STORE Capital

Q3 2017 Earnings Webcast

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CORPORATE PARTICIPANTS

Moira Conlon - *Investor Relations*

Christopher Volk - *President and Chief Executive Officer*

Mary Fedewa - *Chief Operating Officer*

Catherine Long - *Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to the STORE Capital's third quarter 2017 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0."

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*", then "1" on your telephone keypad. To withdraw your question, please press "*", then "2." Please note this event is being recorded.

I would now like to turn the conference over to Moira Conlon, Investor Relations for STORE Capital. Please go ahead.

Moira Conlon
Thank you, Operator, and thank you all for joining us today to discuss STORE Capital's third quarter 2017 financial results. This morning, we issued our earnings release and quarterly investor presentation, which includes supplemental information for today's call. These documents are available in the Investor Relations sections of our website at ir.STOREcapital.com under News and Quarterly Results.

I am here today with Chris Volk, President and Chief Executive Officer of STORE; Mary Fedewa, Chief Operating Officer; and Cathy Long, Chief Financial Officer. On today's call, management will provide prepared remarks, and then we will open the call up to your questions. In order to maximize participation while keeping our call to one hour, we will be observing a two-question limit during the Q&A portion of the call. Participants can then reenter the queue if you have follow-up questions.

Before we begin, I would like to remind you that comments on today's call will include forward-looking statements under the Federal Securities Laws. Forward-looking statements are identified by words such as "will be," "intend," "believe," "expect," "anticipate," or other comparable words and phrases. It may consider non-historical facts, such as statements that are expected acquisitions or are AFFO and AFFO per share guidance for 2017 and 2018 that are also forward-looking statements.

Our actual financial condition and results of operations may vary materially from those contemplated by such forward-looking statements. Discussion of the factors that could cause our actual results to differ materially from these forward-looking statements are contained in our SEC filings, including our reports on Form 10-K and 10-Q.

With that, I would now like to turn the call over to Chris Volk. Chris, please go ahead.

Christopher Volk
Thanks, Moira, and good morning, everyone, and welcome to STORE Capital's third quarter 2017 earnings call. With me today are Mary Fedewa, our Chief Operating Officer, and Cathy Long, our Chief Financial Officer.

To date, we've invested more than $1.0 billion in acquisitions, including over $400 million during the third quarter. At the same time, we've profitably divested approximately $210 million in real estate investments, with most of this activity happening in the second quarter. So, combined with net investment activity as of the end of the third quarter at just below $800 million, we are right on track to meet our stated net investment guidance of $900 million for the year.

Our year-to-date investments and property sales reflect our ability to consistently invest in and divest of assets in ways that are accretive to our shareholders. At the same time, our portfolio remained healthy with approximately 75% of the net lease contracts rated investment-grade in quality based upon our STORE Score methodology and just eight properties today requiring a vacancy resolution. You'll hear more about our property investment and sales activity and portfolio health later from Mary.

Our dividend payout ratio for the quarter approximated 76% of our adjusted funds from operations, serving to provide our shareholders with a well-protected dividend and a company that's well-positioned for long-term internal growth based upon anticipated tenant rent increases and the reinvestment of our surplus cash flows. While our payout ratio increased during the quarter as a result of a 6.9% dividend increase, it will remain approximately in line with where it has been based upon our preliminary 2018 guidance, which Cathy will discuss in a few minutes.

Now, as I do each quarter, here are some statistics relative to our third quarter investment activity.

- Our weighted average lease rate was approximately 7.85%, which is up slightly compared to 7.84% last quarter.
- The average annual contractual lease escalation for investments made during the quarter approximated 1.9%, providing us with a gross rate of return (which you get by adding the lease escalations to the initial lease rate) that was virtually unchanged from last quarter.
- The weighted average primary lease term of our new investments continues to be long at approximately 18 years.
- The median new tenant Moody's RiskCalc corporate credit rating profile was Ba2.
- The median post overhead unit level fixed charge coverage ratio was 2.8:1.
- The median new investment contract rating, or STORE Score, for investments was very favorable at A2.
- Our average new investment was made at approximately 87% of replacement cost.
- 94% of the net lease investments made during the quarter were subject to master leases.
- All 68 of the new assets that we acquired during the quarter are required to deliver us unit-level financial statements, giving us required unit-level financial reporting from 97% of the properties within our portfolio. Our investment activity continued to be highly granular with 34 separate transactions completed and an average transaction size of $10.5 million.
- At the end of the quarter, the proportion of revenues realized from our top ten customers was 18.7% of annualized rents and interests. And further, our top ten customers continued to be highly diverse, and the single largest customer represented just 2.9% of our annualized rents and interests.
- Finally, during the quarter, we sold 12 properties, which represented an original acquisition cost of approximately $29 million, which in combination with property sales for the first half of the year, netted a gain over our original cost of nearly $14 million. Mary will dive deeper into this number for you, but our ability to generate profits from asset sales owes itself to our direct origination strategy. And, as I have long stated, portfolio management activities like this, which produce real economic gains, serve to

offset sporadic vacancies or asset underperformance, which is a customary part of the net lease business.

