Phillips Edison and Company

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Rich Hightower: I think out of respect for everyone's time, we'll try to get started on time here. But again, Rich Hightower with the Barclays REIT team. So, thank you for being here, everyone in the room and everyone online.

I'll do a quick round of intros, and then we'll get going on the questioning. But immediately to my right is Michael Bilerman, EVP, CFO, and CIO of Tanger. To his right, then we have Ross Cooper, President, CIO of Kimco. And then, finally, at the far end, John Caulfield, EVP and CFO of Phillips Edison & Company. So, I appreciate you gentlemen being here, of course.

But I think maybe just for the benefit of the folks in the room and listening in, if they're not quite familiar with your companies, just give us 60 seconds on who you are, what sort of differentiates you within the retail REIT sector, at large, and we'll go from there.

So, Michael, I'll start with you.

Michael Bilerman: Great. We're Tanger Inc., ticker SKT. We're obviously a retail REIT. About $6.5 billion, $7 billion of EV, $4.5 billion of equity market cap. We are an open-air REIT that's focused on the outlet channel, as well as open-air lifestyle centers. Thirty-eight outlets. Who's been to an outlet?

Rich Hightower: I've been to one.

Michael Bilerman: All right. Good. So, you know what outlet centers are and open-air lifestyle centers. We've been in business for over 40 years. We've been traded on the NYSE for over 30.

And just from a financial structure perspective, our current dividend of $1.25 represents about 60 – 6-0 – percent of our cash flow. The industry is about 75%. So, we're keeping more of our free cash flow to invest. And then, from a leverage perspective, we're currently at 4.7x debt to EBITDA relative to a 5x to 7x target. So, we not only have additional free cash flow to drive our growth, but we have a balance sheet positioned for growth.

Ross Cooper: Sounds good. Hi, everybody. Ross Cooper, President and Chief Investment Officer at Kimco. I've been at the company now over 20 years. We own currently about 564 shopping centers, at 100 million square feet gross. Diversified geographically throughout

the country, but primarily in the top 20 or so major MSAs. We own all types of format of open-air retail, but primarily grocery-anchored and mixed-use shopping centers.

We've been in existence since the late 1950s, public since 1991. And current enterprise value is, plus or minus, $24 billion.

So, we continue to look for opportunities to grow the portfolio, grow the earnings stream. We've seen a tremendous amount of success operationally, which we'll get into in the panel, and I won't steal too much of the thunder of the conversation, but excited to be here.

John Caulfield: And my name is John Caulfield. I'm the Chief Financial Officer for Phillips Edison & Company. I've been at PECO for about 12 years. I think we are sort of the new kid on the block relative to this. We've been publicly traded for five, but we have been around for 35 years.

We focus exclusively on grocery-anchored shopping centers. So, for us, we own about 330 of them in 31 states. We focus on the three-mile trade ring in the neighborhood, where that grocery – we have the number one or number two grocer, and then we have inline neighbors, which is what we call our tenants. And we're ultimately that place in the community that people go to two and three times a week.

In terms of overall growth profile, we also have a very low leverage, right around 5x on a debt-to-EBITDA basis, with a low- to mid-5x target. We look to grow our internal cash flow 3% to 4% a year. We also call that same-center NOI growth. But ultimately, we're looking to grow our earnings per share at a mid- to high-single-digit FFO per share annually, combined with a 3% to 3.5% dividend, which we think will deliver 9% to 10% annual return to our investors.

And I think it's a great representation of different styles of open-air retail, Rich.

Rich Hightower: I'll jump off from there, and we'll get to the earnings and total return algorithms. We'll dive more into that later as well.

But broadly speaking, I mean, I think as I look around the different REIT sectors, retail – both within the grocery-anchored, more sort of necessity-based, and even within the more discretionary categories – it's got one of the best supply-versus-demand fundamental setups, I think, out of – I mean, senior housing is probably the other one that immediately comes to mind, and I'm sure we can name others, but retail is very favorably positioned.

