Q4 2025 Earnings Call ***(Corrected version)***

Event Details

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Company: FrontView REIT, Inc.
Ticker: FVR-US

Company Participants

Pierre Revol - FrontView REIT, Inc., Chief Financial Officer
Stephen S. B. Preston - FrontView REIT, Inc., Founder, Chairman, President & Chief Executive Officer

Other Participants

John Kilichowski - Analyst
Anthony Paolone - Analyst
Ronald Kamdem - Analyst
Daniel Byun - Analyst
Daniel Guglielmo - Analyst
Matthew Erdner - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good day, ladies and gentlemen, and welcome to the FrontView REIT, Inc. Q4 2025 Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. This call is being recorded on Wednesday, 25th of February, 2026.

I would now like to turn the conference over to Pierre Revol, CFO of FrontView. Please go ahead.

Pierre Revol

Thank you, operator, and thank you, everyone, for joining us for FrontView's fourth quarter and year end 2025 earnings call. I will be joined on the call by Steve Preston, Chairman and CEO. In addition, Drew Ireland, our Chief Operating Officer, will be available for Q&A.

Before we get started, I would like to remind everyone that this presentation contains forward-looking statements. Although we believe these forward-looking statements are based on reasonable assumptions, they are subject to known and unknown risks and uncertainties that can cause actual results to differ materially from those currently anticipated due to several factors. I refer you to the Safe Harbor statement in our most recent filings with the SEC for a detailed discussion of the risk factors relating to these forward-looking statements.

This presentation also contains certain non-GAAP financial metrics. Reconciliation of non-GAAP financial metrics to most directly comparable GAAP metrics is included in the exhibits furnished to the SEC in the Form 8-K, which include our earnings release, supplemental package and investor presentation. These materials are available on the Investor Relations page of our company website.

With that, I'm now pleased to introduce Steve Preston. Steve?

Stephen S. B. Preston

Great. Thank you, Pierre, and good morning, everyone. I am very pleased to discuss our fourth quarter and full year results. Today, FrontView is operationally stronger, financially more resilient and strategically better positioned than at any point since becoming public. Our portfolio has been refined. Our balance sheet remains conservative. We have secured capital to fund accretive growth opportunities consistent with our real estate first philosophy.

As a reminder, our portfolio was built around a real estate-centric strategy focusing on acquiring fungible, frontage-based assets, typically located in front of major retail nodes in the top 100 MSAs nationwide. Our strong real estate provides critical advantages and quicker outcomes when recycling, retenanting or repositioning tenants. For example, we owned one Tricolor Auto dealership that closed in early Q4 due to the widely reported Tricolor bankruptcy. Due to the quality of our real estate and our experienced management team, we quickly released the property to Avis in the same quarter, resulting in a substantial credit upgrade and an approximately 24% increase in value for our shareholders.

Historically, (03:04) REIT of 2016, our experience has been that we have achieved on average over 110% of prior rent when leasing to a new tenant. Results like these cannot happen without top tier real estate quality and a top tier management team.

Our tenant base remains heavily diversified across necessity and service-based industries. Today, we have 321 leases, with the top 10 accounting for only 24% of ABR and our largest tenant contributing just 3.5%. In addition to our real estate first philosophy, diversification has been part of our strategy from day one and serves as another risk mitigant, keeping exposure to any single tenant low as credits come and go over time.

During the fourth quarter, we acquired seven properties for approximately $41.3 million and an average cap rate of 7.5%, with the weighted average remaining lease term of approximately 13.1 years. In 2025, we acquired 32 properties for approximately $124.1 million and an average cash cap rate of 7.74% and a weighted average remaining lease term of approximately 12.4 years. Since the IPO in October of 2024, we have added 61 properties and increased the initial asset base by nearly 30%.

Starting this quarter and going forward, to help you better understand our real estate strategy, we will highlight one quarterly acquisition on the cover of our investor presentation and briefly discuss it during our calls. This quarter, we are highlighting a 7 Brew in Jacksonville, Florida. 7 Brew is a rapidly growing drive-thru coffee chain founded in 2017, known for its high energy, double drive-thru model and offering over 20,000 unique drink combinations. It received a growth equity investment from Blackstone in 2024 and has over 600 locations today, and is working with some of the most experienced franchisee operators in the country. We like their business model and have three properties leased to them in the portfolio, which is about 0.6% of ABR. We acquire this property at approximately an 8% cap rate, well above the low-6 cap rate we believe a new 7 Brew would typically trade at today.

