

12 - 17 - 2025

Phillips Edison and Co., Inc.

PECO Business Update

Phillips Edison and Co., Inc.

PECO Business Update

CORPORATE SPEAKERS:

Kimberly Green

Phillips Edison and Co., Inc.; Head of Investor Relations

Jeffrey Edison

Phillips Edison and Co., Inc.; Chairman and Chief Executive Officer

Robert Myers

Phillips Edison and Co., Inc.; President

John Caulfield

Phillips Edison and Co., Inc.; Chief Financial Officer

PARTICIPANTS:

Andrew Reale

Bank of America; Analyst

Haendel St. Juste

Mizuho; Analyst

Caitlin Burrows

Goldman Sachs; Analyst

Omotayo Okusanya

Deutsche Bank; Analyst

Todd Thomas

KeyBanc; Analyst

Michael Griffin

Evercore; Analyst

Ronald Kamdem

Morgan Stanley; Analyst

Juan Sanabria

BMO; Analyst

Richard Hightower

Barclays; Analyst

Michael Mueller

JPMorgan Chase & Co; Analyst

PRESENTATION:

Phillips Edison and Co., Inc.

PECO Business Update

Kimberly Green^ Good day.

Welcome to PECO's Business Update. Please note that this webcast is being recorded. I'm Kimberly Green, Head of Investor Relations. I'm joined by our Chairman and CEO, Jeff Edison; President, Bob Myers; and CFO, John Caulfield. Please note that today's prepared video remarks have been prerecorded and our Q&A session will be held live.

Once we conclude our prepared remarks, we will open the webcast for your questions. After today's webcast an archived version will be posted to our Investor Relations website.

As a reminder, today's discussion may contain forward-looking statements about the company's view of future business and financial performance including forward earnings guidance and future market conditions.

These are based on management's current beliefs and expectations and are subject to various risks and uncertainties as described in our SEC filings, specifically in our most recent Form 10-K and 10-Q.

In our discussion today we'll reference certain non-GAAP financial measures. Information regarding our use of these measures and reconciliations of these measures to our GAAP results are available for download on our website.

Please note that we have also posted a presentation, our caution on forward-looking statements also applies to these materials. Now I'd like to turn the webcast over to Jeff Edison. Jeff?

Jeffrey Edison^ Thank you, Kim.

And thank you, everyone, for joining us today. We're excited to provide an update on PECO's long-term growth initiatives. I'll start with these three main takeaways. First, PECO's a growth company.

Our growth is fueled by internal and external opportunities and is executed by one of the best teams in the business.

We're not just creating long-term value. We're delivering solid dependable cash flow growth and setting new standards for performance for grocery-anchored and necessity-based retail.

We believe that PECO can consistently deliver 3% to 4% same-center NOI growth and achieve mid- to high single-digit core FFO per share growth year after year.

We have a long-term view of the business. We're aligned with our investors.

Phillips Edison and Co., Inc.

PECO Business Update

We think like owners because we are owners. This mindset ensures that every decision we make today is focused on delivering solid growth well beyond 2026.

And third, PECO's expertise in grocery-anchored and necessity-based retail provides unique strength and stability.

Given our track record through various cycles, we believe an investment in PECO provides a favorable balance of quality cash flows, mitigation of downside risk, and solid long-term growth.

We believe PECO offers less beta with more alpha. PECO was founded as a growth company, almost 35 years ago.

Today we're one of the largest owners and operators of grocery-anchored neighborhood shopping centers, with a clear path to increasing our enterprise value to over \$10 billion.

Our integrated operating platform driven by highly engaged associates allows us to add unique value at the property level.

We manage every aspect of our business in-house and leverage our locally smart expertise to make PECO a preferred landlord. PECO's 95% Neighbor satisfaction score from our annual survey validates our locally smart approach. The PECO team's ability to execute at the property level continues to deliver results.

We are pleased to increase the midpoint of our full year 2025 earnings guidance. The midpoints of our increased 2025 guidance for NAREIT and core FFO per share represent a 7% growth and 6.8% growth, respectively.

We're pleased with our preliminary 2026 guidance growth rates for NAREIT FFO and core FFO per share which are in the mid-single digits.

In a moment, Bob will highlight initiatives that strengthen our competitive advantages and drive incremental growth. These initiatives include ground-up development, centers where the grocer owns their space, and everyday retail. We're excited about these initiatives because they are natural complements to our core business.

Over time we believe everyday retail can grow to approximately 10% of our total portfolio. PECO's core focus will continue to be rightsized, grocery-anchored neighborhood shopping centers anchored by the number one or two grocer by sales in the market.

As an investor, you want growth, stability, resiliency, and strong shareholder returns.

Phillips Edison and Co., Inc.

PECO Business Update

We believe PECO will deliver outsized growth in 2025, and Bob and John will share how we plan to continue this momentum in 2026 and well beyond.

With mid-to-high single-digit core FFO per share growth and a dividend yield of approximately 3.8%, we target total shareholder returns of 10% or higher on a long-term basis.

We expect 2026 to be a great year for shopping centers. PECO is leading the way.

Our core grocery-anchored strategy is proven, and we're just getting started on several incremental growth initiatives.

We believe now is the time to invest in PECO. With that, I'll turn it over to Bob. Bob?

Robert Myers^ Thank you, Jeff.

And thank you, everyone, for joining us today. The PECO team was in New York last week for ICSC.

We continue to see high retailer demand for necessity-based retail with no current signs of slowing. PECO's leasing team continues to convert this demand into significantly higher rents.

As we heard at ICSC, retailers want to be located at our centers where top grocers drive consistent and recurring foot traffic.

This is most evident in what we call SOAR, Spreads, Occupancy, Advantages of the market, and Retention. You've heard us say it before, we believe SOAR provides important measures of quality.

PECO continues to have significant pricing power demonstrated by strong rent spreads and embedded rent escalators which are often in the 2% to 3% range for new and renewal leases, respectively. Rent spread should continue to be strong into the foreseeable future. PECO's occupancy is among the highest in the space, and we expect occupancy to remain high throughout 2026.

We believe we can deliver another 100 to 150 basis points of same center in-line leased occupancy. That said, we believe our portfolio can deliver 3% to 4% same-center NOI growth long term without occupancy growth.

We continue to see many advantages to the suburban markets where we operate our centers. PECO centers are located in trade areas with strong household incomes and growing populations where our grocers and retailers have been profitable. Retention is also an important measure of quality.

Phillips Edison and Co., Inc.

PECO Business Update

Our portfolio retention rate was 93% for the first three quarters of 2025. High retention means less downtime and lower tenant improvement costs which translate to better economics for PECO; we expect continued strong retention as we look ahead to 2026.

In addition to our strong leasing activity, rental growth and high retention trends, we are utilizing our competitive advantages to complement our core grocery-anchored portfolio with incremental growth initiatives.

We believe the addition of everyday retail, often referred to as unanchored centers, complements and enhances our portfolio returns.

Same-center NOI growth and FFO per share growth while leveraging PECO's core competencies. These centers offer reliable fundamentals similar to our core properties with a stronger long-term growth profile.

Everyday retail centers are located in the same trade areas as our grocery-anchored centers, growing suburban markets with strong median household incomes. We've identified nearly 50,000 everyday retail centers across the U.S., a huge opportunity.

With PECO's scale and locally smart approach to the market, we're ready to lead the way in acquiring, owning, and leasing these assets.

We are excited about everyday retail, and we are already seeing success in everyday retail centers we've acquired to date.

We have invested approximately \$181 million into nine everyday retail centers since 2023. When we look at these nine centers, we are seeing underwritten unlevered IRRs, 10% and higher, acquisition cap rates between a 6.4% and 7.6%. New rent spreads averaging above 40%.