So, John, I'll start with you and we'll kind of come back this way. Talk about what that fundamental backdrop looks like for PECO, and explain how that flows through into leasing and occupancy and kind of what's the opportunity from here as being driven by that fundamental backdrop.

John Caulfield: So, occupancy of retail is very high in this environment, and part of it is because new construction is very expensive. It does have the opportunity to happen. There are places we spend our development dollars on building out parcels in our parking lots, trying to buy adjacent land. But ultimately, overall retail is hot.

But that allows us to have pricing power. Ultimately, we're seeing – this is, I believe, the third or fourth year in a row where our renewal spreads are over 20%. So, as rents are coming up – and on renewals, that's so important because we put in very little capital dollars for that. So, retail real estate, particularly those owned by the REITs, is the best in

the market. I mean, I haven't seen the stat – Michael, you might know this, or Ross – it's some fraction that the REITs actually own, and generally the REITs own the best.

And so, for us, we're focused on that three-mile trade ring, and we have 83% of our centers have the number one or number two grocer in the market. And ultimately, that brings the foot traffic that allows the retailers to be successful.

And high occupancy gives us the ability to further push rents, which improves the merchandising RICs (ph), ultimately improves their sales, allows us to push rents more, and it kind of goes from there.

So, I think that it is a very positive environment, and I think that sometimes there's a concern of, well, maybe all the growth is gone. And I would say, absolutely not. We continue to generate. And that's why I think about the percentage that the REITs own. We have a lot of transaction volume. We buy a lot of centers. We're going to buy between $500 million and $600 million of assets this year, but we're also selling $100 million to $200 million of assets this year, and that gives us opportunity to refresh what our teams are working on.

We do all of our own leasing and all of our own property management, all of our own portfolio management, and we're able to drive rents because we're in the market. And that's what we specialize in.

Rich Hightower: Ross, keep us going on the fundamentals side.

Ross Cooper: Just adding on to that, I think you articulated it, but I completely agree. I mean, it's very difficult to see that the supply-demand dynamics, which are very much in our favor as landlords, is going to change anytime soon. We ran some studies and some others' research have reported that we would need to see anywhere from 50%, upwards of 65%, in terms of market rent increases on retail rents in order for a developer to justify any substantial amount of new development.

When you think about construction costs, borrowing costs, and all the challenges of difficulty of building new retail, owning high-quality infill real estate where the consumer lives is a very good value proposition, and that's really what we've leaned into in terms of density markets and where we're focusing our efforts.

In terms of the growth trajectory, particularly for Kimco, we see tremendous opportunity both in terms of internal growth as well as external growth in the sense of recycling capital. So, from an internal standpoint and an organic standpoint, we're seeing occupancy levels that are approaching all-time highs, but we still have about 110 basis points to achieve our all-time anchor occupancy.

And so, we still see some room to grow. And while we've reached small shop all-time highs from an occupancy standpoint – just around 92.9% – given the quality of the portfolio and the lack of new supply, we believe that there still continues to be room to run.

And to John's point in terms of growth, from a market rent standpoint there is significant spread between where our leases are currently paying rent and where the market is. The challenge and our job is to get to that and how do we get to there quicker to create that upside. Because when you think about it, currently today, the retention rates for retailers are also at all-time highs. So, tenants that are coming due on their lease are staying in place over 90% of the time. Historically, that was somewhere in the mid- to upper-70%'s.

So, you're seeing fewer – limited churn, less CapEx going into replacing these tenants, and therefore, your ability to really enhance the bottom line.

And then you couple that with some capital recycling. And what I mean by that is, within our portfolio at Kimco, we have upwards of 10% of our annual base rents that are coming from long-term flat leases. Think about a Costco or a Home Depot or a Walmart, really the best credit tenants in our business. But the challenge with those leases is that they have control for an extended period of time, and the growth in those contractual rents is fairly limited.

