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EDITED TRANSCRIPT

PECO.OQ - Phillips Edison & Co Inc at Citi Miami Global Property CEO Conference (Virtual)

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Craig Allen Mailman *Citigroup Inc., Research Division - Research Analyst*

PRESENTATION

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

All right. We made it to the end. Welcome, everyone, for the 10:35 a.m. session at Citi's 2023 Global Property CEO Conference. I'm Craig Mailman with Citi Research. We were pleased to have with us Phillips Edison and CEO, Jeff Edison. This session is for Citi clients only. If media or other individuals are on the line, please disconnect now. Disclosures are available on the webcast and the AV desk. For those in the room or the webcast, you can sign on to liveqa.com and enter code GPC 23 to submit any questions if you don't want to raise your hand. Jeff will turn it over to you. You can introduce your company any members of management that are with you today provide any opening remarks and then we'll get into Q&A.

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Great. Well, thank you for having us, and thanks, everybody, for being here. With me today are our President, Devin Murphy; our CFO, John Caulfield; and our Head of Investor Relations Kim Green. We appreciate everybody being here, and we're looking forward to answering your questions as we go.

QUESTIONS AND ANSWERS

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

Perfect. So we've been kicking off every session asking what are the top 3 reasons that investors should buy your stock today.

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Our view on that is that we have a very unique business model, which is to go into markets where we can buy the #1 or 2 grocery-anchored center and with a very defined focus on that -- what that center looks like. So it's 115,000 square feet. It's got a 50,000-square-foot grocer and it is in a market where the demographics will support the small store space and the success of the small store space. And that strategy, we believe, provides us the ability to create more alpha through growth and also, but have a very strong low beta. And that is really what -- one of the reasons we think investing in PECO is a great opportunity.

Our external growth comes from our acquisition pace and our redevelopment. And then our internal growth is really running -- growing our occupancy as well as the leasing spreads that we're able to generate. So it's -- that lower beta with the stronger alpha is one of the reasons we believe investing in PECO is very positive. The other is we have a very strong balance sheet, which allows us to be opportunistic in an environment where we think there is potential for some really good buying opportunities. And then the third reason is the alignment. Our management team owns about 8% of the company, which is one of the highest ownership. So we are highly aligned with our investors and pushing very hard to get the kind of results that we want, which will help everybody.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

That's great. I think in the retail space, a lot of time is focused on immediate income. You guys have a differentiated approach here on the non-discretionary side of things. Can you talk about how your approach, how you take a different holistic view on just purely demographics versus your tenant type, your asset type and you're setting the alpha with the beta kind of how that rolls into that?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Well, we look at our business as a differentiated business because we are truly in the grocer-anchored shopping center necessity-based business with where we serve a 3-mile radius around the shopping centers that we buy. And our ability to create that alpha and -- is really driven by having the right format centers where we can actually see the kind of growth that we do. And we like to say we basically make money where our grocers make money. And if you look at our demographics, they basically mirror Publix, which were -- I think we're Publix as the second largest landlord.

We're Kroger's largest landlord. And if you look at their demos and they match our demos. And if you're in the grocery-anchored shopping center business, those are the people that you're going to be -- that's where your demos are going to be because that is where these grocers make money. And that's been a focus of ours for over 30 years as we built the business. And we believe very strongly that our results are an exhibit of what you can do in those markets that are not necessarily where everybody is, but that's one of the advantages we have.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And there's just a few cross curves going on now in the economy with inflation, hawkish Fed, consumer spending has kind of held up. The lower end is getting hurt a little bit more. But I'm just kind of curious, from your viewpoint, what are the major trends that you're seeing that will impact your centers over the short and long term?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

So the retail has been in a market where it has had headwinds for a significant amount of time. And a number of those headwinds have now turned to tailwinds, which we think are very strong and very long term. And we -- what we put into that bucket are suburbanization, the movement from urban environments to the suburbs. Our centers are in the suburbs, that's where we -- where we compete. Work from home is bringing more people closer to our centers, more of the day, another major trend.

The Sun Belt and the migration of the Sun Belt as we all see here in Florida, the migration is real and continuing to happen. Over 50% of our portfolio is in the Sun Belt, and we're growing that as well. The other piece is really the -- what's taken time is the resolution of last-mile delivery. And it's not totally resolved, but it is much clear where that is going today. And that trend is focused on the store. And if it -- that trend we don't believe is changing. You hear when you talk to Kroger, when you talk to Publix, the store is the focus of their business and will be on a long-term basis. Again, that's one of the things that's gotten resolved, I think, over the last 4 or 5 years.

