Christopher H. Volk
Chief Executive Officer

Designed to Perform

To Our Stockholders:

STORE continued to perform well in 2018, posting new records in all key performance metrics – real estate investment activity, Adjusted Funds from Operations (AFFO) and AFFO per share. Importantly, 2018 represented our fourth consecutive year of double-digit shareholder returns. Had you been a STORE stockholder since our November 2014 introduction to the public markets, your compound annual rate of return would have been 16.1%, or about 2.2 times the return of the S&P 500, and 4.2 times the return of the REIT benchmark index, the MSCI. In fact, we outperformed each of these benchmark indices in 2018 as well as on a cumulative basis over two-, three- and four-year periods. Significantly, nearly all our shareholder performance since 2015 was driven by dividends and AFFO growth per share. Meanwhile, the multiple at which our shares trade, together with our dividend yield on that valuation, differed little as of the beginning of 2015 and the conclusion of 2018. Between the end of 2014 and the end of 2018, our median dividend yield was approximately 4.6%, while we grew our dividend by 32% (6.5% in 2018) and our AFFO per share by 37% (7.6% in 2018). This is performance to be proud of.

Comparative Annual Return Performance

	STORE	S&P 500	MSCI
Since IPO	16.1%	7.3%	3.8%
2018	14.0%	(4.4%)	(4.6%)
2017	10.6%	21.8%	5.1%
2016	11.0%	12.0%	8.6%
2015	12.6%	1.4%	2.5%

Comparative Cumulative Return Performance

	STORE	S&P 500	MSCI
Since IPO	16.1%	7.3%	3.8%
1 Year	14.9%	(5.2%)	(4.2%)
2 Years	12.3%	7.5%	(0.1%)
3 Years	12.6%	9.8%	3.3%
4 Years	12.3%	7.2%	2.4%

Things We Are Doing Better

As we continued to deliver for our stockholders in 2018, we also continued to challenge ourselves to become a better and stronger company. Here are some of our achievements since the beginning of 2015:

- Customer Count: We have nearly doubled our customer count, which adds to our investment diversity. At the end of 2018, we had 434 tenants throughout the United States.
- Balance Sheet: Our balance sheet is likewise more diverse having grown two and a half times from the start of 2015, with our 2018 revenues close to two times our 2015 revenues.
- Financial Leverage: Our financial leverage has fallen to a range of 5.5 to 6 times funded debt to EBITDA, from a stated range of 6 to 7 times at the beginning of 2015. In terms of cost, we are now leveraged approximately 40%, down from a leverage range that took us to slightly more than 45%.
- Corporate Credit Ratings: As a result of our strong performance, we received our first corporate BBB- credit rating in 2015 and are now rated BBB, BBB and Baa2 by Fitch Ratings, Standard and Poor's and Moody's Ratings, respectively.
- Operating Margins: Our operating profit margins have also improved, with economies of scale driving our general and administrative costs to about 67 basis points of average portfolio assets during 2018. Inclusive of property management costs, our overall operating costs have likewise shown material improvement.
- Unencumbered Assets: We have grown our unencumbered assets from about 40% of total real estate investments to over 60% of real estate investments at the end of 2018. We concluded 2018 with more than $4.6 billion in unencumbered assets, or nearly five times the amount we held at the beginning of 2015.
- AAA Note Access: We continue to complement our unsecured note issuances with our Master Funding conduit, which we started in 2012 with the issuance of A+ rated notes. In 2018, we successfully issued $378 million of AAA rated notes at a loan-to-value attachment point of 45%. This transaction was ground breaking as the first such AAA rated real estate master funding issuance ever and improved our cost of capital.
- Master Leases: Between the end of 2015 and the end of 2018, the proportion of our multi-property investments subject to master leases rose significantly from 80% to 91%. Master leases provide critical alignments of interest that allow us to benefit from tenant location investment diversity.
- Property Sales: Since the beginning of 2015, we have sold real estate representing an original cost of nearly $600 million and realized proceeds over this cost of better than $41 million. We started to elevate asset sales in 2017 and, during 2018, realized profits on real estate sales of nearly $24 million over our original cost of $228 million. Our property sales have contributed to our internal growth, helped to manage interest rate risk and are important in maintaining levels of overall diversity and portfolio quality.