And, with that, I'll turn the call over to Mary.

Mary Fedewa
Thank you, Chris, and good morning, everyone.

In the third quarter, we funded $402 million of acquisitions at a cap rate of 7.85%. This was our second highest quarter ever, and it brings our year-to-date acquisitions to over $1.0 billion. Net of dispositions, we are on track to meet our 2017 net acquisition target.

During the third quarter, we continued to actively manage our portfolio, taking advantage of opportunities to sell properties. We sold a total of 12 properties, which had an acquisition cost of $29 million. This brings our total dispositions for the year to $210 million. As a result of our direct origination strategy, our portfolio has been built with embedded gains over the marketplace from day one. Of the 40 properties we have sold year-to-date, 12 were opportunistic sales in which we had gains over original cost of approximately $17 million or 21%. We also sold 10 properties in strategic sales that resulted in more modest gains of approximately $3.0 million, or 6% over our original cost.

The remaining 18 properties were sold as part of our ongoing property management activities, which resulted in a 93% recovery, or a $6.0 million loss. In summary, the combined gain of approximately $20 million year-to-date more than offsets the $6.0 million loss.

Now, turning to some portfolio highlights.

- Our portfolio performance continues to be strong. 69% of our portfolio is in the service sector, 17.6% is in experiential retail, and the remaining 13.4% is in manufacturing.
- The portfolio remains extremely diverse by design with our largest tenant representing less than 3% of rent and interest.
- In the third quarter, we added two new tenants to our top 10. Simultaneous with the Bass Pro acquisition of Cabela's in September, we acquired nine properties and are excited to have Bass Pro as our second largest tenant. We continue to like the experiential retail sector, and hunting, fishing, camping, and boating fit directly into that category.
- We also added US LBM, one of the largest building materials distributors in the US with more than 230 locations in 29 states. We have built this relationship over time, and as a result of our fourth transaction with them, they are now in our top 10.
- As of the end of third quarter, we had 19 vacant properties, 13 of which are Gander Mountain properties. Since the end of the third quarter, we have re-leased eight of those and sold one, and we have pending resolutions on two more of the Gander assets. As a result, today, we are actively seeking resolution on only eight vacant properties out of over 1,800 properties, and we have interest in many of these already.

And, now, turning to the overall market, cap rates remain stable, and our direct origination platform continues to generate a broad and diverse set of opportunities. Our acquisition pipeline has grown over 30% since the beginning of the year. This allows us to be highly selective in our investments while creating value for our customers and getting paid for this value.

With that, I'll turn the call to Cathy to talk about financial results and guidance.

Catherine Long
Thank you, Mary. I'll start by discussing our capital markets activity and balance sheet, followed by our financial performance for the third quarter. Then, I'll review our guidance for the remainder of 2017, and introduce our guidance for 2018. Please note that all comparisons are year-over-year unless otherwise noted.

Beginning with our capital structure, following the Berkshire Hathaway investment in June, our strong liquidity going into the third quarter positioned us well to execute on our acquisition plan for the quarter without any additional equity. We entered the third quarter with nearly $470 million of cash and the full availability on our $500 million credit facility, giving us ample funds for both third quarter acquisition activity and the planned prepayment of debt.

With respect to debt, one of the great features of our Master Funding program is our ability to prepay any series of notes within 24 months prior to maturity without a prepayment penalty. This long prepayment window gives us flexibility as to the timing of the note payoffs or refinancing.

To that end, during the third quarter, we paid off our 2012-1 Class A Master Funding notes, which had a principal balance of just under $200 million and a scheduled maturity of August 2019. These notes carried an interest rate of 5.77%, and by paying them off early, we reduced the weighted average interest rate of our long-term debt, and also reduced our secured debt as a percentage of gross assets to under 30%.