Renewal rent spreads averaging above 25% and population density and household incomes above our core portfolio.

We believe we can scale everyday retail to \$700 million to \$1 billion over the next five years. This would represent about 7% to 10% of PECO's portfolio.

With 29% of PECO's ABR coming from grocers today, we believe everyday retail delivers more alpha while the overall portfolio continues to provide less beta. Strong demand from national retailers continues to fill our pipeline of ground-up outparcel development and repositioning activity.

Phillips Edison and Co., Inc.

PECO Business Update

We will spend about \$50 million per year on average, although 2025 and '26 will be closer to \$70 million. The increase is due to several teardown rebuild projects for Publix which are delivering strong returns.

We included a case study in our materials from one of these assets.

We also recently acquired 34 acres for a grocery-anchored development project with an initial investment of \$10 million.

Ocala, Florida is a high-growth trade area with more than 10,000 new homes expected to be built over the next five years.

We expect to sell part of the land to a national grocer and then the PECO team plans to develop several outparcels. We'll share more details as the project progresses.

We are interested in pursuing more opportunities with leading grocers across the U.S.

Grocery-anchored development takes time and patience. That said, we believe there are advantages to working with the nation's top grocers on their expansion plans.

We are optimistic about the opportunity over the long term. Moving on to acquisitions.

We continue to believe that PECO offers the best opportunity for external growth within the shopping center space. These investments continue to be core to PECO's long-term growth plans. Given the strength of the market, the pipeline we are targeting and the team we have at PECO, we believe we can acquire \$400 million to \$500 million of gross acquisitions in 2026.

Our core strategy remains focused on acquiring rightsized grocery-anchored neighborhood shopping centers anchored by the number one or two grocer by sales in the market.

Today this represents 84% of total ABR. PECO holds the number one position among its peers in percent of grocery-anchored centers at 95% of ABR. Part of our core strategy includes centers where grocery space is owned by the grocer, often referred to as shadow anchored.

We own 23 of these centers today representing about 8% of our wholly owned portfolio by count and about 5% of our owned GLA. The PECO team remains excited about these centers.

When compared to our total portfolio, these centers have delivered solid same-center NOI growth and comparable strong retention rates, while delivering higher in-line leased occupancy, higher ABR, and higher new rent spreads.

Phillips Edison and Co., Inc.

PECO Business Update

We expect these high-growth assets to continue to be a growing component of our core grocery-anchored portfolio. Beyond our balance sheet acquisitions, our investment management platform continues to expand our deal flow and PECO's access to capital.

Our joint venture with Northwestern Mutual and Lafayette Square is ahead of expectations and should reach capacity in early 2026. The Cohen & Steers joint venture has seen occupancy lift above underwriting, and we expect additional acquisitions in this venture next year.

In summary, PECO's core business is grocery anchored.

We are the leader in owning rightsized neighborhood shopping centers focused on necessity-based retail.

We are confident in our ability to execute on our plans and deliver solid growth well beyond 2026. This will be driven by both internal and external growth initiatives. With that, I'll turn it over to John. John?

John Caulfield^ Thank you, Bob. And good morning and good afternoon, everyone. I'll start by addressing portfolio recycling, then provide an update on the balance sheet and finally, speak to our increased 2025 guidance and preliminary guidance for 2026. The PECO team continues to have significant financial capacity to support our long-term growth plans.

We have diverse sources of capital that we can use to grow and match fund our investment activity. These sources include additional debt issuance, dispositions, and equity issuance.

In 2025, we've seen a meaningful increase in transaction activity across the U.S., both in assets coming to market and interested buyers.

We believe that private markets are more appropriately valuing grocery-anchored shopping centers compared to the public markets. This gives us an opportunity to lean into portfolio recycling.

We aim to sell assets with an IRR of 8% or below and then use the proceeds to help fund acquisitions above our target 9% unlevered IRR. Year-to-date, through December 12th, we have sold approximately \$106 million of assets in 2025 and we plan to sell between \$100 million and \$200 million in assets in 2026.

As long-term owners of these properties, we focus on IRR. However, we also watch for accretion and dilution to earnings.

We expect minimal short-term impact from dispositions to 2026 FFO.

Phillips Edison and Co., Inc.

PECO Business Update

In 2025, the cap rate on dispositions was slightly lower than our acquisitions, and we would expect them to be close in 2026.

We are maintaining a high-quality portfolio while improving PECO's long-term growth profile.

This activity provides PECO the opportunity to realize the gains we've achieved while investing in future growth.

We believe this approach helps drive solid NOI growth long term.

Turning to our investment-grade balance sheet.

We have a strong liquidity position, combined with our proven access to the equity and debt markets.

We have the ability to execute our growth plans.

It's important to note that PECO can acquire \$300 million of acquisitions annually and remain leverage neutral. PECO generates over \$100 million of free cash flow after our dividend and maintenance capital expenditures.

When we're growing same-center NOI between 3% and 4% annually, we generate additional leverage capacity from our solid growth in adjusted EBITDAre.

We have a long-term leverage target of low to mid-5x net debt to adjusted EBITDAre and we hold BBB flat and BAA2 investment-grade ratings from S&P and Moody's, respectively.

PECO's Board of Directors increased the company's dividend rate by 5.7% this year.

We offer a predictable income stream for our investors through monthly dividends.

We believe an investment in PECO provides shareholders with the right balance of stability and growth. PECO's strong financial position including our well-laddered debt maturities and a low payout ratio, supports future stability and dividend growth.

We believe that performance over time and consistent earnings growth will be rewarded in the capital markets. Moving on to guidance and our long-term growth targets.

As it relates to full year 2025, we are pleased to increase the midpoint of our guidance for NAREIT and core FFO per share. Through December 12, we have completed \$396 million of gross acquisitions at PECO share, which is at the midpoint of our guidance.

Phillips Edison and Co., Inc.

PECO Business Update

Our early pipeline for 2026 is strong.

We have updated additional full year 2025 guidance components in today's presentation materials. Next, I'll walk you through some of our assumptions for 2026. From a macroeconomic standpoint, PECO's outlook for next year does not assume a recession.

We continue to see a resilient consumer and our top grocers and necessity-based retailers continue to drive solid foot traffic to our centers.

As we look at retailer health, we continue to feel very good about PECO's portfolio. PECO has among the lowest exposure of at-risk retailers.

Our watch list remains small.

We're not concerned about bad debt in the near term and expect bad debt for next year to be in line with 2025.

We are comfortable with our preliminary guidance range for bad debt due to our visibility into PECO's strong leasing pipeline.

Should we see a weaker economic environment, we believe PECO's grocery-anchored necessity-based focus will demonstrate the resiliency of our portfolio as we saw during both the GFC and pandemic.

As it relates to interest rates, we anticipate lower short-term rates in the near term. Meanwhile, meaningful recent declines in interest rates should continue to be a positive for real estate values. PECO match funds our acquisitions, so they are accretive on both an immediate and long-term basis. PECO has no meaningful maturities until 2027, and we will look to refinance those next year.

Our preliminary 2026 guidance assumes a mild interest rate headwind which is lower than 2025. PECO also continues to benefit from a number of positive macroeconomic trends that create strong tailwinds and drive strong neighbor demand. These trends include a resilient consumer, migration to the Sunbelt, population shifts that favor suburban neighborhoods, and the importance of physical locations and last-mile delivery.

The impact of these demand factors are further amplified due to limited new supply over the last 10 years and going forward, given that current economic returns make it challenging to justify new construction of shopping centers. Given these assumptions, initial net income guidance for 2026 is in a range of \$0.74 to \$0.77 per share.