Things That Haven't Changed

What remained the same since the beginning of 2015 is equally important to improvements we have made at STORE:

- Customer Diversity: Our top ten customer exposure has stayed within a range from 16.7% to 18.5% of revenues, ending 2018 at 18.1%. Our top exposure to any single tenant is less than 3% of revenues and our revenues derived from customers representing below 1% of our revenues remained steady at approximately 80%.
- Gross Investment Returns: Our unleveraged gross investment returns, which you determine by adding our annual lease escalations to our initial investment yields have held steady in a sector-leading range of 9.6% to 9.8%. For 2018, the gross unleveraged rate of return was 9.7%.
- Dividend Payout Ratio: Our AFFO payout ratio has likewise shown consistency, with a median quarterly payout ratio of 69.2% and a slightly better 2018 year-end ratio of 68.8%.
- Occupancy: Our year-end occupancy since 2015 has held steady, ranging from 99.2% to 99.8%, and we concluded 2018 with an occupancy rate of 99.6%. Out of our 2,255 property locations held by us at the end of 2018, just eight were vacant and not subject to a lease.
- Property-Level Financial Reporting: At the end of 2018, we received property-level financial reporting on 98% of the properties we hold, substantially all of which is received quarterly. Our commitment to requiring unit-level reports is based on our historical performance that dates back thirty years and clearly demonstrates a correlation between property level performance and lease contract and real estate investment quality.
- Property Investment as a Percentage of Replacement Cost: At the end of 2018, our real estate investments continued to approximate 82% of real estate replacement cost, reflecting our long-held commitment to the notion that real estate income and comparable valuation approaches are insufficient. Historically, investing at conservative levels relative to replacement cost has served to moderate underperformance and enhance recoveries from underperforming real estate.
- Contract Quality: Since our introduction as a public company in 2014, we have disclosed tenant credit stratifications, as well as a STORE Score, which is a base quantitative computation of lease contract quality that integrates tenant credit health with property-level economic performance. This approach reflects the truth that our investment risk is not a function of tenant credit quality alone, but is also a function of other characteristics, foremost among them property-level economic performance. Over the past four years our tenant credit stratifications have not shown much deviation and our STORE Scores have suggested that approximately 75% of our net lease contracts are investment-grade in quality. Actually, our investment portfolio has performed better than this, which we believe is a function of other factors, including portfolio diversity, an emphasis on replacement cost and the seniority of our contracts within the capital structures of our tenants.
- Investment Yields Above the Auction Marketplace: From the outset, we have been committed to realizing initial investment yields that are in excess of those available in the real estate auction marketplace. During 2018, we realized sector-leading initial investment yields of

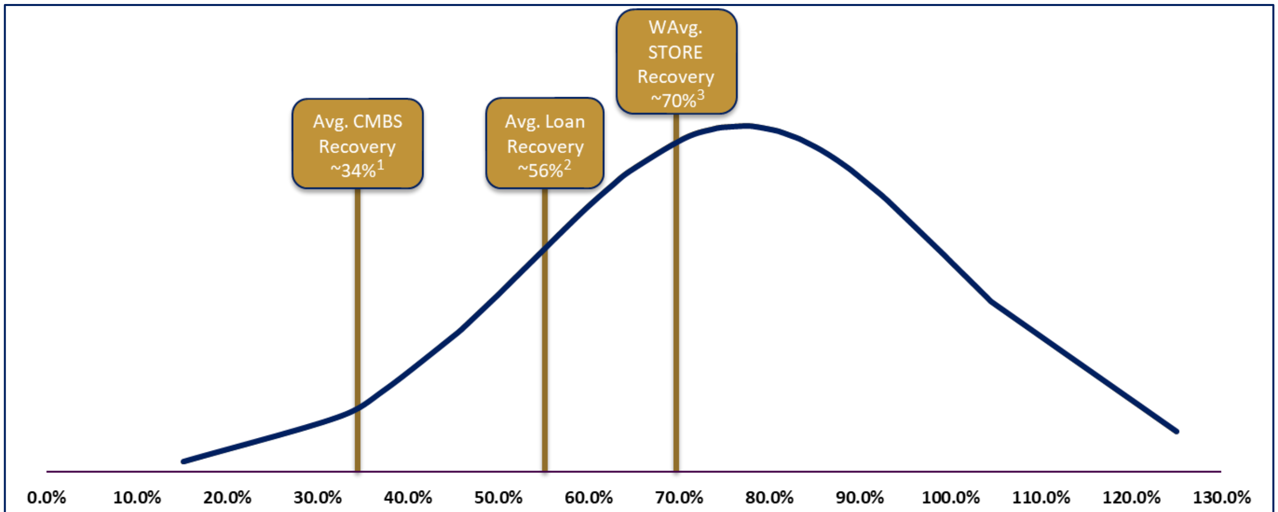
approximately 7.9%, or about 13% above our estimate of the broader auction marketplace of slightly under 7%. Our ability to realize this premium is a function of the value we bring to our customers and our direct origination channel. The goal is to deliver superior returns to our stockholders and provide us with better margins for error, should properties and tenants underperform.