As a result, at September 30, our total long-term debt outstanding stood at $2.3 billion, with a weighted average interest rate of just under 4.4% and a weighted average maturity of six years. All of our long-term borrowings are fixed-rate and our debt maturities are intentionally well-laddered with a median annual debt maturity of approximately $250 million and no meaningful near-term debt maturities until 2020.

At quarter end, gross investments in our real estate portfolio totaled $5.9 billion, of which approximately $2.9 billion had been pledged as collateral for our secured debt. The remaining $3.0 billion of real estate assets are unencumbered, giving us substantial financing flexibility.

Our leverage ratio at the end of the third quarter was 5.8 times net-debt-to-EBITDA on a run-rate basis. This equates to roughly 40% on a net-debt-to-cost basis. As of September 30, we had $35 million of cash and $418 million of borrowing capacity on our credit facility.

So, as we head into fourth quarter of 2017, our liquidity position remains healthy with conservative balance sheet leverage and access to a variety of attractive equity and debt options to fund a large pipeline of investment opportunities.

Now, turning to our financial performance. Acquisition activity during the quarter was funded by cash on hand, borrowings of $82 million on our credit facility, and cash proceeds of approximately $32 million from third quarter asset dispositions.

As of September 30, our real estate portfolio stood at over $5.9 billion, representing 1,826 properties compared to $4.8 billion, representing 1,576 properties at September 30, 2016. The annualized base rent and interest generated by the portfolio at September 30 increased 20% to $474 million as compared to $395 million a year ago.

Acquisition activity drives revenue growth, and in the third quarter, revenues increased 14% year-over-year to $111 million. A good portion of the third quarter acquisition volume didn't occur until late in the quarter, and the full revenue impact of that volume won't be realized until the fourth quarter. Third quarter 2017 revenues include a $4.6 million non-cash charge related to the accelerated amortization of lease incentives associated with leases that were terminated during the quarter. Excluding this charge, revenues were up approximately 19% year-over-year. Our consistently strong revenue growth reflects the broad-based demand for our real estate capital solutions.

For the third quarter, total expenses increased 31% to $88 million compared to $67 million a year ago. A large portion of this increase in expenses relates to a $7.6 million non-cash charge related to the impairment of two Gander Mountain properties that are subject to CMBS financing which became vacant during the quarter. Approximately half of the remaining increase is attributable to higher depreciation and amortization expense, simply reflecting the growth of the portfolio.

Our interest expense increased about 16% over the prior year as we continue to finance a portion of our acquisition activity with attractively-priced long-term fixed-rate debt, "locking in" healthy spreads for the long term. Interest expense for the third quarter of 2017 includes a $2.0 million non-cash charge related to accelerated amortization of the deferred financing costs associated with the STORE Master Funding bonds we prepaid in August.

Property costs were $1.3 million for the quarter, up from $800,000 a year ago. Since 98% of our real estate investments are subject to triple-net leases, property level costs, such as property taxes, insurance and maintenance are the responsibility of our tenants and, therefore, aren't a significant portion of our annual expenses. Property tax expense on the increase in vacancies drove much of the year-over-year increase in property costs.

G&A expenses in the third quarter were $10.3 million compared to $8.1 million a year ago. G&A expenses for the third quarter include $300,000 of severance costs for an executive vice president who resigned in September. Excluding this severance charge, G&A was 67 basis points, on an annualized basis, as a percentage of our total portfolio assets, which is consistent with the third quarter of last year.

Net income was $29 million, or $0.15 per basic and diluted share, for the third quarter of 2017, a decrease from $36 million, or $0.24 per basic and diluted share a year ago. The decrease between years related mainly to the three non-cash charges I've just discussed. Real estate sales during the quarter generated gains of $6.3 million, net of tax, which compares closely to the $6.7 million for the same period in 2016.

For the quarter, AFFO increased 21% to $77 million, or $0.41 per basic and diluted share, from $64 million, or $0.42 per basic and $0.41 per diluted share last year. On a per share basis, third quarter AFFO 2017 reflects the impact of the Berkshire investment made at the end of the second quarter.

As expected, our Board increased our cash dividend to $0.31 per common share in the third quarter. Our dividend is an important component of our overall stockholder return. And since our IPO in 2014, we've increased our dividend per share by 24% while maintaining a low dividend payout ratio and reducing our leverage.

Now, turning to our guidance for 2017, year-to-date we're on track with our previously stated net acquisition volume guidance of $900 million for 2017. This guidance is net of estimated property sales in the range of $250 to $330 million for the year.