So, we've taken the opportunity in a market where there's been dislocation between the private market pricing and the public market pricing, selling and disposing of those assets and reinvesting them in multi-tenant shopping centers that have a higher growth profile in addition to a higher going-in yield. So, that really enhances the trajectory of the growth profile for the company.

The other initiative that we've taken at Kimco, as we've evaluated our real estate over the last decade or so, it became very clear to us that we have a significant amount of property that's underutilized; single-story shopping centers with a massive parking field that's non-income-producing as it relates to that parking field. And we've, in certain select cases, been able to densify with multifamily and other uses.

And so, we're starting to really crystallize the value and monetize some of those entitlements and multifamily projects that we've built. We sold two large multifamily projects just this year, one at a 4.9% cap and the other at a 5.1% cap. And then again we can reinvest those at a higher going-in yield but, more importantly, at a 300-plus basis point spread on the growth profile.

So, that also is enhancing our growth profile, and we think there's a long runway to continue to execute on that strategy.

Rich Hightower: Keep going.

Michael Bilerman: So, I think building off of what John and Ross were talking about, the whole demand-supply environment for retail real estate, irrespective of the type – I mean, you had a whole big article today about the enclosed mall business and that coming back – really is driven by the fact that we haven't had supply for almost 20 years.

And we go back to – we're at a financial services conference. So, if I say "GFC," everyone knows what I'm talking about. You go back to that point, retail supply was 1.5% of stock, which meant every year the market was adding 1.5%. You went in the GFC, it plummeted to 20, 30 basis points, and it has remained at those levels for almost 20 years. We had that COVID thing. We had coming out of all these elements. And so, we just didn't build enough of it.

And so, I think, Ross, to your point, rents would have to rise so dramatically to make development work. That makes the existing amount of real estate that much more valuable, whether it's in grocery-anchored, three- to five-mile rings, or in the large-format neighborhood community centers that Kimco owns, but also for outlets and open-air lifestyle centers that we own.

And what we're finding today is bricks-and-mortar retail is such a key component of a retailer and brand's omni-channel strategy. They need to have that bricks-and-mortar retail. How many people have ordered stuff online and returned 30% of it? Exactly. So,

all of that has to go somewhere. And increasingly, what you're finding is the cost to return is now you have a cost. It's no longer free. And so, where are you going to bring it? You're going to bring it to your store. If you don't have that store in your local market, that brand does not have value.

And so, in the outlet world, we are a utility for the brands and retailers. And it turns out, you've called it discretionary. Yes, they're discretionary items, but our brands and retailers need somewhere to clear all of their excess inventory. They need somewhere to make their made-for-outlet product, which they earn a significant amount on that branding. And they need to bring that newness into that customer. And all being operated in an open-air environment, which, from a cost perspective, benefits us all because it's cheaper. When you think about being in an enclosed structure like this, a lot of air condition, a lot of roof, all these things that you've got to maintain. Well, in an open-air format, we benefit from having these single-story buildings that sit on large plots of land that provide each of us the opportunity to densify, whether that's building out lots or building other things.

The demand I would say right now for retail is very strong, because there's not a lot of supply and the retailers need their places to grow. And so, all this tying back to our growth algorithm, we really focus on the internal growth. Our rents today are at 9.7% of a tenant's sales. And I think a little bit different than the centers that Ross and John own and operate, we get tenant sales for the vast majority of our tenants. We don't give them options. And so, we feel today our rents relative to their sales are below, but the big part is we continue to focus on re-merchandising our centers, reducing the amount of lower-productive tenants to bring in higher-productive ones that can pay us additional rent.

In our portfolio at 16 million square feet, 3,000 stores, our average size is only 5,000 square feet, which is pretty small from a tenancy perspective. We're not dealing with big boxes to re-tenant and household names from all the brands and retailers that you and your others like to shop.