Designed to Perform

The results and share performance we have realized are not a fluke; they stem from a business model we designed before we opened our doors for business in 2011. Our business model is centered around five key business attributes designed to collectively deliver stability, predictability and results. We often use a real estate term – "brick by brick" – to explain how we have been building STORE and our durable business model. The result is a substantial, nearly irreplaceable, trophy investment portfolio designed to deliver consistent and dependable performance. Real estate professionals often speak of tenant name brands, tenant credit ratings and individual real estate attributes to connote a "trophy" investment. Our three decades of experience tell us that investing with an emphasis on individual tenants or the physical attributes of individual property locations is limiting. The "trophy" is centered in our five key attributes that combine to make our whole portfolio worth more than the sum of its parts. We have not deviated from this approach.

1. Cornerstone Attributes: STORE's two cornerstone investment attributes for the creation of a trophy investment portfolio are basic:
    - We invest only in profit center real estate locations, which provides us with contract seniority. Contract seniority can be amplified using techniques such as property level financial statement delivery, master leases and investments that are below underlying real estate replacement costs. Historically, we have illustrated the importance of contract seniority through various case studies of tenants who have performed on their lease contracts, even while in bankruptcy. But documenting the importance of seniority can be accomplished more completely with a full normalized histogram of our historic recovery rates relative to typical debt recoveries, which is shown below. The comparison, while impressive, understates how well STORE performs, because commercial mortgage-backed and loan recoveries are computed as a percentage of the original collateral value, whereas the STORE recoveries are shown as a percentage of the rents received.

STORE Recoveries vs. CMBS and Loans



[1] Converted to Recovery on Original Value. Average CMBS recovery 49.6% and Average LTV is 69.2% *(1995-2018) Source: Kroll*
[2] Converted to Recovery on Original Value. Average Loan recovery is 80.4% and Average LTV is 70% *(1987-2017) Sources: Moody's & Loans.com*
[3] Weighted Average STORE recovery based on rents. Recovery to Original Value will tend to be higher.

- We have compiled a sector-leading, highly diverse portfolio, targeting limited correlated tenant risk. Risk dispersion has long been recognized as foundational to dependable investment portfolio performance.

Individually, contract seniority and investment diversity are significant contributors to the creation of highly-rated fixed income portfolios. Together, they can be even more potent sources of investment-grade performance.

2. Internal Growth Attributes: Internal growth is the percentage of AFFO per share growth that we can realize from our portfolio absent new equity issuance. There are three internal growth sources, whose impact on AFFO growth I will discuss before considering changes in operating costs or portfolio performance. The first of these is centered on our sector-leading contractual rent increases, which averaged 1.8% annually at the conclusion of 2018. Given our 41% mix of debt to equity, this rent growth equates to approximately 3% AFFO per share growth for our stockholders. The second source of internal growth is the deployment of our free cash flow after dividends. We are amongst the leaders in our sector with a dividend payout ratio of just under 70% at the end of 2018 and our retained free cash flow amounts to somewhat over $100 million annually. We invest this free cash flow at a sector-leading 7.9% initial investment yield, realizing additional revenue growth of 1.8%. Combine this with our 41% mix of borrowings and sector-leading spreads between the cost of our borrowings and our lease rate and you can achieve another approximate 3% of AFFO per share growth. Finally, there is the potential to realize added growth from the reinvestment of proceeds from real estate sales. In 2018, we realized added internal growth