The other piece is buying local. And the -- a part of our center delivers that unique shopping experience of having a local retailer delivering the goods for that 3-mile radius. And so I -- when you look at those things, all of them are tailwinds to our -- to the demand side of our business. And then you lay over that, the fact that there really has been no new development in our business for almost 15 years. And that's what's giving us the pricing power that's allowed us to have the kind of results we have had over the last -- really over the last 5 years.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

We have a couple of questions coming in from the audience. Maybe I'll just start with the first one. What differentiates your portfolio of assets from that of your peers?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Again, it's our grocery focus. I mean it's the fact that we have the #1 or #2 grocer in the market that we're in. We have the rightsized center that is -- that's 71% of our income coming from necessity-based retail. So we basically serve that 3-mile radius around our center, and that's where we compete in 31 states and almost 300 properties, that's what we do, and that's what differentiates us. And if you look at the average size of our center, we have the lowest size, and that's because of the nature of our business, which is delivering goods the last 3 miles to people's houses.

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

And what that small size does is it has both an offensive and a defensive positioning to it. So from an offensive perspective, that's where the leasing demand is outside of the grocery store, our average in-line space is 2,500 square feet. That is significant demand from new tenants and new uses. And on the defensive side, it minimizes our exposure to some of the credit risks and the credit issues that are out in that in the headlines now. That's not what we do. That's been part of our strategy, and we believe that gives us stability but growth.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

Another question coming in. Your business benefits from inflation as that comes down, how much of your growth is at risk with CPI eventually declining?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Most of the retailers in our centers, their sort of sweet spot is that 2% to 4% inflation. That way, they can pass that on to the consumer, but it's not crushing the consumer in a way that is keeping them from their sales from being able to increase. And so if you look at our retailers' preference, it's -- they do not prefer real high or real low inflation. They like a sort of a moderate amount of inflation, and that's when they can actually grow their margins and get -- and be the most profitable. So as we look at our business, the environment we're moving towards, we think, is a very -- our retailers are seeing as very positive.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And I'm going to try to combine some of these questions here. You guys guided to a higher NOI growth comp than what we're expecting in the space? And can you walk through maybe a bit about how your SNO pipeline factors into that, where your rent bumps on the blended portfolio bases are versus what else is really helping you achieve that outperformance?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes. I'll go sort of on the macro basis, and John, maybe we can break it down into the pieces. But the macro is -- we have pricing power. And we have the ability to grow occupancy. We have the ability to get better rent bumps on a contractual basis. We have the ability to get really strong renewal spreads in the high teens kind of numbers and new leasing spreads in the 30-plus percent range. So we are able to drive pricing power because a lot of those tailwinds that we talked -- that I talked about earlier are giving us that ability to get that kind of growth. And that's why we not only believe we can, but have shown what we've been able to do over the last several years.

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Sure. So for 2023, we guided a 3% to 4% same-store growth, but we actually believe that this portfolio can continue to deliver portfolio growth at 3% to 4%. And I think going back to the inflation piece, a key piece there is that we've been delivering growth of this nature for years now in a 2% inflationary environment. So we're delivering real growth. And we believe that inflation is here to stay that we can actually drive this further because

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our neighbors are able to pass those through to the consumer and their sales are growing at a pace faster than our rents are growing, which gives us the opportunity to push. But quickly, the -- we believe that even though our occupancy is among the highest in the space, we believe we still have room to drive increases to our in-line leased occupancy, and we think that will contribute 50 to 100 basis points of growth.

We're driving spreads with that high occupancy. We're able to drive higher renewal spreads. And we demonstrated that in 2022 and in staying with us so far in '23, and that's going to drive 100 to 125 basis points of growth. We have embedded rent bumps and that is something that is -- we're getting in more of our leases, and it will continue to take time to layer those in, but that's going to be 75 to 100 basis points of our growth. And then from a redevelopment and development activity, we actually believe that can continue to deliver 75 to 125 basis points of growth. And specifically, we're talking about out parcel developments and tear-down rebuilds from Publix. And the signed but not occupied. So this has been an interesting one. So because of the format of our space, where the majority of our leasing is going to be with the in-line neighbors, or we call our tenants, our neighbors. So with our in-line neighbors, that smaller space means we can execute the lease and get them in and up and rent paying faster.

And so ultimately, our -- from time of lease execution until rent commencement, it's usually only about 5 months. So ours is less because ultimately, we're getting them into the spaces and able to do that, whereas some other larger formats might take a longer time.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And you had mentioned that 50 to 100 basis points from your in-line shop moving that on is that just in 2023's guidance? And what's the tailwind maybe for the next year or 2 beyond 2023? Is that still going to be a source of growth from that uplift?