Phillips Edison and Co., Inc.

PECO Business Update

Our same-center NOI growth for 2026 is projected to be in a range of 3% to 4%.

We are not currently anticipating any significant onetime items next year.

As we head into 2026, we anticipate same-center NOI growth to generally accelerate quarter-to-quarter throughout the year.

Our gross acquisition guidance for 2026 is projected to be in the range of \$400 million to \$500 million at PECO share.

Our guidance for NAREIT FFO for 2026 is estimated to be in a range of \$2.65 to \$2.71 per share. This reflects a 5.7% increase over 2025 comparing midpoint to midpoint.

Our guidance for core FFO for 2026 is estimated to be in a range of \$2.71 to \$2.77 per share. This represents a 5.6% increase over 2025 comparing midpoint to midpoint.

We have also provided initial ranges for the other guidance items used in your models in our presentation materials.

As Jeff mentioned, we are pleased with our 2025 and preliminary 2026 guidance growth rates for NAREIT FFO per share and core FFO per share which are in the mid- to high single digits.

Now I'll walk you through the components of PECO's long-term growth. Looking beyond 2026, we continue to believe our portfolio can deliver 3% to 4% same-center NOI growth annually on a long-term basis.

We are at high occupancy levels in our portfolio. And although we believe we can continue to raise occupancy, we are reiterating that we believe we can deliver that 3% to 4% same-center NOI growth annually without additional occupancy lift.

While we do believe that we can still push same-center in-line occupancy higher, we don't need it to deliver same-center NOI growth in this range. High occupancy in our portfolio gives us pricing power to drive strong rent growth through both new and renewal rent spreads as well as higher annual escalators in our leases.

Our long-term same-center NOI growth is driven by new and renewal rent spreads and embedded rent bumps that are contributing around 100 basis points to 2026 annual same-center NOI growth and gradually climbing. This was 60 basis points not long ago.

The PECO team continues to invest in value-creating, ground-up outparcel development and repositioning projects.

Phillips Edison and Co., Inc.

PECO Business Update

On a long-term basis, we expect to invest about \$50 million annually in these opportunities, with weighted average cash-on-cash yields between 9% and 12%.

As Bob mentioned earlier, our opportunity to invest is higher in 2026 around \$70 million which we're excited about. This activity remains a great use of free cash flow and produces attractive returns with less risk.

We continue to grow this pipeline as the returns are accretive to the portfolio.

We believe that investing in development and redevelopment projects is one of the best uses of our capital today enhancing long-term value. In summary, PECO's strong NOI growth is the result of our high-quality portfolio and unique competitive advantages.

As it relates to the transaction market, we see the strong fundamentals of grocery-anchored shopping centers further strengthening. It's no surprise that grocery-anchored is attracting more attention in the market.

We expect the heightened attention to continue as the operating fundamentals of grocery-anchored centers offer a highly attractive growth profile relative to other real estate classes. Does this make the transaction market more challenging?

Absolutely. That said, we have strong grocer relationships.

We have the best acquisitions team in the business.

We have demonstrated success in finding core grocery-anchored opportunities.

We are finding under-managed and underoccupied everyday retail centers, and we have the joint venture expertise and relationships to continue to find exciting opportunities. This is why we are confident in our ability to deliver on our gross acquisitions guidance of \$400 million to \$500 million at PECO's share in 2026.

We believe PECO is different than triple net REITs because of the strong internal growth that our operating platform delivers. This amplifies PECO's buying potential annually.

As we look to our long-term core FFO per share growth, PECO's core earnings growth is driven by both internal growth and external growth.

Our 3% to 4% same-center NOI growth is worth between 350 and 600 basis points with operating leverage.

Phillips Edison and Co., Inc.

PECO Business Update

Our external growth, which includes the initial cap rate spread at acquisition to our cost of capital as well as the non same-center NOI growth we create is estimated to deliver 100 to 350 basis points of core FFO per share growth.

As we've said previously we believe this portfolio and this team can deliver mid- to high single-digit core FFO per share growth on an annual basis.

We also believe that our long-term AFFO growth can be higher as more of our leasing mix is weighted towards renewal activity.

We believe our targets for core FFO per share and AFFO growth will allow PECO to outperform the growth of our shopping center peers on a long-term basis. Lastly, while equity is not required to drive external growth in 2026, we would consider raising equity if our stock were to trade at an accretive level.

We are not assuming any equity issuance in our preliminary 2026 full year guidance. PECO is a growth company, and we continue to invest in future growth.

We believe the best use of capital today is fueling our internal growth engine through our development and redevelopment activity and driving external growth through acquisitions of core grocery-anchored centers, everyday retail centers and joint venture opportunities.

From an external growth standpoint, we believe we have proven that we are disciplined buyers.

We continue to target an unlevered IRR of 9% for our core acquisitions and above 10% for everyday retail centers.

If we look at everything we have acquired over the past few years, we continue to outperform our original underwritten return expectations.

We will maintain our disciplined approach and focus on accretively growing our portfolio. All of these factors, combined with PECO's unique advantages and our focused strategy give us confidence in our long-term growth plans.

In summary, we believe the quality of our portfolio and the strength of our operating platform will give PECO the best opportunity in our space to maximize FFO and AFFO per share growth. With that, we will take your questions.

Kimberly Green^ Thank you, John.

We will now begin the Q&A session.

Phillips Edison and Co., Inc.

PECO Business Update

So we've put our sell-side analysts in a queue, and they will be able to ask questions over the phone.

For those of you who are dialed in, if you can mute your line, and then as I get to you, you can unmute your line to ask questions. I'll be prompting you and calling you by name and then, again, you can unmute your line and -- we have time for you to ask a question and a follow-up question today.

Our webcast participants, you can submit your questions through the webcast portal. Simply type your question into the chat box and click submit, and I will be reading those for the team as well.

So with that, we'll start with our first question.

Our first question comes from Andrew Reale with BofA. Andrew, you can unmute your line and go ahead.

Andrew Reale^ Hi, good morning, Thanks for taking my question and I appreciate the detail around your '26 acquisition outlook. I was just wondering, as competition for high-quality grocery-anchored assets continues to intensify, how does your strategy enable you to source deals and maintain your 9% plus IRR target on new core acquisitions?

Jeffrey Edison^ Well Andrew, thanks for the question. I think it kind of gets back to sort of the origins of PECO which is we've always had really a nationwide look at the -- at our markets and we shop our product across the country.

What that does is it opens up more markets that we can buy in.

We have a bigger sort of place to shop for buying shopping centers.

What that does is it allows us to find inefficiencies in the market, where if you're in -- if you're only focused on 5 or 10 markets that you can go into that's a much smaller market than where you have to play.

So we like to have a bigger field to play on and we've proven that we can find properties across the country that meet our tough standards, but in doing that gives us more opportunity to buy more.

That's, I think why we've been able to consistently be the largest buyer on an individual basis of shopping centers -- of grocery-anchored shopping centers in the United States. Bob, anything else you want to add there?

Phillips Edison and Co., Inc.

PECO Business Update

Robert Myers^ Yes. I would love to add, it's been an interesting year in the sense. We're seeing a lot more product than we have. Certainly, 2023 was extremely choppy.

But when you look at this particular year, when I look at our statistics, we presented over -- we underwrote 585 deals this year compared to 284 deals last year.

We submitted to our investment committee 327 deals compared to 152 deals.

So that's a great indication of just, I think, what we're seeing and the amount of volume that's going to be out there.

So again we're going to keep our discipline and solve for our 9% unlevered returns which we've done successfully.

We feel real good coming out of the New York ICSC show that we're going to continue to see some level of consistent acquisitions.