Based on these assumptions, we are affirming our 2017 AFFO per share guidance, which we expect to be in a range of $1.69 to $1.71 per share. This reflects both the impact of the June 2017 Berkshire Hathaway investment and our decision to maintain a reduced target leverage ratio in the range of 5.5 to 6.0 times net-debt-to-EBITDA. Our AFFO guidance is based on a weighted average cap rate of 7.75% on new acquisitions for the remainder of the year.

Our AFFO per share guidance for 2017 assumes net income of $0.75 to $0.77 per share, excluding gains and losses from property sales, plus $0.83 per share of real estate depreciation and amortization, plus about $0.11 per share related to items such as equity compensation, the amortization of deferred financing costs, and straight-line rent.

Finally, I'll turn to our initial guidance for 2018. We currently expect 2018 AFFO per share in the range of $1.78 to $1.84 based on our current projections for real estate acquisitions for the remainder of 2017, plus estimated acquisition volume of approximately $900 million for 2018, which is net of projected sales. AFFO per share in any period is always sensitive to the timing of acquisitions during that period as well as dispositions and capital markets activities. Our AFFO guidance is based on a weighted average cap rate on new acquisitions of 7.75% and a target leverage ratio in the range of 5.5 to 6.0 times run rate net-debt-to-EBITDA.

Our AFFO per share guidance for 2018 equates to anticipated net income of $0.87 to $0.90 per share, plus $0.84 to $0.87 per share of expected real estate depreciation and amortization, plus approximately $0.07 per share related to items such as straight-line rents, equity compensation, and deferred financing cost amortization.

And, now, I'll turn the call back to Chris.

Christopher Volk
Thank you so much, Cathy.

As is usual for me to do, before turning the call over to the operator for questions, I'm going to make a few added comments.

I want to start off by drawing your attention to the latest addition to our board of directors, which we announced Tuesday, and which raises the number of our directors to nine, seven of whom are independent.

Many of you listening know Katy Rice from her work as a past chief financial officer of two highly-regarded public REITs. We first met her when she worked as an investment banker to make possible the 1994 New York Stock Exchange listing of our first public company, Franchise Finance Corporation of America. Her understanding of our historic and current activities together with her highly-relevant experience with other companies, having built and managed net lease investment portfolios, make her a very welcome and valued addition to our board.

Now, I'd like to also mention some disclosure enhancements that we telegraphed last quarter. We elected to do away with the financial supplement disclosure and have instead incorporated this disclosure into our quarterly investor presentation, which was filed this morning. Given that there was considerable information redundancy in both documents, we combined them.

We also added some new disclosure items. The first of these pertains to the revenue growth realized by our tenants between June 30, 2016, and June 30, 2017, which averaged near 11%. Most of this growth resulted from corporate expansion and acquisition activity and evidences the dynamism of the middle markets in general, and our customers in particular. Given that approximately 30% of our new business is repeat business with existing customers, STORE is proud to have played a role in some of this growth. Providing real estate net lease solutions that serve to create wealth for our customers, create jobs in our communities, and contribute to our overall economy has always been important to us.

In our appendix, we have also provided some novel disclosure pertaining to shareholder value creation. As of September 30, we estimate that STORE's market equity valuation exceeded our actual historic actual equity cost by approximately 35%. This raw Market Value Added number, or MVA, is something we take pride in, but the compound annual growth rate of that number places us in a leadership position. And we have done this while not trading near the most highly valued companies in our sector, at least yet. Driving our ability to not just deliver returns but to create meaningful added wealth has been our leadership in delivering equity returns on the investments we've made every quarter. To illustrate this, we have additionally provided data on 2017 equity rates of return on our investment activity.

We've always said that we do not believe that the measure of our success lies in maintaining the highest occupancy rates, although we're about there with just eight unresolved vacant properties out of our 1,826 assets held at the end of September, or is our success just in administering to the fewest nonperforming tenants. Our measure of success is to endeavor to create the most Market Value Added we can, which can only be done over the long run by realizing equity rates of return on a consistent basis that exceed our market equity cost.

MVA is a byproduct of having a great business. Since we went public nearly three years ago, we have grown our dividend 24%, maintained a consistent level of dividend protection, created an unrivaled engine for internal growth, doubled our investment pipeline, become amongst the most highly credit rated companies in the net lease sector, and outperformed the RMZ benchmark by a factor of better than six times. And today, as we talk to you, our dividend yield approximates 5% and our valuation multiple approximates the multiple that we held after we went public at the end of 2014.