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

So Craig, we realized that, that occupancy component of our same-store NOI growth is going to go away once we get to maximum occupancy, which we believe will occur over the next 12 to 18 months. We think we have another 100 to 200 basis points of in-line occupancy upside from where we are today. And then once we hit that 95% in-line occupancy point, where we'll get that component of growth, which today is 50 to 100 basis points of our same-store growth. We'll get that from the other components of our business model, rent spreads, contractual bumps, and our redevelopment pipeline because the fact that, that level of occupancy is going to give us even more pricing power than we have today.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

We have a question coming in dovetailing on that, Can you please talk a bit about your OCRs among your small shop tenant basis? How does that compare to your pre-pandemic or kind of normalized levels?

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

So our occupancy costs for our in-line tenants today runs at 10%, and that has been consistent in our portfolio going back many years. We believe that as everyone in this room knows, an occupancy cost metric is going to vary by retailer. They can -- some retailers can take occupancy cost of 30%. Our grocers have occupancy cost of 2%. So there's a wide band of occupancy cost metrics that apply. In general, in our portfolio, we think that right range is 10% to 12%. We're currently at 10%, and that's another reason why we continue to be optimistic about our ability to continue to grow rents at the levels we've been growing them at over the last 6 quarters.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And I just blanked where I was going on my question. I'll just move on and come back to it. Bad debt has been an area that we've talked about in the retail space. You guys don't have as much exposure to -- or any exposure to some of these tenants that are in the news. So could you just talk about how you're budgeting bad debt expense in '23? And how does that compare to normalized levels?

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Sure. So historically, pre-pandemic and through -- and since our bad debt has historically been between 60 and 80 basis points which really speaks to the quality of the centers. And in terms of the credit risk, as I said, again, part of our key strategy is we don't have the exposure. We have 10 basis points of exposure to Bed Bath, 20 basis points to Party City. I mean it's really very small. And that's the drive behind the strategy is the consistency with which we can deliver results. And so in 2023, we're showing that we're getting to normal levels, 22 was a little bit low just because that was the end of payment plans and the like coming from the pandemic. But I would also highlight that when we think about the quality and the emphasis of our strategy, we lost 70 basis points of occupancy in the pandemic. We got back to 2000 -- we got to pre-COVID levels of NOI and occupancy by the middle of 2021. And so we -- this gets to Jeff's point of we have lower beta with more alpha.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

Is there a question in the crowd?

Unidentified Analyst

Can you talk a little bit about expansion opportunities in your existing portfolio, if you view that as a source of growth? You have joint ventures make sense in your space? And then also on the right-hand side of the balance sheet, just debt maturities and cost of debt and capital plans going forward.

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Do you want to cover debt and then I'll jump back -- we can jump back on to the expansion.

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Sure. So the debt markets are -- they're open. The water is a little cold, but there is financing available. And so ultimately, we expanded our line last year to $800 million. We have about $100 million drawn. And we believe that we can fund our acquisitions with that. We've guided to $200 million to $300 million of acquisitions this year. So we'll do that. In addition, we generate $100 million of cash flow after we pay our distributions annually that we're able to reinvest in the business. From a debt financing perspective, we have 2024 maturities and using the line, we will find a permanent place for that. But I mean, debt costs are certainly higher. But in terms of 2023 floating rate and exposure we have, that is taking account into our guidance in the range that we have there, and we'll address fixing our floating rate debt at the same time as we address the principal maturities for '24.

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes. And on the expansion side, we're always looking at where we could add something to an existing center. Our primary focus is out because there's such high demand for that today that we are -- that is where our primary focus has been. And we do about $50 million a year of that kind of development, where we -- it's either a single tenant or a small multi-tenant building that we build on the outlet. We get strong rents. We were actually 100% occupied in the development projects we have put in place today.

We wish -- and we're getting 9% to 11% yields on that -- on those developments. So it's a great business for us. We love it, but it's difficult because these are $2 million to $3 million deals, they're not $20 million deals or $100 million deals. So they're small, but they -- and they're bite-size, they're very predictable, but they take a lot of time in terms of getting the zoning and the other requirements to get them done. And we are working with some of our anchors to actually start to use their parking lots in a joint venture manner where they're overparked or they perceive that they're overparked. And we are just starting that process with a couple of bankers. And that could unlock quite a bit more development potential. In terms of vertical, going vertical with apartments or going vertical with some other use than the retail. We haven't been real active in that and primarily because we stayed really focused on doing retail, where we can do retail. And our centers, we feel like we can get more growth out of those opportunities.