The property is very well-located within a top 100 MSA. It features direct frontage on a major retail node. The land provides tenant flexibility and the lease has a 15-year term annual rental escalators. It is triple net and has a modest rent of $168,000 annually, which we believe other tenants could afford to pay in this desirable Florida location.

We achieved a higher cap rate due to liens associated with the recent construction, which limited the buyer pool. We resolved the lien directly, cleared title and ultimately closed on the transaction. Being known in the marketplace as a buyer who can identify and resolve problems during an acquisition further strengthens our position as a buyer of choice.

Our largest acquisition during the quarter was a Dick's House of Sports located in Durham, North Carolina, adjacent to the streets at South Pointe, a Brookfield-owned mall that does just over 900 per square foot in sales and is rated an A-plus mall in Green Street Advisors mall database. We are excited about that real estate location and are very familiar with this flagship concept and owning select larger boxes. We already own a few larger format assets with strong frontage such as Walmart, Lowe's, Best Buy, et cetera, and we'll continue to own more of these assets when the opportunities present themselves.

We are always seeking to acquire assets with value creation opportunities that fit our investment criteria. And we placed this asset under control earlier in 2025 while the project was under construction to take advantage of attractive pricing. As a result, we believe we have created about 100 basis points of value based upon our purchase price cap rate in the mid-7s.

The acquisition market remains open to us. With our competitive advantages intact, we believe we can materially increase our acquisition base as our cost of capital improves. We expect acquisition cap rates for Q1 2026 to settle around 7.5% with volumes generally in line with guidance. As previously reported, on the capital side, we have our net acquisitions funded for the year with our $75 million convertible preferred investment from Maewyn, with our first $25 million draw completed already in February.

With respect to dispositions, we sold 11 properties for $20.4 million during the quarter at an average cash cap rate of approximately 6.82% for the occupied assets with a weighted average lease term of 6.9 years. For the calendar year, we sold 36 properties for $78 million at an average cash cap rate of approximately 6.79% for the occupied assets with a weighted average lease term of 7.9 years. For the year, the disposition cap rate range was 5.4% to 8%, with the median cap rate on sales at 6.9%.

In the fourth quarter, the lowest cap rate was a Twin Peaks in Irving, Texas, where we achieved a 5.8% cap rate. The assets we have disposed of are less optimal concepts compared to the balance of our portfolio or they could be concepts we just want to reduce exposure to. We expect to continue optimizing the portfolio through 2026 and we expect the pace of dispositions to decline materially as most of our portfolio optimization occurred in 2025. Since our IPO, the 2025 dispositions reduced the asset base by 11%.

During the quarter, we sold the following concepts: Red Robin, Sonic, Twin Peaks, which is now bankrupt, Adams Auto, the dark PNC, Bojangles and (09:24). These asset sales clearly demonstrate the desirability and liquidity of our well-located real estate portfolio. They highlight the disconnect between our stock price and the implied 8.1% capitalization rate on existing NOI. Interestingly, our implied cap rate is higher than when we sold a dark Bojangles in Alabama for with less than four years remaining on the lease term, our highest cap rate sale for the quarter and year, and 160 basis points above the average disposition cap rate for properties sold in Q4.

I would draw your attention to page 23 of our investor presentation, where we show our dislocated NAV relative to the entire portfolio being valued at the same level as the assets we sold in the quarter, along with the average implied cap rate of our peers.

Switching gears to the portfolio, we closed the quarter with occupancy approaching 99% with just four vacant assets. We currently have two tenants in bankruptcy, Smokey Bones and Twin Peaks, each with one unit representing a combined 0.56% of ABR. With Smokey Bones, we have already received multiple offers to

purchase the assets during the year so we believe we can maximize value by re-leasing the asset. So, we waited until the bankruptcy went through to obtain control of the property.

With respect to our remaining Twin Peaks, we have understood Twin Peaks' financial condition for some time and got ahead of their bankruptcy, selling one property in the quarter at a 5.8% cap rate and already re-leasing the second property to two tenants, Panda Express and Jaggers. The combined rent for both of these leases is $265,000 versus Twin Peaks' rent of approximately $138,000, resulting in a 92% increase in rent and approximately a three times increase in value from our original basis (11:30). This is an excellent outcome and another example of why our real estate focused approach, combined with our seasoned management team, continues to deliver value for our investors.