Kimberly Green^ Great. Any follow-up question, Andrew?

Go ahead.

Andrew Reale^ Thank you. Just a quick follow-up, and I apologize if I missed this during the prepared remarks, but could you quantify your '26 bad debt expectation as a percentage of revenue?

And just remind us where that falls versus your long-term historical average.

Jeffrey Edison^ John, do you want to take that?

John Caulfield^ I get all the fun questions.

So if you look -- to answer '26 let me point to '25.

So '25, we set the guidance of 60 to 100 basis points was our guidance range. We're coming in this year-to-date, we're around 75, 80, and I think that's going to finish the year about the same. When I looked at '26, the dollars that we provided are about the same, about 60 to 100 basis points.

We really don't see anything on the horizon that's changing.

We think there's a good consistency here, and we're really pleased with the growth that we're going to put up next year.

Phillips Edison and Co., Inc.

PECO Business Update

Kimberly Green^ Our next question comes from Haendel St. Juste with Mizuho.

Haendel St. Juste^ Appreciate the presentation, very helpful. My question for you, John, maybe another fun one. Can you talk about the guide a bit more, the FFO guide, what's embedded for G&A and interest expense for '26 and how that compares to '25?

I'm curious kind of how much that might be contributing to the growth in year over year FFO.

I know there isn't any equity embedded in the guide for next year, but can you clarify if there's any debt issuance embedded in the guide?

John Caulfield^ Sure. Thanks for the question, Haendel.

So when we look to the FFO guide and you specifically asked about G&A and interest.

So when we look at G&A, I think midpoint to midpoint of '26 over '25, it's about 2%.

We've made investments in '25 that are really allowing us to scale and really focused on efficiency in our portfolio, and we look at it very closely on operating metrics as well as earnings metrics and that is something that we will continue to do.

So when we look to our growth for '26 and beyond, I would think that we're actually inside of inflation, and I think that's what our target would be there. When we look at interest expense and our math even on the guide, nominally, like there is some interest rate headwinds still.

But ultimately, we've been laddering our maturities and right now we would be issuing somewhere, it depends on where the tenure is at the moment, let's say 5.25%, even inside of that on a new 10-year.

So as we look at it, our plans are to have incremental debt issuance, we mentioned it, I think I said it a few times in the prepared remarks that we can acquire \$300 million of assets without incremental equity because of the growth we get in the portfolio and the free cash flow that we retain.

So we have -- the debt markets are actually very open right now both on the unsecured basis and all the different ways that we examine it.

We want to be a continued repeat issuer in that market.

So we feel really good.

Phillips Edison and Co., Inc.

PECO Business Update

But yes, there will be incremental debt that is issued, but we are also committed to our low to mid 5x on a debt-to-EBITDA basis.

Haendel St. Juste^ And I'm not sure if I missed it, but did you comment on G&A, your expectations for next year versus this year?

John Caulfield^ Yes.

So specifically in the guide in the materials, we give you a range.

So that -- you could use that.

But if I look at midpoint to midpoint, it's '26 over '25, I believe it's up 2%.

Kimberly Green^ Our next question comes from Caitlin Burrows with Goldman Sachs. Caitlin, we may mute your line for you.

Caitlin Burrows^ So you mentioned that rent bumps are contributing about 100 basis points to same-store up from about 60 basis points not long ago -- so can you give more details on the conversations you're having with retailers on this topic?

How receptive they are versus pushback and what you think the annual rent bumps can get to over the next, I don't know one, three, five years?

Jeffrey Edison^ Yes. Bob, do you want to talk a little bit about what we're hearing on the leasing side in terms of that?

Then, John, if you want to add in, in terms of the pace at which we anticipate that getting that throughout the portfolio?

Robert Myers^ Absolutely. Thank you for the question, Caitlin.

It's a great question because that's something we've been very focused on doing. If you look at the current market, the lack of supply, our overall occupancy at 97.7%, we do have pricing power and leverage to negotiate some of these rent bumps into it.

We're very focused on not only rent bumps, but improving the integrity of the leases and the nonmonetary clauses that we're getting.

So currently on our renewals, we're getting around 22%, 23% year one with 3%, 3.5% and annual CAGRs.

Phillips Edison and Co., Inc.

PECO Business Update

And on our new leases, we're very focused on -- if you look at our leasing spreads, we've been around the 30% mark, and we plan to do that again in the fourth quarter with annual increases between 2% and 3%.

So we feel like we're in a very good space coming out of New York ICSC, the retailers are still very bullish.

I'm not seeing any signs, any cracks, anybody pulling back. They're going through our rent roles, focused on stores for '26, '27, and '28.

So the visibility that we have as an organization on our renewals and new leases would suggest that we should be able, over a period of time, to continually improve that stat.

John Caulfield^ And as we look at the contribution to NOI, you're right, it has increased. We're at 100 basis points as a percentage of NOI, our kind of components, long-term guidance, let's say \$100 million to \$120 million.

But I think that's because of where we are right now. I mean I think this could get to 120 to 140 over, I would say we've been taking up about 10 basis points a year. I think that's a reasonable take.

But right now our -- Will says it's 100 to 120 and we'll go up from there as we get there.

Caitlin Burrows^ Got it.

Okay.

Then it sounds like maybe we could ask a follow-up.

So I guess just as a follow-up, as we think about the 2026 outlook. I guess are there any pieces that you could point out that could still create upside to your midpoint or even high end of guidance, maybe what you're assuming for timing of acquisitions?

Or is there anything else like I know sooner economic occupancy can make a big difference for some companies. I'm not sure how meaningful it is for you guys?

Jeffrey Edison^ Well let me -- I'll take the first crack and then John or Bob jump in as well. I think one area is that in the assumptions in those base models that we are not going back to the market, to raise any additional equity based upon where pricing is today.

That is -- we're managing our balance sheet on an acquisition side based upon that assumption.

Phillips Edison and Co., Inc.

PECO Business Update

So that would be one area where we think there is some upside under certain scenarios.

We're obviously not going to go there with where we are today but it is something that we see as an opportunity, certainly on a longer-term basis to accelerate our acquisition pace and to make sure that we're match funding both the debt and the equity to make sure that our balance sheet stays pristine as it is today. John, any other pieces there that you think may be additional upside opportunity?

John Caulfield^ I think Caitlin, to your point, if I compare the midpoint to the high end, that's really -- I would say you can get there by getting from the midpoint to the higher end of the NOI guidance which would -- the biggest impact is likely going to be economic commencements earlier.

I would also say continued strength or even better strength in new leasing spreads. I would say that capital markets favorability from an interest perspective could be beneficial.

I know that there are projections of varying degrees out there as improvements or detriments for '26, and we've kind of got a nice base case in there.

But it's really only \$0.03 from the middle to the high.

And so just a few pieces there can help us achieve. I would highlight that we did update our 2025 guidance, and I think we are pushing on the -- when you compare where we were originally to where we're projecting now - we have seen a nice increase mostly through the strength in the portfolio.

Kimberly Green^ Our next question, I'm going to read from our webcast. Again, as a reminder for those on the webcast, you can just type in your question, and we'll try to get through as many as possible.

So the question comes from Mike Mueller with JPMorgan.

Can you speak to the average size and dollar cost of everyday retail centers? Is everyday retail a pivot that's being driven by traditional grocery income centers having lower cap rates today that make the math harder to work?

Or are we just seeing a lot more growth in the everyday retail acquisitions?

Jeffrey Edison^ Mike, it's a great question, and one that we're actually really excited about the opportunities that we think that -- where this is sort of a natural extension of our core business to

Phillips Edison and Co., Inc.