On a relative value basis, we presently rank about five within the net lease sector. But, based upon our performance and our proven ability to create MVA, we all here believe that we should be higher. But more than this, we believe that the net lease sector itself, with its historic ability to create MVA, should be valued more highly and not in its current near last position amongst the REIT sectors. STORE and other quality companies within our sector have proven through historic returns, MVA, and low comparable Sharpe Ratios that we are deserving of more.

And with this remark, I will now turn the call over the operator for questions.

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. To ask a question, you may press "*", then "1" on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press "*", then "2."

At this time, we will pause momentarily to assemble our roster.

The first question comes from Craig Mailman of KeyBanc Capital Markets. Please go ahead.

Craig Mailman
Cathy, could you just give the breakout between gross investments in the net guidance for '18 versus where you guys think dispositions is going to come in next year?

Catherine Long
Hi, Craig. We are giving initial guidance at this point, just to give you an idea of where our head is at and what we think we can accomplish, but we're not prepared at this time to really give any further guidance on breakout of how much would be sales and how much would be acquisition volume.

Craig Mailman
OK. Why not?

Christopher Volk
Craig, this is Chris. It's all an estimate at this point and we're also in a flow business, which makes it a little bit hard. So, we don't have exact visibility. But, if you're looking at us over the last two-or-three years, our average investment rate is somewhere around $100 million a month. So, if you wanted to assume that, that's something you could assume, and then you would assume that we'd have $300 million in asset sales, and you get to $900 million.

Craig Mailman
Gotcha. It sounds like you guys are going to be more programmatic here with asset sales. What's the criterion you guys cull the portfolio? I know you guys have a leg up here with unit-level financing. Is it you guys trying to get ahead of any tenant issues? Are you going to have thresholds in terms of if you see a revenue degradation or anything like that?

I'm just curious as to, other than when a property goes dark and you guys look to get rid of it, what's the preemptive thought process there to cull?

Mary Fedewa
Hi, Craig. This is Mary. So, we sell properties in three sorts of buckets. The first one is an opportunistic bucket, and that is our active portfolio, and generally, we start with: "Are we going to do more business with these customers?" We're very customer-centric, and we have long-term relationships. A third of our business is repeats.

So, the first thing we look at now that we're six years old and the portfolio has a lot of embedded gains, we run through an algorithm that says, "I did two units with this guy in 2012, and I've not done any more, so I'm probably not going to do more business with him. It's in a nice area. It's cash flowing. It's a nice lease. There's a nice gain in it. Let's look to sell that." So, we look at that periodically.

The second bucket is strategic, and it's more in line with what you were talking about. This is our portfolio where we might see some trends we don't like or we're just trying to get out in front of things. And you're correct. We can do this because we get unit-level financial statements on 97% of the portfolio, so it's super helpful. So, that's the strategic bucket.

And then the last bucket, again, is more of a property management bucket, which is the vacant and paying or the vacant properties. So, that's how our sales are determined and bucketed.

Christopher Volk
Craig, I want to just add some color to that and translate what Mary's saying into the financial impact of all of this. The one is, as Mary said in her remarks earlier, we basically have embedded gains on our portfolio the day we book the stuff. And a lot of that has to do with how we originate it. And so, it gives you the ability to almost just print some money from time to time, make some absolute gains, and you're going to pick your spots based upon the relationships that Mary was talking about. So, number one, you're going to make money.

The number two is a strategic piece where, to your point, you're potentially avoiding some future problems. You're also thinking about portfolio diversity, which is so important to us, trying to maintain high levels of tenant diversity, and also, sector diversity and not having a lot of correlated risks. And you're also getting a front of potential future problems. All of this relates to bending the risk curve. So, when you think about the risk curve, which we all participate in, the more you can think about this on a proactive basis, then the more you can bend it and realize it's not a static risk curve, which is part of the job that we have.

And then the final part is dealing with nonperforming assets. So, if you put all three of those pieces together, this year we've generated in net of all of these activities close to $14 million in income. The GAAP number is like $35 million, so a lot of people will talk about the GAAP number.

But, let's get realistic and talk about the gain over cost. And so the gain over cost is somewhere close to $14 million. So, the $14 million is what you're doing through your portfolio management activities, and that really also helps you to give you even a further cushion, a synthetic cushion, against any property vacancy you have. And so let's say you have Gander Mountain properties, and you have a certain recovery on Gander Mountain properties. You could take the cushion and you just increase the recovery by 10%.