by reinvesting the proceeds from real estate sales, which we sold at a weighted average yield of 7.1%, reinvesting the proceeds at a yield of 7.9%. In fact, we have achieved a positive spread in redeployed real estate sales proceeds over each of the past three years, which we estimate has added $3.9 million to our annual distributable cash. That amounts to an estimated .5% of additional AFFO growth for the year. Not huge, but every little bit helps.

The Impact of Asset Sales Gains Over Cost on Internal Growth

	2016	2017	2018	Averages
Disposition Cap Rate (occupied property sales)	7.5%	7.6%	7.1%	7.4%
Acquisition Cap Rate	7.9%	7.8%	7.9%	7.9%
Spread	0.4%	0.2%	0.8%	0.5%
Percent of Portfolio Sold	1.9%	5.0%	3.7%	3.5%

3 Year Annual Cumulative Effect ($000's)	2016	2017	2018	Totals
Proceeds From Sales	$82,200	$267,400	$251,400	$601,000
Unleveraged Revenue Accretion	$329	$535	$2,011	$2,875
Internal Growth Contribution	0.10%	0.13%	0.40%	0.32%
Leveraged Revenue Accretion	$506	$840	$2,562	$3,908
Leveraged Internal Growth Contribution	0.15%	0.20%	0.52%	0.40%

Because STORE is levered at ~40% of our asset cost and we have generated gains on asset sales above our initial cost, we can add to our growth by leveraging those gains.

3. <u>External Growth Attributes</u>: External growth is the percentage of AFFO per share growth that we can deliver for our existing stockholders that is generated by realizing positive investment spreads from equity issued to new stockholders. Here, as in recycling our retained cash flow, having sector-leading investment yields and spreads to our cost of borrowings is important. Also important is the spread between our investment AFFO yield and our traded AFFO yield. Efficiency in external growth is measured by the dilution existing stockholders take relative to the growth rate of AFFO per share from new equity issuance. The less dilution that is realized for every percentage point of external AFFO growth, the better. For 2018, we estimate that we were able to deliver 0.32% of growth to existing investors for each 1% of stockholder dilution, allowing us to rank in the middle of our net lease peers with the highest equity valuation multiples. We are proud of this performance, particularly with a valuation of approximately 20% below the highest valued net lease

company. None of us can control our relative AFFO multiples, but we can control the other variables that impact external growth efficiency.

4. Capital Stack Attributes: While our cornerstone attributes impact the stability of our AFFO growth per share, and our internal and external growth attributes impact the amount of that growth, our capital stack impacts our sensitivity to interest rates and changing capital markets. "Capital stack" is a descriptive term that corporate finance professionals use to refer to the mix of borrowings, types of borrowings and proportion of equity, that taken together comprise the equity and borrowings mix used in the craft of business creation. At the end of 2018, STORE was funded with an approximate mix of 59% equity and 41% borrowings. Just over 60% of our borrowings were centered in our Master Funding Conduit, which was our sole source of term borrowings in 2012 with the issuance of now A+ rated notes to a 70% loan-to-value attachment point. In 2018, for the first time ever, we split that 70% leverage into two pieces: 45% in AAA rated notes and 25% in A+ rated borrowings. Our idea was that this bifurcation would help further lower our borrowing costs while, at the same time, broaden the market for our Master Funding investors. We succeeded. By the time we had concluded 2018, we had both increased the efficiency of our Master Funding conduit and also our corporate unsecured note issuances, which benefitted from our inaugural public note issuance during the first quarter.