Historically, we achieved an average recovery rate of approximately 90% when combining both vacant sales and new leases. So, just our new leases alone has exceeded 110%. As a result, when an asset comes back, we will initially spend more time pursuing re-lease options rather than quickly selling an asset in order to maximize long-term value for our shareholders, for example, our current Smokey Bones.

As we have continued to optimize the portfolio through Q4, we don't see any material additions to our watchlist at this point, and for clarity, we believe bad debt should be approximately 50 basis points in 2026.

In closing, FrontView is stronger today than at any point since our IPO. We have optimized our portfolio. We have demonstrated the fungibility and desirability of our well-located real estate. We have shown our top tier management team's capability of proactively creating value for shareholders through creative asset management activities and capital structuring. We beat earnings and raise guidance throughout 2025 while disposing of assets, demonstrating the strength of our operations.

We have a low dividend payout ratio below 70%, low leverage and we are fully funded to acquire $100 million of net assets and grow AFFO per share 4% in 2026, at the midpoint of our guidance. All the while, our share price remained dislocated relative to a much higher NAV, especially given that we can meaningfully accelerate our already strong growth with a lower cost of capital. We believe that our real estate focused strategy, coupled with our developer DNA, will deliver AFFO growth and drive outsized returns for our shareholders.

With that, I'll turn the call over to Pierre to review the quarterly numbers and guidance.

Pierre Revol

Thanks, Steve. Before turning to quarterly results, I want to briefly highlight some enhancements we made to our disclosures. We now provide 100% of ABR by concepts, (13:47) data including average daily traffic base rate outperformance and population metrics. Our properties are located in retail nodes with average daily traffic exceeding 24,000 cars. 78% are located within top 100 MSAs and the average five-mile population is 184,000.

Placer.ai ranks retail locations from 1 to 100, with 1 being the highest rank based on number of visits by retail subcategory within the state. Our locations have a median score of 26.8, placing them in the top third of retail locations. And for our upcoming lease expirations in 2026 and 2027, our stores have a median placer score of 22.5 and 15.5, respectively, both in the top 25%.

Finally, on our website, we disclose 100% of our property addresses, including direct Google Map links that showcases your freight (14:46) area. This detailed disclosure allows investors to independently evaluate the

quality of our assets and their locations. Publishing every address affirms our real estate first strategy, the assets we own and will acquire in the future.

Turning to the quarter, we (15:04) quarter with annualized base rent of $62.9 million or $1.6 million higher than (15:10), reflecting net acquisitions of $21 million for the quarter. This equates to approximately $15.7 million in stabilized quarterly base rent on a go-forward basis. In addition to base rent in the quarter, we generated $186,000 in interest income and $76,000 in percentage rent (15:31) and other cash income. At quarter end, our run rate cash revenue is $16 million or $64 million annualized. Our annualized adjusted cash NOI was $61.3 million or a 96% margin on the in-place portfolio.

As we move into 2026, we expect NOI cash margin to expand to 97% or roughly $62 million on a normalized basis. This improvement is driven by higher occupancy, strong recoveries on insurance and lower other property costs. Thus, as we start 2026, our run rate quarterly cash NOI is $15.5 million.

G&A expense for the period was $3.7 million, which included $534,000 of non-recurring charges and $763,000 of stock-based compensation. Non-recurring items are primarily legal expenses related to amendments to the credit facilities and corporate structure. Excluding stock-based compensation and non-recurring items, cash G&A was $2.4 million for the quarter, which is approximately the run rate for the year.

Interest expense declined by $256,000 quarter-over-quarter to $4.3 million. The decrease was primarily driven by amendments to our credit facilities, which reduce the spread on both the term loan and revolver by 15 basis points. As a result, the borrowing weight on our term loan declined to 4.81%, and our savings from the spread adjustment is over $450,000 on our debt outstanding.

We ended the quarter with $115.5 million outstanding on the revolving credit facility, of which, $100 million is hedged. Based on the hedges we put in place by September, the effective SOFR rate of $100 million steps down from 3.86% to 2.97% over the course of 2026, resulting in an average rate of 3.35% for the year.

Total available liquidity was $223 million, inclusive of cash revolver capacity and $75 million of undrawn preferred equity. We ended the quarter at 5.6 times net debt to annualized adjusted EBITDAre and our loan to value was 34.5%.