And I think that's really important to note, and that you look at this business over a long period of time. We'll start to report that for you. So, probably at the end of this year, we're going to create a run rate for you so you'll see exactly what happens from birth to the end. So, you're looking through losses on assets, which you're going to have from time to time, and then you're going to have gains on these assets from time to time. And, when you net it all out, it's going to only make a very small dent in our internal growth. So, basically, we're going to still have as high an internal growth as anybody or higher than anybody in the entire net lease space inclusive of all those activities.

Operator
The next question will come from Vikram Malhotra of Morgan Stanley. Please go ahead.

Vikram Malhotra (Kevin)
Hi, this is Kevin on for Vikram. I just had a couple questions. In terms of pricing, and particularly within the different subsectors that you look at, are you seeing any change versus,

say, like the last quarter just in terms of how the market's viewing transactions, in terms of velocity, or in terms of pricing?

Mary Fedewa
This is Mary. Cap rates have been really stable. And I would say, in terms of velocity and a pipeline and opportunity, I think we've seen some trends away from people looking at retail stuff. So, it's made maybe some industrial a little hotter from a pricing perspective. But, that's about the biggest trend that we've seen out there.

Vikram Malhotra (Kevin)
Okay and then just one more. In terms of just, basically, your acquisition strategy and in terms of your team, has there been any change there or any shift in strategy just given what's been going on recently with the retail environment and whatnot?

Mary Fedewa
No. This is Mary. No change on the front end. For us, we're 17% retail. It's all experiential retail. It always has been since we started. We have a team focused on adding value to the customer and creating our contracts, and we have a large prospecting database. And so nothing's changed for us. The strategy is the same.

Operator
And the next question comes from Ki Bin Kim of SunTrust. Please go ahead.

Ki Bin Kim
Could you just describe some of the quality in tenants that you've been buying this quarter? And I know it's a fluid market, but is there any type of target that you have for 2018?

Christopher Volk
Well, Ki, every single quarter we do this, and we talk about the tenants and the aggregate. We don't talk about a lot of specific names. You can certainly look in the top ten, and then you know that we added Bass Pro. So, they would be included in the numbers.

But, overall, the median tenant profile was a Ba2, which is pretty much consistent with where it's been, so sort of a mid-BB company. And I have the view on that, by the way, that when you're dealing with credit, everything tends to vortex around a BB-type company. So, you're BBB guys end up becoming BB guys, and then your nonperforming, your underperforming guys, as they right themselves, become BB guys. So, the Ba2 is consistent with where we've been.

The median overhead fixed charge coverage ratio was 2.8:1. Our overall median fixed charge coverage ratio is around a little bit north of 2.0:1.0. So, basically, the tenants this quarter were better than the overall mix that we have. We're still heavily devoted to master leases, so you've got that.

So, we're at 87% of replacement costs this quarter, which is actually a little high for us. The median new contract credit rating, or STORE Score, is 82, which is in the ballpark of where it's been for the last few quarters and not too far from the median for the whole portfolio. And we got financial statements on everybody, and we got master leases on almost everybody.

So, from a structure perspective, deal perspective, credit perspective, cap rate perspective, we're basically pretty consistent with where we've been. And that bears out into the overall portfolio statistics.

And, Mary, you can talk about any color on the acquisitions if you want.

Mary Fedewa
Unless you have further question, I think Chris pretty much described it. So, it's very consistent, and it will continue to be that way as we go forward. I think you mentioned 2018. We have no plans to change the strategy.

Ki Bin Kim
Just lastly, on the Gander, you went through it pretty quickly on the opening remarks. Can you just recap that for us? You said you had 13 stores, 8 were released but to new tenants or to Gander? I wasn't sure about that.

And any timing disruption--I know it was a small part of your portfolio--but that we should be aware of…?

Mary Fedewa
This is Mary. So, we had 13 properties, and we have resolution on 11 of those. So, we're out there marketing two of those. We released eight of those to the new Gander entity, and we sold one, and the other two are in CMBS, and we're in discussions on those. So, we're out to market with two. One of the two on the market right now, actually, we do have an LOI on. So, we're really pleased with how quickly we've been able to turn these assets into, again, performing assets.

Operator
The next question comes from Todd Stender of Wells Fargo. Please go ahead.

Todd Stender
Thanks. Can we hear further details on the Bass Pro Shops purchase, maybe pricing? And then how big are the footprints of your properties? I know they can vary in size.

Mary Fedewa
Hi, Todd. I think I'll start, and then we'll get some help here on the details of it. But, we acquired nine properties from them. The amount was about $174 million, something like that. Cap rate in the high sevens. So, as we do master leases, the same structures that we do.