   The fact that we have two mechanisms to issue highly rated borrowings sets STORE apart from most leading publicly-traded net lease REITs, which have historically relied solely or predominantly on unsecured note issuances. If you are wondering why we have elected to have broader debt issuance options, there is an answer in the question. Our more than thirty years in this business and better than 25 years running publicly-traded REITs tell us that capital source diversity is important. But there are four additional reasons for using a secured funding conduit:

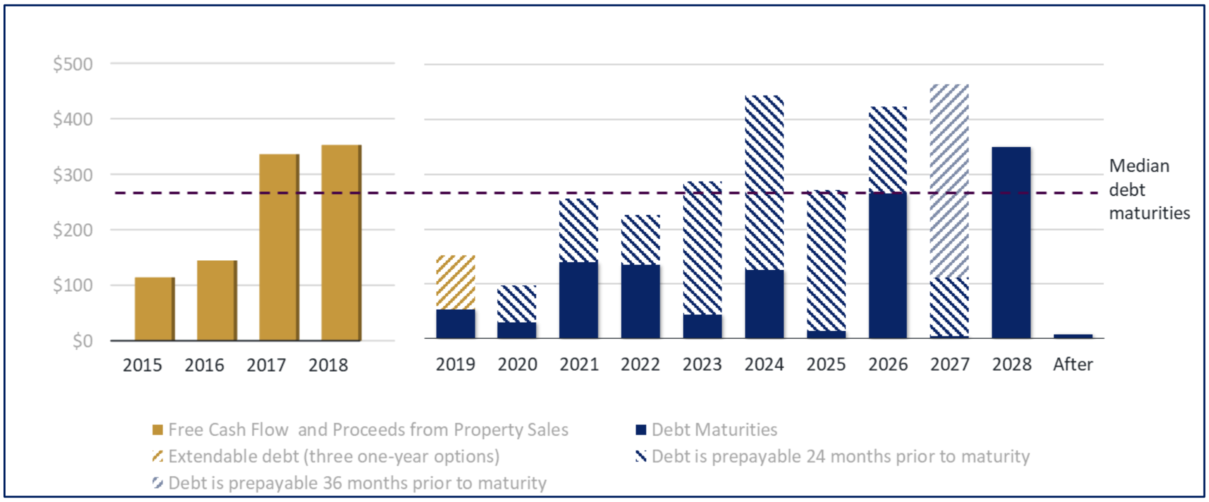
   - First, our attainment of AAA debt ratings this year enabled us to borrow at a cost approximating 70 basis points inside of our cost to issue corporate BBB rated unsecured notes.
   - Second, the Master Funding notes have superior prepayment optionality. Up until 2018, that optionality allowed us to prepay notes up to two years ahead of their maturity with no prepayment penalty at all. In fact, our fall 2018 Master Funding issuance allowed us to repay notes at par that would have matured in 2020. For the nine year notes we issued in 2018, we increased that prepayment optionality to three years.
   - Third, the use of Master Funding allows us to improve our note maturity flexibility. Public unsecured notes tend to have a limited group of set maturities, whereas privately placed Master Funding notes can be issued with a wide array of maturities. In 2018, we issued six- and nine-year notes that allowed us to even out our debt maturity schedule. Comparing STORE to where we would be if we had relied exclusively on public unsecured note issuances would demonstrate that our borrowing strategy allows us to more evenly space out our debt maturities, which

reduces interest rate and liquidity risk. Improved debt maturity laddering, together with far greater Master Funding prepayment optionality provide STORE with sector leading balance sheet flexibility.

- Fourth, the use of our Master Funding conduit allows us to have among the best unsecured debt ratios of any public real estate investment trust, regardless of credit rating. Our unencumbered asset to unsecured debt ratio and unencumbered asset fixed charge coverage ratio are just two of the ratios that stand out. Over time, we believe that such important unsecured noteholder benefits will contribute to further capital cost improvements.

