Section 1: 8-K (8-K 2Q18 EARNINGS RELEASE)

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): July 25, 2018

GETTY REALTY CORP.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**001-13777**	**11-3412575**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

Two Jericho Plaza, Suite 110, Jericho, New York	**11753-1681**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (516) 478-5400

Not Applicable
Former Name or Former Address, if Changed Since Last Report

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))

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 2.02. Results of Operations and Financial Condition.

On July 25, 2018, Getty Realty Corp. issued a press release announcing its results of operations for the quarter ended June 30, 2018. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated in this Item 2.02 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number	Description
99.1	Press release issued by Getty Realty Corp. on July 25, 2018.

The information contained in Item 2.02 and Exhibit 99.1 to this Current Report on Form 8-K is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Such information in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filing.

SIGNATURES

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

	GETTY REALTY CORP.
Date: July 25, 2018	By: /s/ Danion Fielding Danion Fielding Vice President, Chief Financial Officer and Treasurer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

FOR IMMEDIATE RELEASE

GETTY REALTY CORP. ANNOUNCES SECOND QUARTER 2018 RESULTS

JERICHO, NY, July 25, 2018 — Getty Realty Corp. (NYSE: GTY) ("Getty" or the "Company") announced today its financial results for the quarter ended June 30, 2018.

Highlights For The Second Quarter

- Net earnings of $0.33 per share
- Funds From Operations (FFO) of $0.43 per share
- Adjusted Funds From Operations (AFFO) of $0.43 per share
- Acquired 32 properties for $55.3 million
- Issued $100.0 million of 10-year senior unsecured notes

Christopher J. Constant, Getty's President & Chief Executive Officer stated, "During the second quarter we exhibited ongoing progress in each of our strategic priorities. From an operational perspective, our stable triple-net lease portfolio delivered another quarter of increased AFFO per share. In terms of investment activities, we added 32 high-quality properties to our portfolio, which further diversified our portfolio geographically, and had rent commence on two redevelopment projects. Additionally, we further enhanced our balance sheet as we completed a private placement of $100 million of unsecured notes. With a healthy balance sheet and a growing pipeline of acquisition and redevelopment projects, we believe we are well-positioned for continued growth."

Net Earnings

The Company reported net earnings for the quarter ended June 30, 2018, of $13.5 million, or $0.33 per share, as compared to net earnings of $15.1 million, or $0.43 per share, for the same period in 2017. The Company reported net earnings for the six months ended June 30, 2018, of $23.6 million, or $0.58 per share, as compared to net earnings of $24.8 million, or $0.71 per share, for the same period in 2017.

Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO)

FFO for the quarter ended June 30, 2018, was $17.6 million, or $0.43 per share, as compared to $19.9 million, or $0.57 per share, for the same period in 2017. FFO for the six months ended June 30, 2018, was $35.4 million, or $0.88 per share, as compared to $38.1 million, or $1.09 per share, for the same period in 2017.

AFFO for the quarter ended June 30, 2018, was $17.4 million, or $0.43 per share, as compared to $14.9 million, or $0.42 per share, for the same period in 2017. AFFO for the six months ended June 30, 2018, was $34.2 million, or $0.85 per share, as compared to $29.0 million, or $0.83 per share, for the same period in 2017.

All per share amounts in this press release are presented on a fully diluted per common share basis, unless stated otherwise. FFO and AFFO are defined and reconciled to net earnings in the financial tables at the end of this release. During the fourth quarter of 2017, the Company revised its definition of AFFO. See "Non-GAAP Financial Measures" below.

Results of Operations

Revenues from rental properties increased by $4.6 million to $29.0 million for the quarter ended June 30, 2018, as compared to $24.4 million for the same period in 2017. Revenues from rental properties increased by $9.0 million to $57.3 million for the six months ended June 30, 2018, as compared to $48.3 million for the same period in 2017. The increase in revenues from rental properties for the quarter and six months ended June 30, 2018, was primarily due to revenue from properties acquired by the Company in 2018 and the second half of 2017.

Property costs were $6.4 million for the quarter ended June 30, 2018, as compared to $5.3 million for the same period in 2017. Property costs were $11.4 million for the six months ended June 30, 2018, as compared to $10.1 million for the same period in 2017. The increase in property costs for the quarter ended June 30, 2018, was principally due to an increase in reimbursable real estate taxes. The increase in property costs for the six months ended June 30, 2018, was principally due to an increase in reimbursable real estate taxes, offset by a decrease in maintenance expenses.