We like the acquisition. We like the synergies between the two companies, Cabela's being very efficient in hunting and shooting and Bass Pro being very efficient in boating and fishing. And I think, together, that makes for a nice company. And the credit card program with Cabela's is very strong, so is Bass Pro. So, we really like that. Together we think they're going to be a lot more competitive in the marketplace. And, of course, Bass Pro is a very stout credit, so we're pleased to have them in our top ten as well.

Todd Stender
And size-wise, just looking at fundability, are they the 500,000-square foot size?

Mary Fedewa
No. They're pretty diversified with an average square-footage of about 90,000, yes.

Operator
The next question comes from Dan Donlan of Ladenburg Thalmann. Please go ahead.

Dan Donlan
Just sticking with Bass Pro here, given what happened with Gander Mountain, what was the thought process to go back into the sporting good, hunting, fishing sector? Do you believe that Bass Pro is going to be one of two or one of three remaining retailers in this space?

I'm just curious of upping your exposure here after what happened with Gander.

Christopher Volk
First, Dan, this is Chris. As a banker in my prior life and having done this for a number of years, I don't get scared away from a space, and I've learned never to get scared away and just don't really react just because you have one tenant that becomes a problem. And tenants become problems for different reasons.

And I would say, in the case of Gander, their issues are not really reflective of the dynamism of the hunting/fishing market as a whole. So, there are issues that affected them including, by the way, enhanced competition from Bass Pro and Cabela's. And so some of the locations that we had ended up having issues, and many of the other locations, resulted from occasions in the markets by Bass Pro and Cabela's.

We would say that Bass Pro and Cabela's are probably the premier operator hunting and fishing establishments. There is a very experiential and service component to the business from both the attendance of how customers are attended to to credit card services. Cabela's had, actually, a bank. So, there's just a huge service component to it from guided tours and whatnot. So, anything to do with hunting and fishing they do. And I think that's really important to the retail to space to have a very strong service and experiential component to the business. We think highly of them.

I would also say that, together, while Bass Pro and Cabela's are a formidable force, they're still about 17% of the entire hunting/fishing market. So, the market is still somewhat fragmented. There are moms and pops out there that do well. And, of course, Camping World is buying Gander Mountain and is reopening a number of sites, and they're going to have their own take on the hunting/fishing/camping/recreational vehicle/boating experiential piece of the hunting/fishing market. And we think that there's room for all of these players to play in this business.

Dan Donlan
Okay, and then on Gander Mountain, I'm just curious. On the ones you released, could you maybe disclose your outcome from what percentage of your prior rent you were able to recapture?

Christopher Volk
Yes, I would say that, first of all, we're a little early in the process. So, we've given you a fair amount of disclosure in terms of where we are in terms of numbers and locations. Based upon the transactions that we're cutting with the surviving Camping World company, Gander Mountain, and also the sales of properties, and then having a fairly good idea what's going to happen with our two vacant properties, and we're in discussions with the CMBS lender on the other two, but there's no carrying costs associated with those at this point, I would say that we're expecting that our recovery will range somewhere between 55% and 70%.

If you look at historic recoveries for us, we've been closer to 70%. So, this will be probably a little bit less than what we've been used to getting. But, it'll be in that ballpark.

Operator
Our next question will come from Collin Mings of Raymond James. Please go ahead.

Collin Mings
Good morning out there. I wanted to ask about the investment pipeline update provided in the new presentations. Specifically, I just wanted to understand the drop-off in deals reviewed relative to that continued growth in that pipeline.

Mary Fedewa
Hi, Collin. It's Mary. So, basically, a deal is either closed or it's passed on. And then that then takes it off or it's being reviewed. And the pipeline has really been growing as you can see. So, in this last quarter, we had some pretty good growth. So, we're just reviewing a lot more deals right now, so the decisions haven't been made yet to fund or to pass on that. So, it's slow.

Christopher Volk
There's some lag time.

Mary Fedewa
Yes, there's some lag time. It slows. It's a little lumpy. There's just a lot of growth in the pipeline.

Collin Mings
Okay, that's helpful just to understand the timing aspect of that. But then, maybe just turning to the pipeline distribution, I was comparing that against what it looked like at the end of 2015. And it does seem like there maybe was some changes as far as how things were being classified.

But, just recognizing this is not necessarily your guys' processes but just an overall pipeline, what should we make of the uptick in entertainment overall, but then, it looked like a pretty steep drop-off in restaurants just as a percentage of that pipeline? Any color on that would be helpful.