Rich Hightower: There's a lot of potential follow-ons in in what each of you just said. But one thing I think really, for myself, but also I think the benefit of the people in the room, the news flow around different retailers, in many cases, headlines can be negative. We can name who those are. But at root, when we compare it to your leasing stats that you put up every quarter, record occupancy, as you said; double-digit leasing spreads on a blended basis, as you said. Explain the delta there between perception and reality and the fact – I mean, you brought this up in a meeting. Dick's Sporting Goods had a terrible quarter for an isolated reason, but they're leasing tons of space, and they're doing it very aggressively. So, help us understand what that's – whether it's Michael's tenant base, at one end of the spectrum, or John's at the other end and Ross somewhere in between. Help us understand that.

Ross Cooper: Don't believe everything that you read. But the reality is that we've seen a really strong demand within retail for quite some time. And even in the depths of going back to the financial crisis, the pandemic, I mean, we have not seen occupancy go below 92%. Some of that has to do with the fact that we have long-term credit leases. You think about our business, everyday goods and services and necessities. People need a place to go, eat, shop, dine, be around other people, as we saw in the pandemic how critical it was to be essential. People are social creatures by nature.

And so, I think that when you think about the most profitable transaction for a retailer, as Michael was articulating, it's in the store. With returns now much more difficult in terms of timing and cost, the retailer wants to get you to that store to shop. And if you're buying

in the store, chances are you're going to return less. You have a much better margin on that product when you're acquiring it. And most likely, you're going to buy something maybe impulsively or otherwise. You see something that you may not have realized that you needed, and you're going to go, and you're going to spend, and you're going to buy.

We at Kimco have upwards of 87% of our assets that have that grocery component. So, when you think about traffic, foot traffic at the shopping center, it's up over 3% year over year. So, you continue to see a very healthy consumer in our demographic, in our shopping center. There's no doubt that there are certain segments of the population that are having a more difficult time in this economy. The Kimco everyday goods and services in the upper-middle income demographic is still seeing a tremendous amount of success from a traffic standpoint, from a tenancy standpoint, from an occupancy and a leasing demand and velocity standpoint.

You mentioned Dick's, and I think the example there is that they had a very challenging situation a couple weeks ago, where they came out with earnings and due to the Foot Locker acquisition and some other supply challenges, they had a very tough day in the market from a trading standpoint. But when you're talking to them about their portfolio, their desire to expand, nothing has slowed down. There's a tremendous desire to continue to grow House of Sports, their field concept, other prototypes that they have, and that's just one example of many.

So, we have seen no slowdown in the velocity of our retailers looking to continue to grow their store network, and we'll continue to lean into that pretty aggressively.

John Caulfield: Our focus, about 74% of our rent comes from necessity-based goods and services, people coming every day. To what Ross was saying, just under 30%, a little under 30% of our rent comes from the grocery stores. And Kroger had a weaker print as well as some of the other retailers.

The sophistication and the adaptability of these retailers cannot be understated. And ultimately, talking about health ratios, I will say we're actually very similar. If you look at our in-line, we're right around 10% on a health ratio, which is really their ability to pay. So, sales to their occupancy cost to their sales. The grocers though are 2.4%, because ultimately they have much thinner margins.

But when you think about what these grocery stores have done, Walmart was not in the business of grocery. Then you had online and the expansion, and now you have – Whole Foods came around. This was before Amazon. Now you have Simple Truth. That was it. The Kroger brand is having incredible growth. The adaptation of these retailers is not to be understated.

I think it's interesting, we talked a few years ago, everyone was going, "Oh, my gosh, there's so much going on. Why are these retailers continuing to expand?" It's because there is no other place for them to go. Talking about foot traffic, they know the locations in the market where they want to be, and if there is a rare occupancy available they need to act then, because their opportunity to get to that space is a decade-plus, if not more than that, away. So, they're going to move, and they're looking at it going, "We can be in a small portion of the cycle or a bigger." They're going to go.

I think that it's interesting, quick service restaurants. I continue to say Americans are going to eat out. We've looked at it, and since 2000, QSR has always grown. In the GFC, income, it'll go down some, it's always positive. And so, when you think about the coffee concepts and all the variety of things – the new bakeries that are coming – ultimately, the

consumer is resilient. The consumer is going to continue to spend, and we all have to eat. And that's where we play.