PECO Business Update

find additional ways to grow and so we're really excited about it. Bob, you want to kind of walk through sort of our thinking on it and where we are excited about taking it.

Robert Myers^ Yes, absolutely.

So thanks for the question.

We are very excited about this. Now so far, we've acquired around nine assets for \$180 million. Average size currently is usually between 40,000 and 50,000 square feet.

Our average cap rate on these assets have been right around 6.9%.

We are solving for a 10% unlevered return.

We are seeing high-quality demographics that are accretive to our overall portfolio.

So we're very focused on our core markets.

We want to be close to the number one, number two grocer.

We're looking for growth pockets, and we're seeing a lot of success in it. When I look at our results, and it is early days, and it is a small portion of our business today but I will say that this is something we're excited about over the next several years, and I think we can grow this business to somewhere between \$700 million and \$1 billion over the next four to five years.

With that being said, early indications are already showing us that we're seeing new leasing spreads at the 45%, 46% range and renewal spreads at 30%.

So we're capitalizing on the opportunity here to buy assets at that 6.8%, 6.9%, \$305 a foot that we can grow and we can put our PECO machine on it and create value for our shareholders.

Jeffrey Edison^ Yes. Like we're -- I'm glad you asked the question because as you can see, it's something we're excited about. I want to make sure that as we talk about it, we keep its scale in line.

I mean our core business is a grocery-anchored shopping center business. This is something that we think we can add some additional growth to the portfolio through but I don't want it to be mistaken in any way that this is a new core business for us.

This is something that we think we can add on and add additional growth through our acquisition process of this product.

Phillips Edison and Co., Inc.

PECO Business Update

But we're still -- our core business is the grocery-anchored shopping center business.

Kimberly Green^ Our next question comes from Tayo Okusanya with Deutsche Bank. Tayo, you can unmute your line.

Omotayo Okusanya^ Can you hear me now?

Kimberly Green^ We can hear you now. Thank you.

Omotayo Okusanya^ Perfect. Yes. Thank you so much for the presentation. Curious at this point based on whether feedback from ICSC New York or other conversations you're having with the retailers, like what's the view today just around the potential impact of tariffs.

I think at one point, there was a view of which are going to ease up at the very, very beginning of this whole thing getting implemented.

But now if their margins are thinner and then they kind of not decide to maybe try to pass it on to consumers.

Is that really happening at this point?

Is that changing?

How are they thinking about their business and their margins or are they much more focused on maybe even potentially tariffs going away through a decision by the Supreme Court?

Jeffrey Edison^ Yes. It's a great question, Tayo.

We -- and I appreciate and if you step back to April, May of this year and you think about where we were on tariffs and where we -- the sort of the whole consciousness of like where is this going and the uncertainty -- what I think is happening is we -- the retailers like they always do, they've adapted.

And they're the best -- their business is all about supply chain.

That's what they've done. They've adapted to the environment they're in.

Some of them have been -- it's hurt some of them more than others.

But at its core, we're kind of through, I think the dramatic impact, and you're going to see small you're to see impacts in specific -- with specific retailers with specific product but they have

Phillips Edison and Co., Inc.

PECO Business Update

moved ahead.

So it could be that we'll see impact into '26.

But I mean I'm thinking is that we've had the major hit, and now we're going to be working at the margin. And as we said when this first happened, we were very fortunate to be in the necessity base side of the business.

When we looked at where the impact was going to be, it was 85% of our neighbors were going to be in that low end of impact.

So we were very fortunate in that, but I think we're also fortunate that the impact was not more sizable to the more discretionary side of the business and it appears not to have been.

Kimberly Green^ Thanks Tayo. Our next question comes from the line of Todd Thomas with KeyBanc, Todd, you can unmute your line.

Todd Thomas^ Can you hear me okay?

Kimberly Green^ We can.

Todd Thomas^ All right. Great. I guess first question just around acquisitions. Jeff, Bob, you talked about the growing pipeline. Curious how much of the \$400 million to \$500 million of acquisitions, you would say that you have line of sight into today?

And any insight on the breakout that we should anticipate between on balance sheet and investment management deals that you might anticipate?

Just trying to get a sense of sort of the fees and initial returns on that \$400 million to \$500 million of PECO shares since it seems like the returns are a little bit higher on the joint venture deals.

Jeffrey Edison^ Todd, thanks for the question. The 400 to 500 that we're talking about is at our share.

So that has in it what we anticipate doing on the investment management side for our share of the investment.

And I think the good that we have a similar pipeline going into next year that we had this year.

So I think in that environment, we feel good about the guidance that we've given on acquisition pace.

Phillips Edison and Co., Inc.

PECO Business Update

And there's nothing that we see that is a big contraction in terms of number of products, as Bob pointed out earlier, I mean we're seeing a strong flow of product for sale in our space.

And so we feel good about going into next year that we've given a guidance that gives us a range, but I think we feel really good about being able to get there. Bob, any other things you want to add in there?

Robert Myers^ The only thing I would add would be, right now we've closed on right around \$395 million at PECO's share.

So we either finish the year around \$395 million or \$425 million.

We're still negotiating and retrading a particular deal that may or may not close, to Jeff's point, We have somewhere between \$150 million and \$200 million that we've been awarded or under contract to close either by the end of the first quarter or early second quarter.

So we're in a very good spot.

Todd Thomas^ Okay. That's helpful.

Then second question for John. I wanted to go back to the interest expense assumption that's underlying guidance, \$117 million to \$127 million. It looks like you're running at about \$115 million-ish on an annualized basis from the third quarter, interest expense amount.

And you had \$275 million of notional swaps burn off in November and December, an incremental \$200 million of swaps expire in September of next year.

You mentioned some potential new debt capital would be reasonable to assume is layered into the year to help fund acquisitions.

Can you just provide a little bit more detail around some of the interest expense assumptions?

John Caulfield^ Happy to.

So a couple of things.

So I knew that there is likely going to be a swap question, Haendel missed his window, but I'm glad you helped him out here.

So when we look at the swaps that have expired, we're okay.

Phillips Edison and Co., Inc.

PECO Business Update

So I think we have one that will expire here in a couple of weeks. At that point, we'll be approximately 84%.

We have a long-term target of being 90% fixed.

But we -- and we also want to be a long-term issuer in the unsecured bond market, and our plan is to issue debt into that market on an extended basis, and that will help manage us to the number that we're talking about.

I will tell you that we also disclosed that we've sold approximately \$106 million of assets as we're sitting here today.

So we're actually running without any debt on the line.

And while we have provided the gross acquisitions guidance in the prepared remarks, we did also talk to about \$100 million to \$200 million of dispositions next year, I spent time kind of describing our perspective on recycling.

So all the assets that we're selling, the recycling is truly -- we're going to be putting those right into acquisitions. and managing the dilution that I think the market would have concern about.

So when you take those factors in there, the \$100 million that we've got in term loans next year, we'll likely repay that or put that on the line through a debt issuance.

We want to be opportunistic as we look at our interest costs and our debt issuance. Not timing the market necessarily, but are looking for good windows to do that.

So when we are thinking about it from a debt issuance perspective, we have \$1 billion line with meaningful liquidity there, that the acquisitions that Bob talked about will be added to the line, give us an opportunity so that we can use those proceeds to start refining 2027.

I think as we look at it, we'll flow to the 84% until that next issuance comes later.

But I think perhaps the delta you're looking at would be some of the \$100 million to \$200 million of disposition that would be temporarily housed to then fund additional acquisitions.

Todd Thomas^ Okay. That's helpful. The interest expense headwinds that you referenced in your commentary, though, is that primarily due to the swap expirations?