Environmental expenses included in continuing operations were $1.4 million for the quarter ended June 30, 2018, as compared to $0.4 million for the same period in 2017. Environmental expenses included in continuing operations were $2.7 million for the six months ended June 30, 2018, as compared to a credit of $0.1 million for the same period in 2017. The increase in environmental expenses for the quarter and six months ended June 30, 2018, was principally due to increases in environmental legal and professional fees and net environmental remediation costs. Environmental expenses vary from period to period and, accordingly, undue reliance should not be placed on the magnitude or the direction of change in reported environmental expenses for one period, as compared to prior periods.

General and administrative expenses were $3.9 million for the quarter ended June 30, 2018, as compared to $3.7 million for the same period in 2017. General and administrative expenses were $7.4 million for the six months ended June 30, 2018, as compared to $7.2 million for the same period in 2017. The increase in general and administrative expenses for the quarter and six months ended June 30, 2018, was principally due to an increase in public company and employee related expenses.

Impairment charges included in continuing operations were $0.8 million for the quarter ended June 30, 2018, as compared to $0.9 million for the same period in 2017. Impairment charges included in continuing operations were $3.3 million for the six months ended June 30, 2018, as compared to $4.4 million for the same period in 2017. Impairment charges in continuing operations for the quarter and six months ended June 30, 2018 and 2017, were primarily attributable to the effect of adding asset retirement costs due to changes in estimates associated with the Company's environmental liabilities and reductions in estimated sales prices from third-party offers based on signed contracts, letters of intent or indicative bids for certain of its properties.

Portfolio Activities

On April 17, 2018, the Company acquired fee simple interests in 30 properties for $52.6 million and entered into a unitary triple-net lease with GPM Investments, LLC. In addition, during the quarter ended June 30, 2018, the Company acquired fee simple interests in two properties for a purchase price of $2.7 million in the aggregate.

Redevelopment Activities

As of June 30, 2018, the Company is actively redeveloping nine of its former convenience store and gasoline station properties either as a new convenience and gasoline use or for alternative single-tenant net lease retail uses. As of June 30, 2018, the Company had signed leases on five additional properties, that are currently part of its net lease portfolio. These properties are expected to be recaptured from their current leases and transferred to redevelopment when the appropriate entitlements, permits and approvals have been secured. During the quarter ended June 30, 2018, rent commenced on two redevelopment projects.

Balance Sheet

On June 21, 2018, the Company issued $100.0 million of senior unsecured notes maturing in 2028 bearing interest at a fixed rate of 5.47%. The senior unsecured notes were issued in a private placement with The Prudential Insurance Company of America and certain of its affiliates (collectively, "Prudential") and the Metropolitan Life Insurance Company and certain of its affiliates and are subject to substantially similar terms and conditions as the Company's existing senior unsecured notes with Prudential. Proceeds from the transaction were used to repay outstanding indebtedness on the Company's floating rate unsecured revolving credit facility.

As of June 30, 2018, the Company had $415.0 million of outstanding indebtedness with a weighted average interest rate of 5.1%. The Company's indebtedness consisted of $90.0 million in aggregate borrowings under the credit agreement and an aggregate principal amount of $325.0 million of senior unsecured notes. Total cash and cash equivalents were $19.4 million as of June 30, 2018.

2018 Guidance

The Company reaffirms its 2018 AFFO guidance at a range of $1.68 to $1.74 per diluted share. The Company's guidance does not assume any potential future acquisitions or capital markets activities. The guidance is based on current plans and assumptions and is subject to risks and uncertainties more fully described in this press release and the Company's periodic reports filed with the Securities and Exchange Commission.

Conference Call Information

Getty will hold its Second Quarter Earnings Conference Call on Thursday, July 26, 2018, at 8:30 a.m. EDT. To participate in the call, please dial (800) 289-0438, or (323) 794-2423 for international participants, ten minutes before the scheduled start time. Participants may also access the call via live webcast by visiting the investors section of the Company's website at ir.gettyrealty.com.

A replay will be available on Thursday, July 26, 2018, beginning at 11:30 a.m. EDT through 11:59 p.m. EDT, Thursday, August 2, 2018. To access the replay, please dial (844) 512-2921, or (412) 317-6671 for international participants, and reference pass code 6598192.

About Getty Realty Corp.

Getty Realty Corp. is the leading publicly-traded real estate investment trust in the United States specializing in the ownership, leasing and financing of convenience store and gasoline station properties. As of June 30, 2018, the Company owned 854 properties and leased 78 properties from third-party landlords in 30 states across the United States and Washington, D.C.