5. Free Cash Flow Attributes: In 2018, our free cash flow after dividends approximated $350 million. Over $120 million of this amount was in the form of retained and reinvested AFFO. The remainder came from asset sales that approximated 3.7% of our real estate investment portfolio at the beginning of the year. Our property sales occurred throughout the year and included a few vacant properties as well as strategic and opportunistic asset dispositions. As noted earlier, through property dispositions we earned approximately $24 million in excess of our initial asset cost. Over the past four years, we sold almost $600 million in assets leased to middle market tenants, with an average listing time of just over four months. That level of liquidity approximates the average listing time for chain restaurants, a highly desirable class of real estate. Our 2018 average sale cap rate of 7.1% exceeds lease yields from investment-grade tenants and illustrates that we do not own the most valued properties. However, our asset liquidity, gains over cost and ability to sell assets for yields below where we recycle the cash, offers precisely the kind of value we are looking for. Such accretive liquidity also enables us to materially lower our exposure to the risk of rising interest rates. This is because our total free cash flow, inclusive of asset sales proceeds, approximates our average annual debt maturities, making us among the few REITs having the capacity to repay debt maturities without the need to roll our borrowings. In banking terms, this ability to match our cash flow with our debt maturities makes us virtually asset/liability neutral. As a result, interest rates can rise and we will be less impacted because we don’t need to roll our borrowings at elevated costs. Instead, new borrowings will be employed to fund new investments. Our long history in this business has demonstrated that there tends to be an ability to raise lease rates in times of rising interest rates. Historically, the coefficient has averaged 0.5:1, meaning that, for each percentage increase in the Ten-Year Treasury Note rate, there is an ability to elevate new investment lease rates by 0.5%. If we can accomplish this, absolute stockholder investment rates of return will be slightly better, although the spread of those returns to “risk free” rates will be tighter. Or, as Warren Buffett has said, “Rising rates act like gravity on the stock market”, which stands to hurt the value of STORE and all other equities. But the impact will be driven by the value ascribed to equity rates of return and not by STORE’s discrete liability interest rate sensitivity.”

Strategic Liability Management *($Millions)*

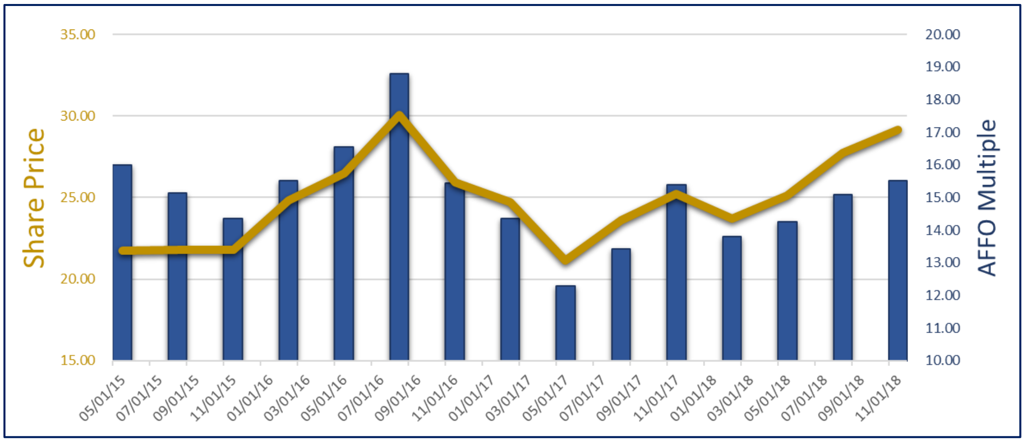


Trophy Portfolio Deliverables

Combining our five key business model attributes improves our chances of delivering dependable and attractive shareholder returns year after year, just as we have since we started STORE. That is what a trophy portfolio is designed to do. In that light, our delivery of double-digit annual stockholder returns since we introduced STORE to the public markets in 2014 was driven by our dividend yield and AFFO per share growth, pure and simple. We closed out 2018 trading at a small discount to our trading multiple at the beginning of 2015, so valuation multiple moves had no impact on our four-year performance.

