1. **Using the six-parameters approach, how would you describe what Store Capital does?**

* **Products:**STORE CAPITAL invests exclusively in real estate assets occupied by one commercial customer each [Single Tenant Operational Real Estate (S|T|O|R|E)]. The STORE properties are acquired through long term '**Net Lease**' agreements, a provision that requires the tenant to pay a portion or all the taxes, fees and maintenance costs for the property in addition to rent. The STORE real estate portfolio is actively managed and the continuous in-house assessment of their tenants’ credit quality is the main selection criteria for inclusion into the portfolio. As of December 31, 2016, the total investment in real estate and loans approximated $4.8 billion, These investments generate cash flows from more than 570 contracts predominantly structured as triple net leases, mortgage loans and combinations of leases and mortgage loans. As of December 31, 2016, the weighted average non-cancellable remaining term of the leases was approximately 14 years
* **Customers:** The customers are middle market and larger non-rated companies (i.e. annual revenue > USD 400 million). The tenants operate within the service industry (50%), retail (35%) and light manufacturing (15%). The top sub-industries within the portfolio are restaurants (25%), early childhood education centres, movie theatres, health clubs and furniture stores. STORE’s senior management stays in touch with many potential customers (i.e. companies who own the real estate they operate in) and actively approaches suitable companies with “Sale and Lease Back” purchase offers for some or all of their real estate properties that are vital to those companies’ operations (i.e. their “profit centres”). Therefore, STORE aims at improving the credit worthiness of their long-term tenant contracts because there is a strong incentive for the tenants to keep operating those profit centres even in financial distress (e.g. chapter 11 restructuring). Nevertheless, STORE focuses on a high creditworthiness of their tenants and does not actively seek distressed investment opportunities (i.e. targets “investment grade” shadow rating). Customers enter into those long-term lease contracts with STORE to free long-term assets on their balance sheets and to achieve better financing terms than what is available to non-rated companies from external financing sources (e.g. traditional mortgage or bank debt) or from equity investors.
* **Industry:**STORE acquires, maintains and sells physical assets (i.e. single tenant commercial real estate assets). Albeit, most of their rental contract with tenants are in the legal form of “Triple Net Leases” where tenants take on the responsibility of major expenses such as heating, air conditioning and roof repairs keeping the operation cost lower for the landlord. Accordingly, STORE’s balance sheet assets of USD 4.9 billion mainly consists of real estate properties (USD 4.5 billion) and the capital expenditures or property costs are comparatively low. The STORE management estimates the US market size for single tenant commercial real estate assets to exceed USD 2.6 trillion in market value and to include more than 1.6 million properties. Nevertheless, the market is made up of hundreds of operating businesses like Wal-Mart, Target and Safeway, which own significant free-standing real estate assets. In addition to owning and managing real estate, the Triple Net Leases industry has a financial service component and STORE provides some mortgage financing to its tenants (USD 269 million).
* **Form:** STORE is an internally managed net lease real estate investment trust (REIT). The company has elected to be taxed as a REIT under the Internal Revenue Code of 1986 and is not subject to federal income tax. To continue to qualify as a REIT, its assets must consist primarily of real estate assets, its income must derive primarily from real estate assets, and it must continue to distribute at least 90% of the REIT taxable income (other than net capital gains) to its stockholders annually. Consequently, internal financing with retained earnings is very limited and STORE relies on raising external financing sources to expand the business. To keep competitive in the Triple Net Lease REIT market requires an investment grade rating from two or more leading rating agencies (Moody’s, Fitch, S&P) to issue long term bond with competitive interest rates on a secured (e.g. ABS, MBS) and unsecured basis Therefore, STORE needs strong in-house credit quality assessment skills to keep high tenants’ retention to avoid non-payments and subsequent damages to its net income.
* **Geography:** STORE owns 1,660 property locations operated by 360 lessees (i.e. commercial tenants) across 48 US states as of December 31, 2016. The company is incorporated in Maryland, USA and its headquarter is in Arizona, USA. As of December 31, 2016, the five states from which STORE derive the largest amount of annualized base rent and interest were Texas (12.9%), Illinois (7.5%), Georgia (5.9%), Ohio (5.9%) and Florida (5.6%).
* **Status:** STORE is the market leader in Single Tenant Operational Real Estate investment originations. A high standing helps STORE maintaining a pipeline of suitable tenants. However, STORE competes for equity financing in the much broader and highly competitive REIT market.

1. **For the most recently ended fiscal year, what was Store Capital's revenue, operating cash flow, and equity?**

Revenue: USD 376 million

Operating CF: USD 246 million

Equity: USD 2,483 million

1. **For the most recently ended fiscal year, what was Store Capital's capital employed?**

Capital employed = Total Assets - excess cash, non-interest bearing current liabilities, and possibly goodwill

Total Assets = USD 4,941,668

excess cash = 0 [cash is very low USD 54,200 (1.1% of assets)]

Accounts payable, accrued expenses and other liabilities = USD 60,533

Intangible lease assets = USD 92,337

Capital employed = USD 4,941,668 - USD 60,533 - USD 92,337

Capital employed = USD 4,849,324

Capital employed = **USD 4.85 billion**