Non-GAAP Financial Measures

In addition to measurements defined by accounting principles generally accepted in the United States of America ("GAAP"), the Company also focuses on Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") to measure its performance. FFO and AFFO are generally considered by analysts and investors to be appropriate supplemental non-GAAP measures of the performance of REITs. FFO and AFFO are not in accordance with, or a substitute for, measures prepared in accordance with GAAP. In addition, FFO and AFFO are not based on any comprehensive set of accounting rules or principles. Neither FFO nor AFFO represent cash generated from operating activities calculated in accordance with GAAP and therefore these measures should not be considered an alternative for GAAP net earnings or as a measure of liquidity. These measures should only be used to evaluate the Company's performance in conjunction with corresponding GAAP measures.

FFO is defined by the National Association of Real Estate Investment Trusts as GAAP net earnings before depreciation and amortization of real estate assets, gains or losses on dispositions of real estate, impairment charges and cumulative effect of accounting change. The Company's definition of AFFO is defined as FFO less (i) Revenue Recognition Adjustments (net of allowances), (ii) non-cash changes in environmental estimates, (iii) non-cash environmental accretion expense, (iv) environmental litigation accruals, (v) insurance reimbursements, (vi) legal settlements and judgments, (vii) acquisition costs expensed and (viii) other unusual items that are not reflective of the Company's core operating performance. Other REITs may use definitions of FFO and/or AFFO that are different than the Company's and, accordingly, may not be comparable.

Beginning in the fourth quarter of 2017, the Company revised its definition of AFFO to exclude three additional items – environmental litigation accruals, insurance reimbursements, and legal settlements and judgments – because the Company believes that these items are not indicative of its core operating performance. While the

Company does not label excluded items as non-recurring, the Company believes that excluding items from its definition of AFFO that are either non-cash or not reflective of its core operating performance provides analysts and investors the ability to compare its core operating performance between periods. AFFO for the quarter and six months ended June 30, 2017, has been restated to conform to the Company's revised definition.

FFO excludes various items such as depreciation and amortization of real estate assets, gains or losses on dispositions of real estate and impairment charges. In the Company's case, however, GAAP net earnings and FFO typically include the impact of revenue recognition adjustments comprised of deferred rental revenue (straight-line rental revenue), the net amortization of above-market and below-market leases, adjustments recorded for recognition of rental income recognized from direct financing leases on revenues from rental properties and the amortization of deferred lease incentives, as offset by the impact of related collection reserves. Deferred rental revenue results primarily from fixed rental increases scheduled under certain leases with the Company's tenants. In accordance with GAAP, the aggregate minimum rent due over the current term of these leases is recognized on a straight-line basis rather than when payment is contractually due. The present value of the difference between the fair market rent and the contractual rent for in-place leases at the time properties are acquired is amortized into revenue from rental properties over the remaining lives of the in-place leases. Income from direct financing leases is recognized over the lease terms using the effective interest method, which produces a constant periodic rate of return on the net investments in the leased properties. The amortization of deferred lease incentives represents the Company's funding commitment in certain leases, which deferred expense is recognized on a straight-line basis as a reduction of rental revenue. GAAP net earnings and FFO include non-cash changes in environmental estimates and environmental accretion expense, which do not impact the Company's recurring cash flow. GAAP net earnings and FFO also include environmental litigation accruals, insurance reimbursements, and legal settlements and judgments, which items are not indicative of the Company's core operating performance. GAAP net earnings and FFO from time to time may also include acquisition costs expensed and other unusual items that are not reflective of the Company's core operating performance. Acquisition costs are expensed, generally in the period when properties are acquired and are not reflective of our core operating performance.

The Company pays particular attention to AFFO, as the Company believes it best represents its core operating performance. In the Company's view, AFFO provides a more accurate depiction than FFO of its core operating performance. By providing AFFO, the Company believes that it is presenting useful information that assists analysts and investors to better assess its core operating performance. Further, the Company believes that AFFO is useful in comparing the sustainability of its core operating performance with the sustainability of the core operating performance of other real estate companies.

Forward-Looking Statements

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GETTY REALTY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except per share amounts)