John Caulfield^ I would say yes. I mean when we are running the math, it's small, not enough that when I think about our guidance that it's there.

Phillips Edison and Co., Inc.

PECO Business Update

But ultimately, our weighted average interest around 4.4%. And as I told you, my incremental borrowing cost on a long-term basis is a little above 5%.

So it's not a lot, but ultimately, we're excited about being able to deploy that into these assets and acquire. The other piece I meant to mention is as we think about it, Bob had talked about line of sight on the acquisitions.

I would think similarly that more or less as we look at it, we know the volume and the timing.

I would think that from there, from a modeling perspective, you could sort of kind of linearly assume that throughout the year, but the timing and also timing early or late could be beneficial from an earnings perspective.

Kimberly Green^ Thank you Todd. Our next question comes from Michael Griffin with Evercore. Griff, you can unmute your line.

Michael Griffin^ Great, thanks for having me and I appreciate the business update presentation. I know a lot of this conversation was spent on sort of growth opportunities and the year ahead. And maybe as you look at the portfolio, I'm just curious because obviously the grocer anchor is a big part of the value proposition, but it seems like that is the lower growth part of the center and you make your money on the in-line shops.

So just curious if you've thought about or if there's the potential to monetize maybe the grocer portion of the center still have it as almost a shadow anchor and then try to redeploy those proceeds into some more of these everyday retail centers that you guys were talking about?

Jeffrey Edison^ Griff, good -- it's a great question.

It is certainly something that is sort of top of mind for us in terms of where is our best cost of capital and what are the vehicles that will allow us to create more growth in the cash flow of the company.

So if you think about how we dissect our centers, the grocer is that I mean it kind of has a halo impact on the entire center because it brings in that 1.7 visits a week that our customers that trade area do.

That helps all of our small stores.

Then the merchandising of our small stores and the attraction they have does the exact same thing for the grocer.

So they're both sort of having a halo effect on each other. That's how we can drive rents.

Phillips Edison and Co., Inc.

PECO Business Update

We could drive rents by driving sales of our small stores.

We -- as you point out, our grocers are flat.

I mean they're going to be relatively flat for and controlled for a long period of time which on the one hand, is flat, and that's not great for growth, but it's also a very dependable strong amount of cash flow.

It's in the high 20s for us today in terms of what we're getting from our grocer.

So I think if you -- what we're -- what we don't want to do is get away from the -- in our core business from the halo effect that we have from the grocer and that's where your comments about could you peel off the small store space could be attractive to us in the right setting because what you're doing there is you're taking that growth -- the highest growth part of it.

And if you kind of did that with the centers that we own today that are anchored where the anchor owns the space, so they're shadow-anchored or sort of halo centers as we look at them, if you take that, that growth would be about 6% same-store NOI growth. versus 4%.

This is over the last three years for the entire PECO portfolio.

So there is additional upside in that as you point out.

So certainly something that we are in conversation. It's a very complicated transaction.

It's unlikely to happen unless it's directly with the grocer because of the complications of it, but something that we see as an enticing potential source of capital that we could get very efficiently.

Michael Griffin^ Thanks, Jeff. Appreciate the color there.

Then maybe I think you mentioned sort of tenant credit. The watch list hasn't really changed at all.

But if you think about maybe industries or categories you're keeping an eye on.

Does the QSR segment start popping up at all?

I know I think it's about 20% of the ABR, but you felt like we were hearing some stuff, whether it's around food inflation or customers may be trading down eating at home as opposed to going out.

Phillips Edison and Co., Inc.

PECO Business Update

I mean is there anything in there that we should be worried about heading into '26?

And just how is your mind about that segment broadly?

Jeffrey Edison^ It's a great question and it is top of buying for us because they're a fairly solid piece of our overall portfolio.

Interestingly, if you look at -- and is this a generic term that the ICSC use for their fast food which is a QSR kind of substitute. The last 12 months, the average per square foot sales of \$774, that was \$763 million in '24, and that's as of October -- at the end of October.

So you you're not seeing sales change.

That's where I think people are most concerned is that they're going to get to that point. Are you going to see some of these guys in trouble?

Yes, because they're -- that is just the nature of the business. They don't -- and it's more of an operating issue than it is.

People leave -- not going to in QSR.

So we continue to watch it. Bob, I don't know if you have anything in addition.

Obviously the ICSC, you said it was really strong from the QSR as well.

Robert Myers^ Yes. I think it's a great question.

You're right. There is a little bit of noise out there.

But that being said, the demand in that category is through the roof.

So if we do lose a QSR, we have two waiting that want the space.

You'll typically find in a great QSR. The locations are great.

So I think we're in a very good spot in terms of not seeing any cracks in particular, regarding anything around our merchandising or the retailers.

We will continue to focus on QSRs and health and beauty services, Med tail, 70% of our rents are necessity-based.

Phillips Edison and Co., Inc.

PECO Business Update

So what we take a lot of pride in is just really working the merchandising at every property.

We continue to see a lot of success and it shows through our occupancy and our spreads.

Kimberly Green^ Thanks Griff. Our next question comes from the line of Ron Kamdem with Morgan Stanley. Ron, you can unmute your line.

Ronald Kamdem^ Can you hear me now?

Kimberly Green^ We can, loud and clear.

Ronald Kamdem^ Okay. Great. Just two quick ones for me. The first one is just on the -- the presentation was really helpful. Maybe just on the 100 to 150 basis points occupancy upside you still think is in the in-line portfolio.

Maybe can you just provide a little bit more color on how you get there. Is that sort of a two- to three-year target?

How are you guys thinking about sort of getting that last bit of occupancy?

Jeffrey Edison^ Bob, do you want to take that?

Robert Myers^ Yes. Great question. We've been very focused on moving our in-line portfolio another 100 to 150 basis points.

So currently, we've been anywhere between 94.8% and 95%, and I think it's very realistic that we can get to 96%, 96.5%.

I do a lot of creative things with our leasing team in terms of incentives, bounty spaces, targeted spaces to really pick up the additional 100 to 150 basis points.

As an example, when I put that incentive in place two years ago, we leased about 35% of those spaces. Last year, we leased 65% of those spaces.

So I have a new list again.

I think if we can lease those spaces, we'll get that 100, 150. I think your comment about two to three years is right on the mark.

Ronald Kamdem^ Great. Helpful.

Then I think this is the first time -- just going back to the everyday retail. I think this is the first

Phillips Edison and Co., Inc.

PECO Business Update

time you sort of mentioned getting it to 10% of the portfolio and the \$700 million to \$1 billion target and so forth. I guess I'd love to hear just a little bit more about how these deals are sourced, what the competition sort of looks like and so forth. Thanks.

Jeffrey Edison^ I'll start and then Bob, you jump in. That number is over three years. We'd like to get to \$1 billion over three years. And as you know we are very disciplined in this process just like we are in all the rest of our processes.

We -- that is under the assumption that we will continue to see the kind of results that we have in that space.

So it is -- we're excited about it. We're committed to that, but we're also -- we're going to apply the same discipline to buy in those centers that we do to the rest of our portfolio. Bob, do you want to talk a little bit also?

Robert Myers^ Yes. Great question. What I'm really excited about is there's -- as an example, if there's 6,000 opportunities in our core grocery space that we're looking at every year, there's 50,000 everyday retail centers in our markets that we're interested in.

We're going to continue to see a lot of supply. Every week an investment committee, our team is reviewing anywhere between five and eight of these opportunities weekly.

So they exist. Where we have a competitive edge is we're a cash buyer. And a lot of times, I'm hopeful that our sophistication will allow us to find opportunities.

We could be very selective.