While our trading multiples at the end of 2018 and the beginning of 2015 differed little, STORE, like much of the market, has experienced trading multiple volatility. We measure our share price valuation multiple as of each quarterly earnings release date, looking at our share price relative to our annualized reported AFFO per share. Our highest multiple point of 18.8 times AFFO per share came as we reported our second quarter results in August of 2016, when the Ten-Year Treasury Note Yield was at a near record low of 1.6%. Our lowest valuation point of 12.3 times AFFO came nine months later as we were announcing our first quarter 2017 results. At that time, investors were concerned about macro credit quality issues, retail sales trends, and the potential impacts of Federal corporate income tax restructuring. Meanwhile, STORE continued to perform. Importantly, STORE has never been in a position where external growth was not accretive. Our marginal investment AFFO multiple has held constant at under 10X, which results primarily from our sector-leading investment yields and spread between those yields and our cost of borrowings.

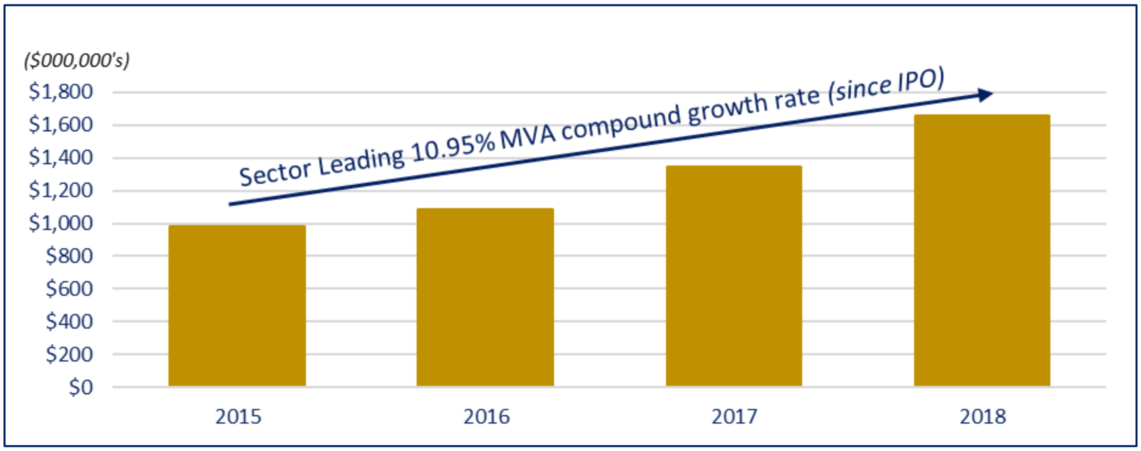
STORE's Share Price vs. AFFO Multiple Since 2015



In a presentation we delivered at our biennial Investor Day in April 2018, we illustrated that the absolute levels of equity rates of return that we seek to deliver change little with our trading multiple. Solid internal growth makes this possible. At a traded AFFO multiple of 13X our internal growth will contribute more than 85% of total growth, which falls to just over 50% at a traded multiple of 18X. Meanwhile the difference in shareholder dividend yield between these two points is about 1.5%, which is more than made up by external growth contributions at the higher trading multiple. To us, such an ability to deliver constancy in absolute rates of return, even with differing levels of trading multiples, is the epitome of a potent business model and of trophy portfolio creation. This kind of analysis is also reflective of our mindset. While it may be tempting to use a lower cost of capital to book business just because it is accretive to shareholder growth, this has never been our style. When our multiple was at its highest level in 2016, we were still investing at sector-leading investment yields of 7.9%. We are, after all, value investors.

Apart from an ability to deliver consistent absolute performance through a variety of market cycles, trophy portfolios should create value. In 2017, we started producing a new slide in our quarterly investor presentations that compares our equity value to the cost of that equity and computes a compound rate of value growth using the weighted average age of the equity issued. While we do not lead our sector from a trading multiple vantage point, we do in the compound growth rate of the value we have created for our investors above the cost of the equity. Such value creation is called Market Value Added and is central to our notion of what a trophy portfolio should deliver.