	June 30, 2018	December 31, 2017
ASSETS:		
Real estate:		
Land	$ 619,750	$ 589,497
Buildings and improvements	396,329	379,785
Construction in progress	2,392	1,682
	1,018,471	970,964
Less accumulated depreciation and amortization	(141,159)	(133,353)
Real estate, net	877,312	837,611
Investment in direct financing leases, net	88,138	89,587
Notes and mortgages receivable	34,244	32,366
Cash and cash equivalents	18,208	19,992
Restricted cash	1,179	821
Deferred rent receivable	35,853	33,610
Accounts receivable, net of allowance of $1,760 and $1,840, respectively	2,989	3,712
Prepaid expenses and other assets	57,358	55,055
Total assets	$ 1,115,281	$ 1,072,754
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Borrowings under credit agreement, net	$ 86,863	$ 154,502
Senior unsecured notes, net	324,351	224,656
Environmental remediation obligations	61,828	63,565
Dividends payable	13,025	12,846
Accounts payable and accrued liabilities	62,545	63,490
Total liabilities	548,612	519,059
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, $0.01 par value; 20,000,000 and 10,000,000 shares authorized, respectively; unissued	—	—
Common stock, $0.01 par value; 100,000,000 and 60,000,000 shares authorized, respectively; 40,262,274 and 39,696,110 shares issued and outstanding, respectively	403	397
Additional paid-in capital	620,183	604,872
Dividends paid in excess of earnings	(53,917)	(51,574)
Total shareholders' equity	566,669	553,695
Total liabilities and shareholders' equity	$ 1,115,281	$ 1,072,754

GETTY REALTY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues:				
Revenues from rental properties	$ 29,022	$ 24,365	$ 57,307	$ 48,261
Tenant reimbursements	4,461	3,924	7,529	6,917
Interest on notes and mortgages receivable	759	748	1,522	1,507
Total revenues	34,242	29,037	66,358	56,685
Operating expenses:				
Property costs	6,429	5,251	11,363	10,061
Impairments	831	914	3,259	4,382
Environmental	1,442	429	2,689	(112)
General and administrative	3,855	3,673	7,442	7,166
Allowance (recoveries) for uncollectible accounts	(119)	(71)	7	61
Depreciation and amortization	5,907	4,394	11,501	8,787
Total operating expenses	18,345	14,590	36,261	30,345
Operating income	15,897	14,447	30,097	26,340
Gain (loss) on dispositions of real estate	3,016	507	3,665	176
Other income, net	224	3,876	588	4,111
Interest expense	(5,314)	(4,279)	(10,365)	(8,359)
Earnings from continuing operations	13,823	14,551	23,985	22,268
Discontinued operations:				
Earnings (loss) from discontinued operations	(283)	555	(413)	2,542
Net earnings	$ 13,540	$ 15,106	$ 23,572	$ 24,810
Basic earnings per common share:				
Earnings from continuing operations	$ 0.34	$ 0.41	$ 0.59	$ 0.64
Earnings (loss) from discontinued operations	(0.01)	0.02	(0.01)	0.07
Net earnings	$ 0.33	$ 0.43	$ 0.58	$ 0.71
Diluted earnings per common share:				
Earnings from continuing operations	$ 0.34	$ 0.41	$ 0.59	$ 0.64
Earnings (loss) from discontinued operations	(0.01)	0.02	(0.01)	0.07
Net earnings	$ 0.33	$ 0.43	$ 0.58	$ 0.71
Weighted average common shares outstanding:				
Basic	39,901	34,634	39,806	34,594
Diluted	39,914	34,634	39,817	34,594
Dividends declared per common share	$ 0.32	$ 0.28	$ 0.64	$ 0.56

GETTY REALTY CORP.
RECONCILIATION OF NET EARNINGS TO
FUNDS FROM OPERATIONS AND
ADJUSTED FUNDS FROM OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net earnings	$ 13,540	$ 15,106	$ 23,572	$ 24,810
Depreciation and amortization of real estate assets	5,907	4,394	11,501	8,787
(Gain) loss on dispositions of real estate	(3,016)	(507)	(3,665)	(176)
Impairments	1,160	914	3,977	4,651
Funds from operations	17,591	19,907	35,385	38,072
Revenue recognition adjustments	(598)	(526)	(1,380)	(945)
Changes in environmental estimates	(96)	(1,402)	(608)	(5,719)
Accretion expense	616	762	1,308	1,795
Environmental litigation accruals	—	3	—	(70)
Insurance reimbursements	(94)	(3,873)	(309)	(4,092)
Legal settlements and judgments	—	—	(147)	—
Adjusted funds from operations	$ 17,419	$ 14,871	$ 34,249	$ 29,041
Basic per share amounts:				
Earnings per share	$ 0.33	$ 0.43	$ 0.58	$ 0.71
Funds from operations per share	0.43	0.57	0.88	1.09
Adjusted funds from operations per share	$ 0.43	$ 0.42	$ 0.85	$ 0.83
Basic weighted average common shares outstanding	39,901	34,634	39,806	$ 34,594
Diluted per share amounts:				
Earnings per share	$ 0.33	$ 0.43	$ 0.58	$ 0.71
Funds from operations per share	0.43	0.57	0.88	1.09
Adjusted funds from operations per share	$ 0.43	$ 0.42	$ 0.85	$ 0.83
Diluted weighted average common shares outstanding	39,914	34,634	39,817	34,594

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