Michael Bilerman: I think delineating, because you talked about perception versus reality. And where I think that breaks down is the fact that retailers, branded merchandise gets a lot more air play than its size of the stock market. Because we all understand it. I'd like to say a lot of REITs have household names, but – Tanger does. I think we do. But a lot don't, right? You have Equity Residential and AvalonBay, the two largest multifamily landlords that got together to become Vivmark. No one knows those names. Public Storage, the largest self-storage landlord. All you know is orange.

So, these retailers have brand names, and they're companies just like every other. So, they're going to have hits, misses, whether it's in their capital allocation, whether it's in their fashion, and they tend to get blown out of proportion. In retail, because all of us service two customers, it is the most unique asset class. You think about real estate. We're here at a hotel. It's a one-to-one relationship. In retail, you have two customers: the retailers that pay us rent – and we're 96% fixed rent; we're not volatile like a retailer. We don't get to miss a season. We actually don't sell anything. We sell our loyalty program, but put that aside. We don't sell a product.

And so, that whole ability to the retailers that pay us rent, but then the customers who show up and shop with us every day, and the environment that they want to shop in. And our job is to bring as much of that newness to what is in our centers, whether they're drawing from a three- to five-mile ring in John's portfolio, coming two to three times a week, or coming to our assets which draw from a 30-, 40-, 50-mile ring. Everyone's going to go to Dollywood, I hope, to celebrate Dolly Parton, and you'll go to our asset in Sevierville. It's one of the top outlets that we have, and I couldn't pronounce Sevierville when I first got to Tanger four years ago. But the Smoky Mountains are great.

And so, those retailers, I think that's part of the reason why you see that disconnect.

I think the other aspect really comes down to quality. And John, you, mentioned this. The REITs generally own the better-quality centers in the better-quality markets. So, if you're a retailer on the other side – we're all transparent. We all talked about our balance sheet strength and reinvesting capital to our assets. A retailer's doing their business in our centers. You guys can be in any office building that you want. But the retailer cares about those four walls, who their co-tenants are, what are we doing. And I think that's why the retail REITs are seeing a disproportionate amount of that.

And then the last thing I'll end on is credit. To your point, there have been some hits and misses in retail. But at the end of the day, where we have to be concerned is at what point does it break, that bankruptcy or balance sheet becomes a risk? And thankfully, I would say our watch list we've mentioned on our 2Q call is at the lowest level that it's been in years now. Part of that is we've seen some bankruptcies take base, take hold, but there's not this newness where from a credit perspective we're worried about the tenant not paying their rent.

Rich Hightower: Again, more we could dive into. I'll pause for any questions from the audience, if I can (inaudible) to see hands, if any.

Michael Bilerman: Don't be shy.

Rich Hightower: We can keep rocking and rolling, otherwise.

Ross Cooper: Well, maybe I might redirect.

Rich Hightower: Okay. Sure.

John Caulfield: I actually think we would be remiss if we didn't highlight, I think retail real estate is very unique because we have everyday opportunities to see how there are private values of our portfolios and public values of our portfolios, and I think that is where the opportunity for you all lies in all of our stocks.

So, there are transactions going on every day. So, our investment committee is going on right now, and we are looking at 10 to 12 assets, a couple of hundred million dollars of value every week. And we can see that major institutions, many of whom even you work for, are buying directly into private real estate, and the public real estate is at a discount because of some of these headline opportunities. And I think that helps us reconcile the headline to the ground level. Because in our space – and Ross can certainly speak to this – like, we're going to buy so much this year, but that's why we know that there is a great opportunity in our equity for incremental ownership.

And that also just shows that, one is right, one is wrong, but ultimately there is growth there, in addition to the growth that we see from an earnings perspective. And I think that's it. And we also recycle. So, we're selling and we're buying ultimately very similar on the return spreads, and there is a very strong market for it right now. So, we're not seeing anything, cracks or anything, from the consumer from a fundamental perspective. In addition, there's a strong bid from the private markets that we are participating in as well.