Market Value Added Growth Since 2015



A Focus on Purpose

Delivering strong financial results while also contributing in a positive way to all our many stakeholders defines true success. We have always considered our stakeholders to include a composite of stockholders, employees, customers, suppliers, creditors and communities. In Deloitte's annual international 2018 survey of Millennials (those aged 26-35) and Gen Z (those aged 20-25), respondents overwhelmingly felt that business success should be measured in terms of more than financial performance. This important group of younger employees and those about to enter the workforce fundamentally believes that businesses should achieve a broad balance of objectives ranging from societal and environmental impact to product innovation, job creation, career development, inclusion and diversity. In the parlance of today's investors, such an emphasis apart from profits and share performance is often simply referred to as "ESG," which stands for Environmental, Social and Governance. Of course, Millennial and Gen Z Deloitte survey respondents are not naïve to the importance of corporate profitability. Without the strong potential for wealth creation, STORE Capital would never have existed in the first place. That said, sensitivity to positive societal impact and a strong reputation for corporate governance have been a strong motivation for STORE since our earliest design phase.

We truly began STORE to fulfill a need. There are many tens of thousands of real estate-intensive middle market companies, most of which have few efficient options to finance their large real estate capital requirements. In STORE, these companies have found a solution. We have shown our customers that they are far better off having us as a landlord of choice versus having a banker. In that process, we have helped our many customers succeed, improved the liquidity of middle market companies and contributed meaningfully to the ability of our customers to create jobs across the country. It is common for observers of STORE to confuse what we invest in with what we do. With gross balance sheet assets comprised chiefly of over $7 billion in real estate, observers often assume we are simply a real estate investment company. But the real estate we own is a direct result of the efficient corporate capital solutions we provide. As a result, we have always viewed ourselves more as a financial services company, with an emphasis on the word "service," than solely as a real estate investment company.

We are devoted to the success of our customers. While real estate quality tends to be a driver for pure real estate investment companies, our success is more rooted in the success of our customers. Real estate quality has something to do with that success, but we are mindful that there are many variables in the success of complex operating companies. As a result, we have always been more tenant-centric than most holders of commercial real estate. Annually, we invite our customers to the Inside Track Forum, a conference we started in 2017 so that they can obtain actionable ideas from industry experts that might make a positive competitive difference for them in what is being called Industry 4.0. Each year, this event has attracted more and more of our customers to come to Scottsdale at the end of January for a day of education and networking. Our efforts to give back to our customers also include STORE University, an educational video series that we began producing in 2017. This year, we will add a new seminar on corporate wealth creation, which is planned for the end of the first quarter. Of course, our video viewership goes far beyond our customer base and we hope that STORE University will inspire and contribute to future entrepreneurs and business leaders as well.

Beyond our customers, we succeed because of our staff. Since starting this company as an idea in 2010 with four other founders, working through Skype and borrowed offices, we have grown STORE to 90 amazing professionals at the end of 2018. Of course, STORE is responsible for far more jobs than this if one were to count our many professional vendors and important outsourced functions. With STORE's growth, we have elevated and invested in our team. Today, we have a deep bench of professionals who collectively are instrumental in operating this business, helping to drive our growth and the vision we started. To have played a part in creating quality jobs and, in turn, attracting quality talent, is gratifying to all of us who founded and lead this amazing company.

STORE professionals lie at the heart of our intellectual property. We operate an intricate business, working with and serving a growing customer base of more than 434 tenants who lease over 2,200 properties across the country. Each quarter, we are capturing and evaluating thousands of financial statements, making strategic portfolio decisions and touching over a quarter of our customers. Roughly 40% of our compensation-related costs are associated with new business development and we have more relationship managers and a deeper credit evaluation team committed to our markets than anyone I know. Our mix of professionals enables us to close thirty to forty transactions every quarter, maintain an average transaction size of less than $10 million and achieve average transaction flow of more than $100 million monthly. No other company I know has created such a real estate investment and management dynamic. In 2019, we will embark on elevating our intellectual property, implementing company-wide systems conversions, migrating our data to the cloud, expanding the use of business intelligence tools and increasingly embracing our future in Industry 4.0.

We formed STORE Capital with a purpose. We see the path before us and are excited about our continued prospects. STORE will look to achieve another year of record financial performance in 2019, but our success will be best measured by what we can achieve for all our stakeholders.

Group Photo at STORE's January 30, 2019 Inside Track Forum

Christopher H. Volk
Chief Executive Officer
February 21, 2019