Devin Ignatius Murphy - *Phillips Edison & Company, Inc. - President*

And then, (inaudible), on the joint venture side, we have had a number of successful JVs over time. We had a value-added JV with TPG Real estate that we realized last year. We were targeting 15% IRR as we beat that objective. Had a happy partner there. We have an existing venture with Northwestern Mutual, which is a core venture. And we're always looking for other opportunities to joint venture with capital that will allow us to expand our business. And we believe that we'll be successful in announcing another joint venture at some point this year. So we -- that's a great business for us. The ROEs to us on our capital are very attractive. And given the kind of results that we've delivered to our existing partners, we have a number of opportunities that are available to us.

Unidentified Analyst

Going back to your comment of JV-ing with some of your anchors. I mean, are these non-owned anchors? Or is this a way to get those rights that they otherwise control and give them that financial incentive to allow you to do this?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

They have approval rights on development of their parking. We own the land, but they have approval rights. So in order to secure those, they would like a little piece of the deal. And that's what we are working through in order to get those agreements set. And it's a pretty -- it can be a very profitable business. It's just -- as we said, it takes a lot of time, and they're in small chunks. So you have to keep working. And I mean, today, we're working really on 24, 25 opportunities not -- I mean we're booked -- our 23 stuff's done. Most of 24 is already on the books of what we're going to do, and we're really looking at 25% in terms of where can we create more opportunities for that.

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Because Craig, the economic returns are very attractive on this type of redevelopment. We're getting 9% to 11% cash returns on this activity. And so it's an attractive return, but it's very low risk because when we deliver this space, it's been to date, 100% leased. So we're getting 9% to 11% cash returns unlevered with fairly limited risk, and we love the risk-return profile of that activity.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And as you look through your portfolio, what's the magnitude of this opportunity over time that you couldn't unlock?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

We look at $50 million a year as a pretty -- between 50 and 60 that we'll have on an ongoing basis, and we have a pretty good pipeline and visibility into at least the next 24 months, but we think it will last well beyond that. And we're looking at buying additional land where we can actually do that as well. The yields are not as good as land we already own, obviously. But it is -- there's still some opportunities there.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

Another question coming in just on the potential Kroger Albertsons merger. Could you talk about what that would -- the impact that could potentially have on your portfolio, if that were to go through from a closure perspective or however you guys are looking at?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Well, I'll take Craig and Devin will join in. Our view on that is the chance of closure of stores and the merger actually happening is very, very little because if that's going to happen, they're not going to get it approved. So the key here is not -- if they -- if there's a perception that you're reducing the amount of grocer competition and service to the customers, it will not happen. So we think that there's very little chance that there's going to be a major shutdown of stores based upon the merger. There really are 3 outcomes that are -- we think are that we're looking at. One is, obviously, if it doesn't happen, we're status quo and that stays the way it is.

We've got a number of Albertsons and we are Kroger's largest landlord. So we will -- that would stay the same. In the event that the merger goes through, we're generally positive about Kroger as an operator, Kroger in terms of the capital they're putting back into their stores and their sales are better. So that we think that -- and obviously, the credit is better too. So you put those pieces together, if that happens and the merger happens, that would be a positive for our portfolio. And then probably the most likely event, if it does go through, would be some process where they would take certain stores and they would sell certain stores or set certain stores up in a propco kind of environment where they keep the level of competition in the market, but under banners that are not united under Kroger.

That's probably the most likely the number of stores has been anywhere in terms of conversations have been anywhere from 300 stores to like 1,000 stores we've heard from some people. It's very wide open there. The key there is that we think that whatever is the remaining -- RemainCo is going to be well capitalized. I mean, even in Kroger's initial response, they said that they would have no debt on propco when it was -- if that was the remaining entities. So from our perspective, we've got sort of 3 different options. Generally, we think they will all be positive for us. We do have 30 stores that are -- have a sister store within 3 miles. So that is really what we're focused on because those would be the ones that would be most vulnerable. And if we look at them, the health ratio on those stores is about 2.1x. So it's very, very good pricing for the grocer. And then their sales are very strong. So we put those 2 together. These are going to be grocery locations long term, and we will see how that evolves over time.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And you guys mentioned the $50 million or so from these out parcel or activation of the parking fields. What's a good run rate just generally of capital deployment for those type of opportunities, redevelopment, maybe other development opportunities? And just how -- John, maybe are you thinking about financing these opportunities kind of longer term, how do you guys think about leverage, cost of capital?