And so, I think that there really is a great opportunity right now for investment.

Rich Hightower: It's a good segue into capital allocation. So, we'll just – why don't we just keep going down that line? But tell us what you're seeing in the marketplace cap rate-wise, quality-wise, depth of the market, depth of the bidding, who's in the bidding center, so to speak. Interest rates are going up. So, that may complicate things a little bit. Why don't we just go down the line and just tell us what you're focused on and where the biggest opportunities are.

John Caulfield: So, we have strong internal growth and external growth. We are very large. We buy individual assets. Our average asset size is somewhere between $25 million and $35 million apiece. So, we are looking across the country in a variety of markets.

When I think about capital allocation for us, after our dividend – we also have a low payout ratio – we retained almost $120 million that we're reinvesting, and our first choice would be some of our development opportunities because we're building out parcels. And when we talk about the difficulty of building, I already own the land. Getting through the consent process and all that, we have teams that work on that. But those are good. We get 9% to 12% cash-on-cash returns in that business. So, that would be – we would love to do more of that, but also it's a relatively small footprint.

We are also an active acquirer. And ultimately, what that does is that keeps us in touch with the market, allows us the opportunities to know so that we can both sell and buy in the market. And we buy every asset to a 9% unlevered return, and that, we think, is great. We get good going-in yields. We have a team that can generate that growth, and that is ultimately what is going to continue to propel that internal growth as we move along.

And obviously, it always depends, because at a certain point it could be equity issuance, it could be equity buyback.

You mentioned interest rates. I actually think that's an opportunity for us. So, interest rates are – I'm not sure, I'm guessing we were going to hit 5% today. I hope we didn't.

Rich Hightower: I think we touched it briefly.

John Caulfield: I'm sure. Ultimately, in our space, a lot of times, like, who's buying? You have the institutions, but you also have the individual. Maybe in the larger scale you could have private equity. But in the smaller scale, the developers, it hurts them. That's an opportunity for us because we can all close all cash. That levered buyer is now in a worse position. So, I think there is an opportunity for us to buy accretively there.

But maintaining strong balance sheets is what gives us that ability to continue to invest in that way. And that, I think, is first and foremost, because you get in a box and bad things happen. But we have that opportunity to invest and continue our forward growth.

Ross Cooper: Just playing off of that, I mean, touching on your valuation commentary previously, I had mentioned a few of the examples where we're selling these flat, long-term leases in the low-5% cap range, some of our multifamily product in the 4.9% to 5.1% range, and we're doing that while the implied cap rate of our own company is trading right around a 7%. So, talking about opportunity, that's where we see that major dislocation, that disconnection between the private markets and the public markets. Now, you can use that to your advantage. Obviously, we have the ability to buy back our own stock in our own company, which you've seen us do in the past when that dislocation has persisted.

We're seeing cap rates today, back to your initial question, from institutional-quality real estate, in some cases, right around that flat 5% cap rate, low- to mid-5% cap rate, again at the same point in time where the implied cap rate of our own company is closer to a 7%.

So, we can take advantage of selling some of these ground leases, some of the multifamily, and then buying assets that have that spread going in but, more importantly, have that 300, plus or minus, percent – 300 basis points spread on the compound annual growth rate.

So, that's a very important factor for us. We've been utilizing 1031 exchanges because we do have some pretty sizable taxable gains on some of these assets that we've owned for a long time. So, it gives us an opportunity to recycle capital accretively without having to utilize any outside capital, flexing the balance sheet, or issuing equity at a point in time where there is dislocation with that cost of capital.

We also have utilized what we call our structured investment program, which is another way for us to participate in quality real estate that we like, just from a different perspective. So, we're investing preferred equity or mezzanine financing where we're sitting in a different piece of the capital stack. Typically, if a senior loan is on a property from zero to, call it, 60% loan to value, we'll go from 60% up to 80%, in some cases pushing up to 85-ish percent loan to value. And by doing that, we can participate in good real estate with high-quality operators in a more passive position, but generate very attractive returns that are at a meaningful spread to our cost of capital.