Christopher Volk
So, this is Chris, and I'll stop off with this stuff. The drop-off in restaurants is in part just due to the fact that restaurant transactions get to be so popular that the cap rates on them are just not desirable for us, often times, to play in. So, we'll see them, but we tend not to do a lot of them.

And then, as far as the entertainment piece, is hunting and fishing in entertainment?

Mary Fedewa
No, it has its own category. I just think we're seeing some more family entertainment opportunities. I'll say this. We're now looking at some Main Events, or water parks, Topgolf, bowling, things like that in that space. We're just seeing a little bit of opportunities like that. Wedding venues are in there, for example, so a little bit more family entertainment and probably a little bit of shift away from the retail.

Operator
The next question is a follow-up from Ki Bin Kim of SunTrust. Please go ahead.

Ki Bin Kim
Just a quick one, have you thought about putting out same-store NOI guidance or results going forward, and what does that look like?

Christopher Volk
The same-store NOI numbers are going to mirror our rent increases unless we start giving away rent increases, which we don't. When we're booking stuff, we've made a point every single quarter to give you not just the cap rates but the escalators that we're building into it. And then we also have a slide that gives you timing of those escalators for across the portfolio.

So, from year to year, there can be some lumpiness in the sense that you have the five-year lease escalators that kick in. And that's about a third of our portfolio that they're going to kick in. But, overall, assuming that you're giving guidance to your investors, not just to hold us for six months but to hold us for a year or two, the numbers are going to end up being 1.8% increases on a same-store basis. And that's what our lease escalators are.

Operator
And the next question comes from Haendel St. Juste of Mizuho. Please go ahead.

Haendel St. Juste
Good morning out there. Looking at your balance sheet debt EBITDA around 5.8%, $500 million liquidity, lack of near-term debt maturity to new stock trading at a premium [indiscernible], I'm curious why we're not looking at more near-term acquisitions?

Maybe we can talk a little bit about what's in the fourth quarter in terms of net dispositions. Maybe that's the headwind. But, I certainly don't think that access to capital is the issue here. You clearly raised enough recently with meeting your financing with [indiscernible]. You've got availability capital, lots of availability out there. So, I'm just curious on why not a more proactive or positive view towards the acquisitions.

Catherine Long
Haendel, this is Cathy. I'll start and Mary can jump in if she wants.

We had done dispositions of about $210 million through September, and the guidance I gave to update for 2017 was $250 million to $330 million. So, there's still some sales that could come either this quarter or, potentially, fall into first quarter of next year. But, that is part of what you're seeing is that there are dispositions that are planned, and the acquisition volume that we're giving you is the net number.

I don't know, Mary, if you have anything to add.

Mary Fedewa
No, I don't think I would add. Haendel, we're certainly excited about the acquisition pipeline, and by no means is it behind or falling below our expectations. So, we're excited about it. It's a flow business. It's timing. So, we're looking out the best we can considering what we want to do on the property sales side.

So, I don't want you to get the impression that acquisitions are slowing. They're absolutely not.

Christopher Volk
And then this is Chris. I would just say that we're being measured in terms of how we're doing this. So, we're basically working to grow at a consistent pace that's predictable for you, and that allows us to keep basically the kind of diversity that you've come to expect from us.

Haendel St. Juste
I appreciate the thoughts. And one quick on the replacement costs being a bit higher than recent levels, I'm curious. Is that spike driven by a specific tenant? I'm just curious if there's any thoughts you'd provide on that and maybe what we should expect with that going forward.

Christopher Volk
No. There were some tenants that were higher than others. But, as a number, 87% is a little bit high. I would say there's nothing this quarter that's over 100%, and we tend not to disclose, on an individual tenant basis, where we are.

CONCLUSION

Operator
And this concludes our question-and-answer session. I'd like to turn the conference back over to the Chris Volk for any closing remarks.

Christopher Volk
Yes, I have just a couple comments. First off, obviously, thanks, everybody, for attending the call.

We launched a brand new website last week, so I want to invite you to take a look at it. It has clearer navigation, a cleaner look, and also added video content. And, in one of the videos, you can actually see me put on a bow tie, which I may not be able to live down. So, that's something I'm sure people are going to flash in front of me for years.

And, by the way, our next investor presentations are going to be at REITWorld, which will be held in Dallas November 14 to 16. So, if you're interested in seeing us there, let us know. And have a great day.

Operator
The conference has now concluded. Thank you all for attending today's presentation. You may now disconnect your lines. Have a great day.