived as risky using normal metrics, but STORE requires location-level profit & loss statements, so can better judge sustainability. STORE is arbitraging perceived credit worthiness with actual economic generating capacity.

Medium-Term Cash Flow Growth
Everyone is talking about the death of retail, but STORE focuses on leasing to companies that provide services (restaurants, theaters, health clubs) – businesses that generate around two-thirds of STORE's revenues. Considering the focus on services (immune to Amazonification) and the fragmented market, we think the potential for STORE to continue growing in the medium-term is good.

Fair Value Range
Our fair value range extends from $23 to $35 / share with an average value of $29 / share using a **discount rate of 8.0%**. The stock generating a dividend yield of 4.8%. Stock would be yielding 5.3% at our worst-case valuation scenario of $23 / share. Trading now at $26 / share, the stock is trading at the lower end of our valuation range.



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Methodology

Framework Investing analyses focus on three main valuation drivers: revenue growth, profitability, and medium-term cash flow growth. We estimate a best- and worst-case scenario for each of these drivers resulting in a total of $2^3 = 8$ fair value scenarios based on discounted cash flow methodology. Profitability is measured by Owners' Cash Profit (OCP) margin and our measure of free cash flow is termed Free Cash Flow to Owners (FCFO). We use a discount rate of 10% for large capitalization stocks. A wide spread of lowest and highest fair values indicates a firm whose value is uncertain. Risk depends on the stock price's relationship to the valuation range. Best-case scenarios are represented with a solid line; worst-case scenarios, with a dotted one.