And most importantly, we have a right of first offer and/or a right of first refusal on those assets that give us an opportunity to acquire those assets at some point in the future. And we've acquired three assets from this program over the last couple of years where we've

exercised our right to meet the market, and we have a substantial amount of ROFOs and ROFRs on other real estate that, at a point in time, we anticipate will give us an opportunity to buy.

So, it's almost what we call a – it's not a loan-to-own program; it's a loan-to-ROFR program, is one way to think about it, to give us future optionality. Because the reality is in this environment – and it's a good problem – there is a lot of institutional capital, a lot of institutional demand for our sector; arguably, significantly more capital than there is opportunity to buy in terms of supply of quality on the market. So, there's a lot of competition, and we have to find ways to differentiate ourselves.

So, we can be aggressive when there's windows of opportunity to buy shopping centers at prices that make sense. We always have the ability to look at our own company and buy back stock if we think there's a major dislocation. And in the interim, we can utilize our structured investment program to generate high-quality returns and have optionality in the future. Coupled with, as John mentioned, a redevelopment program where we're generating, on average, double-digit ROIs on that capital for outparcels and expansion and other retail redevelopments within our shopping centers.

So, a lot of opportunity and optionality to invest capital even in a very competitive market.

Rich Hightower: Great. Michael?

Michael Bilerman: I don't know if I like being cleanup or if I like going first. Either one is fine.

Rich Hightower: (inaudible) had a rhythm going.

Michael Bilerman: That's okay.

Ross Cooper: That's why I sat in the middle. Very strategic.

Michael Bilerman: Yes, very strategic.

I got to introduce myself first. That was it.

What's really interesting about retail real estate, we spend a lot of time talking about how we have such an undersupply. But from an institutional ownership perspective, it's low as well. And rightfully so. There have been some pockets of weakness over the last two decades. However, they were probably more blown out of proportion than they have been, where you look at where a number of the retail REIT portfolios are today.

And what you're finding over the last three years in terms of transaction activity was 2022 had not a ton happening. A little bit started to open up post-COVID. '23 was really you started to see some transactions, but they were more asset specific into '23 and '24.

What happened in '25 and so far in '26 is it really is a sector allocation. So, if you think about what happened in multifamily or industrial or in data centers, where the institutions were so underweight, two things happened. One, you got massive amount of supply. So, we talk about retail today being in the basis points. In those other sectors, you got up to 6%, 7%, 8%, 9% of supply relative to stock; which you bring more supply in, usually not good. And the other thing that happened is there was a significant amount of a consolidation wave that drove cap rates down. And yes, cap rates have been compressing

in retail. And it doesn't matter what products we own because we're finding the same thing across everything.

And so, it really pushes us to really find the deals where we can add value. And I'd say from being a very operationally intensive company – I mentioned at the beginning, 42 assets, $6.5 billion. Six assets are in 50/50 JVs; so, call it 38, just to make math easy. These are, like, $150 million, $170 million apiece. They're not your $25 million grocery-anchored center. Not that there's anything wrong with it, but we have boots on the ground...

John Caulfield: I love that we each have our own strengths. It works great.

Rich Hightower: That's why I picked you three.

Michael Bilerman: We're not the best-looking?

So, part of that is really important for us, because our acquisitions, we've done eight – we've bought eight new assets into the portfolio over the last few years. One of that was a strategic partnership that we have a promoted interest. One was a development. And then we did six acquisitions; two of existing outlets and, at least in the outlet world, we're a very small part, but a critically important utility for the brands and retailers.

That sector has consolidated. So, we've been fortunate we found two opportunities. We think that there are others, but those are generally off market because it's hard to compete on outlets without a platform.