We can negotiate hard, we can fall in and out of contract which we've done which is why if you look at our portfolio of 9, we've averaged a 6.9% cap rate with unlevered returns around a 10.3%, 10.4%.

So again I think it's very real. We're going to take our time.

We're going to do it our way obviously but I'd love the incremental NOI growth that's going to give our portfolio. John and I, Jeff, all believe that we can drive somewhere between 4% and 5% same-center NOI growth out of these everyday retail centers.

That is a nice sweetener at 7% to 10% of our overall portfolio.

Ronald Kamdem^ Really helpful, thank you for the presentation

Phillips Edison and Co., Inc.

PECO Business Update

Kimberly Green^ Thanks Ron. Our next question comes from the line of Juan Sanabria, sorry Juan, with BMO, Juan, you can unmute your line.

Juan Sanabria^ Can you hear me?

Kimberly Green^ Loud and clear.

Juan Sanabria^ Just hoping to piggyback off of Ron's question there. I guess two parter.

One, how much is assumed within the core or normalized FFO guidance would come from acquisition accretion?

Then secondly, is there any sort of breakout you can provide in the \$400 million to \$500 million of acquisitions that are earmarked for '26 of what would be your traditional grocery anchor versus the new everyday retail and the shadow anchored that you talked about a little bit in the prepared remarks.

Jeffrey Edison^ Sure. Why don't we -- John, do you want to take the first part, and then we'll talk a little bit about sort of the makeup of the portfolio that we plan to buy.

John Caulfield^ Juan, in our presentation, we provide our kind of wheel of growth on NOI, and we also provide kind of a wheel of growth on FFO.

One of the things that I love about the resilience and the reliability of this business is we talk about more alpha and less beta and part of it is the consistency of how our growth fits that wheel. When I look at '25 and when I look to '26.

So in '26, specifically, the majority of our growth is coming from the same-store NOI pool and the lift that we received there.

We're also going to receive some FFO lift from the acquisitions that were made in 2025, both from just a timing factor, but also even growth that we're able to realize in these assets before they ever enter the pool. When we look to the contribution from current year acquisitions, that is I would say 75 basis points or less of any of that year and what we're modeling for '26 on a growth basis.

So I think when we talk about being able to deliver mid- to high single digits, it is the consistency of our growth that gives us the ability to say that and '26 is right there with it.

Jeffrey Edison^ And Bob, do you want to talk a little bit about how we're approaching the breakdown of the portfolio in terms of where we think this will come out. I just caveat were -- these are all assumptions.

Phillips Edison and Co., Inc.

PECO Business Update

We're going to go after this market hard, and we're going to take advantage of where we can find product.

We -- and I think our discipline is such that we'll give you some guidance of where we think it will happen.

But we want to make sure that it's clear. We're going to go where we can find opportunity.

So sorry, Bob, but I just want to make sure we're not -- this is not as much of a science in terms of breaking it down.

Robert Myers^ Yes.

We'll figure it out as we go.

But what I will say is most importantly, everybody knows that we're not a cap rate buyer. We're an unlevered return buyer and we've solved for 9, 9.5 and 10 across those categories.

At \$500 million potentially of next year, I think you should assume that 80% is going to be the core grocery piece and that could be shadow.

But again shadow is defined as the grocer owns the location, and I'm very comfortable with that.

So I think I would go 80-20.

If you really wanted to bifurcate it, my best guess would probably be 60% core grocery owned, 20% shadow and then 20% everyday retail. Best guess.

Juan Sanabria^ Understood.

Totally get it that these are variable or fluid numbers.

But -- and just the last question for me.

With the higher IRRs, excuse me, targeted for the everyday grocery. Just curious about the risk or the offset and getting that higher potential growth through the cycle and what that may mean in the downside in case we ever do kind of stumble into a recession.

So just curious about kind of how you think about the -- clearly articulated in the upside but maybe the downside risk over the long term.

Phillips Edison and Co., Inc.

PECO Business Update

Jeffrey Edison^ Yes. Bob, do you want to talk about where -- sort of how we've looked at it historically and experience we've had.

Robert Myers^ Yes, absolutely. I think the most important aspect of it is, I mean given no new supply and the demand has been very aggressive.

We've already moved the occupancy in a lot of the shopping centers of the nine that we've acquired by 500 to 800 basis points.

We acquired one center in Columbus, Ohio that we acquired at 84%, 85%. We're currently at 98%, eight months later.

So I don't see a slowdown in that.

What I'm really excited about is that we have a fully integrated operating platform, and we have our own national accounts team and our national accounts team is very focused on remerchandising these assets.

So we're looking for the inefficiencies which is why we're able to get to the 10% unlevered as an example, and buy closer to a 6.9% or 7%.

So we're already seeing that our focus is to take our national account team, remerchandise and find the quality of necessity-based goods and services.

That's where the inefficiency is. A lot of these opportunities are locally owned.

So we have the opportunity to bring in our institutional knowledge, our relationships and take that increase in national tenants and necessity-based goods and services.

We want to operate in the same way we operate our core grocery-anchored business.

If you look at our results through the great financial crisis, and Covid, we lost the lowest occupancy.

It was because of that strategy. We're going to implement the same strategy with everyday retail.

John Caulfield^ If I might add, I'll just -- I'll also say so -- he's the bullish one. I'm the conservative one. It's the chairs that we have.

So when I think about the question you asked, what we did is we looked at our portfolio of over 330 shopping centers.

Phillips Edison and Co., Inc.

PECO Business Update

And I said, okay. There must be aspects that could kind of look like this and my team looked at it.

They went back years, they went back through the pandemic and they said, "Okay. Well what happened?"

So just inherently, because you don't have that 30% from the grocer, there was more movement but ultimately, they recovered faster than the in-line spaces.

So what we found is that you might have more, but a little more volatility in the time but the resilience.

To Bob's point about the operating platform, our ability to understand the right uses for these centers, having the right local neighbors that are there.

And I will tell you, in the pandemic, those locals were actually better to work than some of the national, they opened faster because this is their livelihood and importance to it.

So I looked at it the data and it actually proved out that there is less volatility and less risk than I think you would otherwise perceive.

Obviously everything could be different in the future.

But there is resilience there.

It's the same reason we talk about the local neighbor in our grocery-anchored portfolio.

We think that really makes a lot of sense.

When you look at the kind of the capital position that you're giving to them, the economics make a lot of sense.

So it is something we see.

I also would add, I don't think I've said it yet, is I think the other piece is the complement of everyday retail in a predominantly grocery-anchored portfolio because 30% of our income is coming from the grocer that gives us the stability at a portfolio level to pursue these avenues of growth.

Kimberly Green^ Thanks Juan. Our next question comes from the line of Rich Hightower with Barclays. Rich, you unmute your line.

Phillips Edison and Co., Inc.

PECO Business Update

Richard Hightower^ Can you hear me?

Kimberly Green^ Yes.

Richard Hightower^ Okay. Great.

So I know that we've covered a lot of ground on the call so I really appreciate all the color. I guess two quick ones for me.

So a lot of the questioning has been around potential upside, let's say to fiscal '26 guidance.

So I'm actually curious what could drive you to the low end, whether it's timing, around deal volume, whether it's something in the bad debt line, what set of circumstances based on what we know today would lead you to the low end?

Then I've got one follow-up after that.

Jeffrey Edison^ John, you want to walk through that?

Because I mean I think most of it, these are -- they're the major things that would drive us down are more external things than they are with -- internally that we've got.

But do you want to go through that, John?

John Caulfield^ I spend my days on the conservative end and worrying. You should go back and look at pictures from years ago. This gray wasn't this silver, as I say it wasn't there. Look, to Jeff's point, the majority of '26 is already done. I mean like ultimately, there is -- it takes time to execute these deals to work on our redevelopment projects and things moving.