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Sure. So the $50 million that Jeff was speaking to is we believe we can continue to invest $50 million to $60 million a year into these projects. And because they're small, we completed 17 last year, we'll deliver a similar number this year. These are not like individually large in scale. So they're kind of coming on all the time in terms of the cadence standpoint. From a funding perspective, I would say, again, we generate $100 million a year after the dividend that we're able to reinvest in the platform, but I appreciate the question because I did want to go back and say, we're 5.3x levered on a debt-to-EBITDA basis. We've positioned the balance sheet in a place that we can grow externally. We can grow by reinvesting in our assets. We can grow through acquisition. That 5.3x gives us meaningful acquisition power and investment power. In terms of cost of capital, we are very focused on that, which is why as we're evaluating our financing options. We're very focused on that and maintaining our investment-grade balance sheet and our -- we feel very comfortable in our ability to fund these projects.

Devin Ignatius Murphy - *Phillips Edison & Company, Inc. - President*

Craig, given the amount of free cash flow we're generating on an annual basis, we can acquire $250 million of assets a year and maintain that 5.3x debt-to-EBITDA level. So the only time we lever up is if we're buying more than $250 million a year, the midpoint of our guidance for this year on acquisitions was $250 million. And then if we look at our balance sheet today, given the fact that we have the ability within our credit rating to take our debt-to-EBITDA level up. And our view is we would potentially take it up to 6x. That would give us $1 billion of buying power before we have to come back to the equity markets to delever back to an acceptable level. So we have plenty of firepower to take advantage of acquisition opportunities that are attractive as they come to light.

We've raised the bar on the unlevered IRR that acquisitions need to generate for us from 8% a year ago to 9% now. And so that's what we're looking for. If we can find acquisitions that clear that 9 unlevered IRR hurdle, we will execute accordingly. And that's the swing in our guidance, if you will, if those opportunities are there, we'll do more than $200 million to $300 million. And if they're not, we would come in below that. But given our run rate at the moment, we're confident that we'll hit our guidance for acquisitions in '23.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And John, this is another one for you. Just kind of in your guidance, are you assuming any refinancings? And what about the treatment of the expiring swap in '23, what's the plan there?

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

Sure. So our '23 guidance does take into account the floating rate debt and the expiration of the swaps that we have. And so as I mentioned, we will take into account both the acquisition funding that we need for this year. We've got the line, but then we've also got maturities next year. So our plan is we'll fix the rate at the time that we address the maturities. And we've got great support from our lenders. We've also got a track record in the unsecured bond market. And so hopefully, if the -- if we stop getting commentary like this week, then perhaps we'll get some stability because right now, we think spreads are somewhat wide, and the treasury is moving quite a bit. But we have experience in various capital markets that allow us to fund attractively. And the acquisitions, to Devin's point, are still accretive to our debt cost of capital and hopefully, assume the equity cost of capital.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

That's helpful. And maybe moving on to our rapid-fire questions here. What will same-store NOI growth be for the strip center overall, not PECO in particular, in 2024?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

2%.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

What's the best real estate decision today for your company, buy, sell, build, redevelop or hold?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Buy in a disciplined way.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

And lastly, will there be more fewer or the same number of public companies in the ship space a year from now?

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Same.

Craig Allen Mailman - *Citigroup Inc., Research Division - Research Analyst*

So we have an extra minute here. Can you just talk about -- you guys went public in '21, kind of the advantages and disadvantages of being public versus operating all those years as a private company.

Jeffrey S. Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Well, we've built this company over 30 years with a very strong growth ethic at almost all through external. And we've built what we think is the best team to operate in our specific niche. And one of the keys to continued growth is to have the best cost of capital, and that's what we're working on in the public markets and at times to allow us to do that. And we will -- we think that the ability to show this really strong internal growth that we are, but also have access to capital to continue really strong external growth will be very positive, and it is very positive for us. It allows us to continue to meet our goals of strong growth, both external and internal, and also gives us the ability to be opportunistic. I mean, we did spend a lot of money to get levered to where we are. And we think that we like being at that level. But when we look at it, we also want to take advantage of the opportunities when they arise, and we're in a position to be able to do that if they arise. And we're in an environment that is interesting. It could be -- we could have some really good strong opportunities over the next 12 months.

John P. Caulfield - *Phillips Edison & Company, Inc. - CFO, Executive VP & Treasurer*

One of the clear benefits, Craig, is participating in an event like this. Thank you.