In open-air lifestyle centers, we operate, similar to John, a lot in the middle markets, middle America. We'd like to tell all of our competitors to sort of get out, but what people are finding is, hey, guess what? There's people that live in these markets. We know that because population growth around our centers the last fifteen years has been 2x the national average. Our outlets have been positioned in the right spot.

So, we have to find areas where we can find deals that we can drive. We've been fortunate. Our deals have carried north of an 8% yield on them in a market that has very low cap rates. And drive accretion through that free cash flow. And our free cash flow yield, which is, again, cash after we pay our dividends, after we pay all of our CapEx, is about $90 million to $100 million a year on an equity base of $4.5 billion and a debt base of 1.8x.

That octane is really powerful. And it's free. And we have to make a decision what we do with it. We feel we have very good external growth opportunities, but as Ross and John talked about, opportunities to invest capital in our portfolio to create value: ground leasing an out parcel, building a building for one of the fast casual restaurants that people still want to go to.

And so, we think that there's a tremendous amount of opportunity to partner with capital and continue to grow accretively.

Rich Hightower: So, we've got two minutes left. I want to do a little bit of a lightning round. Let's bring it all together. What's the earnings growth algorithm for your company over the next three years? It's going to be some combination of same store...

John Caulfield: Would you like to go first?

Michael Bilerman: I'll go first on that. I'll take the hard one.

Look, all we can do as a company is – I'm a recovering analyst. I forgot to mention that.

Ross Cooper: You're taking more notes than I am.

Michael Bilerman: I like to be prepared.

So, we're very simple. It's driving our internal growth, intensifying the real estate that we already own, and pursuing disciplined and prudent external growth. And we wrap that all in a balance sheet that has strong access to different sources of capital, as well as having that leverage capacity.

The only thing we can do is manage our assets better than others and know when to buy, when to sell, when to develop, when to redevelop, and then make sure we're managing our debt and equity. We can't control what the market values our cash flows at. I mean, we'd drive ourselves crazy. But if we become singular-focused on driving growth, then I think over the long term stocks will have a gravitational pull. Because we focus on growth, that means the dividend will then grow.

And if you look back at correlation of REITs, there's a very weak correlation on rates. I know that sounds crazy, on interest rates. Dividend growth and total shareholder return are very tightly correlated. Why? Because if you're increasing your dividend, you can only increase your dividend increasing your payout ratio or driving your cash flow. So, dividend growth is the output of doing the right things from a capital perspective.

And then if you can communicate and be transparent, we think multiple and cash flow will follow.

Rich Hightower: Ross, you've got 15 seconds.

Ross Cooper: Well, I think we're about out of time here.

I agree with everything that Michael said. The one thing that I would add is that while we can't control the future, we know what we can control. And if we continue to operate and execute at the level that we have been, we've seen over the last three years, including '26, based upon our projections in terms of midpoint of guidance and whatnot, that for three years running we'll be north of 5% from an FFO growth standpoint, while managing the balance sheet to an A-/A3 credit rating. So, if we continue to focus on balance sheet, continue to focus on execution and generate that growth, we think that the rest will follow.

Rich Hightower: Great. John, last word.

John Caulfield: The punchline on all of this, I think the importance of retail real estate is the stability of all of our cash flows in a time when other investments have greater volatility. That consistency, that is what we all deliver. But in particular, for PECO, necessity-based, grocery-anchored shopping centers – it's in our materials – we're going to drive 3% to 4% same-store NOI growth, which means that we're growing our properties organically 3% to 4% every year.

What does that turn into? Mid- to high-single-digit earnings per share growth. When you take that mid- to high-single-digit per share growth on an annual basis and add our dividend, we are aiming to deliver to investors 9% to 10% returns every year. I can't

control the stock price, which is the valuation thing, which, Rich, we need your help with. But aside from that...

Rich Hightower: I wish I could control it.

John Caulfield: ...back to what Ross said, the things that we can, we know that it will matter in market, and that's what we are working to do.

Rich Hightower: Thank you so much, guys.

Ross Cooper: Thank you.

John Caulfield: Thank you.

Michael Bilerman: Thank you.