So the pieces that would move us to the lower end are going to be macro-related and much more steeper recession than would be expected a big push that would -- could increase bad debt in some way.

The other piece I would say would be in the capital markets given we are capital intensive, we don't need equity.

But to the question earlier, we do need debt.

So if there were a change from what is expected in a meaningful way.

Phillips Edison and Co., Inc.

PECO Business Update

Because again we're almost 90% fixed today.

So it wouldn't have that spot.

But if rates were to meaningfully shift in a negative way it could move us a little bit.

But again I think when you sensitize these things across the breadth of our portfolio, it's still quite managed, but that could be the difference between 50 basis points on NOI, it could be 50 basis points or so again in FFO.

Richard Hightower^ All right. That's great. Thanks for the color. I guess my second question is around G&A.

So if at the midpoint, you're growing 2% in '26-- as the portfolio gets bigger and bigger year after year, how do you expect G&A to sort of scale with that growing size of the company and what source of operating leverage should we sort of anticipate as we model the company out beyond '26?

Jeffrey Edison^ Well I'll start, John, and then you can kind of help us with the sort of how the numbers play out. I mean we have -- the stuff that we're talking about today is stuff that we invested in '24, even late '23, '24 and '25.

So one of the -- we are actively investing in our growth opportunities on a regular basis. Whether that be in specific acquisition areas where we want to have better expertise, whether it's on the AI side, we see that as something that is a key part to creating the growth environment that we have and that we want to continue to push.

So I think it's -- we think it's really important to know that we are -- it's not that we don't see a big jump this year.

But we -- but the stuff that we're talking about today is stuff we've been investing in consistently over the last three years.

And you're going to see us now starting to invest in other things where that will get us the growth on a longer-term basis.

I think it's an important part of sort of help -- having our investors understand how we're thinking about it.

The way we're thinking about it is we take specific parts of our G&A where we grow them.

Phillips Edison and Co., Inc.

PECO Business Update

Those are parts that are creating the long-term value and the long-term growth that we're planning.

John Caulfield^ I would just add two things real quick.

One is when we look at it in '25, '25 went up, I did have to raise the guide there.

But I would point out that we were able to increase that while also increasing our FFO numbers.

And that goes to the investment that we're making. The other piece is, and I think it depends upon your new source, but as many would say we're actually spending more on AI in '26 than what we're receiving that.

We do see the opportunity there.

But in order to get there, I'm spending a little bit.

But we have invested in technology, and I would argue we are among the most efficient of the REITs out there.

I think we do a really, really great job at this. If you're looking for a number, I would think as you look forward, I do think that there are scalability and efficiencies to be obtained from AI.

I just don't know that I'd write them in yet.

But for me, I would say inflationary inside. That's probably what I would say.

But ultimately, knowing that I'm going to be driving portfolio growth from an NOI and an acquisition standpoint at a greater pace than that.

Kimberly Green^ Thank you Rich. I'm going to follow up with some questions we received through the webcast.

So let's start with occupancy.

So this question, maybe for John. We mentioned that we don't need occupancy improvement to meet our earnings growth long term.

But could we provide a little color on any occupancy gain that's considered in guidance for 2026.

Phillips Edison and Co., Inc.

PECO Business Update

John Caulfield^ I do have -- we're always pushing our leasing team. And as Bob articulated earlier, we want their targets, but then at the same time I also have that piece.

So when I look at it, and you've heard me speak about this before in '24, we had more anchor activity than is usual for us.

So when we said 3% to 4% in '25, we had to go with a guide that was 3% to 3.5%.

I would say that in 2026, we have some of that's going to help us, but actually based on our internal math occupancy lift as a contribution to NOI is close to neutral.

So we are closer to that piece of the NOI wheel that says we're pushing this through rent spreads, embedded rent bumps, development and redevelopment. That is where our growth is coming from.

That said, we are looking for the occupancy games, and we're driving our operating team to do that. I would say that the 150 basis points is over the next two to three years.

But I think because of the timing it will be growth in the future.

Kimberly Green^ Thank you John. Next question, maybe just a little bit more color on Everyday Retail.

Can we speak to the neighbor profile for -- that we're seeing for everyday retail, maybe break out a little color on the mix of national retailers and local retailers and how we think about our neighbor health for everyday retail.

Jeffrey Edison^ Bob, do you want to take that?

Robert Myers^ Sure. Great question. Currently, out of the nine shopping centers that we've acquired in everyday retail, 53% of the rent roll comes from national and regional tenants and 47% comes from local. That's what I'm excited about because we find that there's a lot of local tenants that we can really push rents.

And again I mentioned in the conversation earlier, new leasing spreads certainly have been 46% renewal spreads at 30% and I'm excited and bullish about our national account team having the opportunity to continue to work the merchandising around necessity-based goods and services.

So the nice thing is we buy these assets say at \$305 a foot and then what we can do is just work the value and create the value for our shareholders over a long period of time generating that 4% to 5% same-center NOI growth.

Phillips Edison and Co., Inc.

PECO Business Update

So currently, that's the mix, 53:47, with a focus on improving not only necessity-based goods and services, but also more national and regional tenants will come along with that.

Jeffrey Edison^ Yes. The one thing I would add there is we do see incredible opportunity to remerchandise specific centers that we're buying in that space where we can -- we've got the experience.

We're locally smart because the old centers right near these centers, and we know what we can do with them when we buy them.

So we're bringing the machine, and we're just kind of extending its look so that we can actually bring that to bear on these new centers that we're buying. And as you can see from -- as Bob mentioned, I mean the results we're getting are really -- are very positive.

It is the PECO machine that creates this value.

Kimberly Green^ Great. Thank you.

We cannot end the day without a question on Swaps. John, if you could provide some color on any activity on swaps expiring in the fourth quarter and then also swaps expiring in 2026 and plans to address.

John Caulfield^ Happily.

So as we look to it, pro forma for the swaps that will expire here in December will be approximately 84% fixed.

As we look to our maturity profile, we have \$100 million that comes due next year.

Then we have some term loans that come due in '27.

So our plan at this time is to refinance those through the unsecured bond market which would bring our fixed ratio back higher towards our target of 90%.

So in the meantime we're comfortable floating.

We have -- we redid the revolver earlier this year and have very good relationships with our banks and flexibility.

So our plan is to allow those to float and then we will opportunistically access the market in 2026.

Phillips Edison and Co., Inc.

PECO Business Update

As we look at it, one of the things that we're very focused on is being opportunistic and not being in a position where we have to do anything.

So we are very focused on managing our maturity calendar, and making sure that we're managing our leverage and providing our team the growth and the capital that it needs to deliver on all of the operating plans that we've talked about here.

We feel really good about that as we look at '26.

Kimberly Green^ Thank you, John. All right. This concludes our Q&A session. Thank you, everyone, for your questions today. If you have additional questions, don't hesitate to reach out to us. With that, I'll turn it back over to Jeff for some closing comments.

Jeffrey Edison^ Thanks, Kim, and thanks everyone, for your questions and being on the call today. We're excited about the new initiatives as they create great opportunities for PECO.

It's important to note, though, that our focus remains our core grocery-anchored shopping center business, where we can deliver more alpha and less beta on a long-term basis. I'd like to take a moment to thank our PECO associates.

We have the best team in the shopping center space.

PECO's highly experienced and cycle-tested team has proven that we can drive value at the property level and deliver market-leading results. In summary, PECO is a growth company.

Our growth is fueled by both internal and external opportunities and is executed by one of the best teams in the business.

As we head into 2026, PECO is leading the way. Thank you for your time today. And have a great rest of your day.