On February 10, we drew down $25 million of the convertible preferred equity, and expect to draw the remaining $50 million throughout the year to fund our $100 million net acquisition target. We expect our net debt to adjusted annualized EBITDAre to end the year below 5.5 times.

AFFO per share for the fourth quarter and full year achieved the high end of guidance, with $0.31 for the quarter and $1.25 for the year. Looking ahead to 2026, we are revising our AFFO per share guidance range upwards to $1.27 to $1.32, representing 4% growth at the midpoint and 6% at the high end. The increase reflects faster than expected resolutions to Tricolor and nine credit issues to date relative to our assumptions and continued execution of our capital deployment strategy, with near-term acquisitions in the mid-7 cap rate range.

Our objective is clear, to build a best-in-class net lease REIT differentiated by a truly real estate first investment strategy. We believe that credits evolve over time and what drives long-term value is a location, rent basis in the box. Closing our current gap NAV starts with performance. We intend to execute on our capital deployment plan, continue delivering strong operating results and maintain a conservatively levered balance sheet.

With that, I'll turn the call back over to the operator to open up for Q&A.

QUESTION AND ANSWER SECTION

Operator

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Your first question comes from John Kilichowski from Wells Fargo. Please go ahead.

Analyst: John Kilichowski

Question – John Kilichowski: Hi. Good morning. Thanks for taking my question. My first question is on the AFFO guide. Pierre, thanks for walking us through the adjustments there. Maybe could you help us understand what gets us to that $1.32 versus that $1.27?

Answer – Pierre Revol: Yeah, sure, John. Thanks. Thanks for the question. It really is a portfolio performance as a component of it in terms of if the portfolio continues to do as well as it's been doing, that there's opportunity to go on the high end because our assumptions are they do have some assumptions of what the reserves will be. So, I think number one is portfolio performance. Two is the timing of acquisitions and dispositions, assuming that we do more in the front half versus the back half that impacts it. As we talked last quarter, I said that the 7.25% would be the cap rate guidance, but we're still seeing this mid-7s right now. So, that helps a bit. So, it really comes down to portfolio continue to execute well and the timing and cap rate on acquisitions and dispositions.

Question – John Kilichowski: Got it. And then one for Steve. I believe in the opening remarks, you made a comment about the implied cap rate of business trading outside of where you sold a dark Smokey Bones. I hope I said that correctly or I heard that correctly. I guess given the persistent discount to NAV, have you received any outside interest, and if so, where is that interest coming in at because there's clearly a disconnect?

Answer – Stephen S. B. Preston: Yeah. No, we certainly see that discount. And I think it's pretty obvious and evident certainly from that one sale and then certainly from the other sales that we made disposing of about $80 million of property and then averaging about 6.79% cap rate throughout the year. With respect to inbounds, that's been quiet at this point.

Answer – Pierre Revol: I would just add, John, like the portfolio and the disclosures, I think, kind of can help people understand that in terms of the discount. I think that people are – obviously, there's a big market there of people that are looking for portfolios and qualities and it's very hard to replicate what's been created. I will make a correction. It was a dark Bojangles. It wasn't a Smokey Bones that got sold. But when that gets sold at an 8% cap and if you think about, there was a lot of dispositions this year, including a Twin Peaks. That was sub-6. And (22:15) capital dispositions about 6.9%. It's pretty that the portfolio quality is there. I think we just have to execute and I think that would drive the performance to get closer to NAV. If there was interest now you can see through our website, through the disclosures, there's enough information for people to come up with what this company could be worth.

Operator

Thank you. Your next question comes from Anthony Paolone from JPMorgan. Please go ahead.

Analyst: Anthony Paolone

Question – Anthony Paolone: Yeah. Thanks. Just maybe following up on the last point there around your asset value, as you think about just growing the portfolio over time, you have the – perhaps, you could draw down, but how do you think about just incremental capital looking at it as either an AFFO yield versus, say, NAV? Because I think those are – you end up with two pretty different numbers, I think, in terms of when you would seem to have access to capital accretively.

Answer – Pierre Revol: Yeah. Thanks, Tony. It's true. Like if you think about our NAV and the discount, like we're trading like roughly at low-8% implied cap rate. And – but if you think about the weighted average cost of capital, it has improved meaningfully. What's important to note is that for 2026, it's not an issue because we're fully funded with the equity that we put in place. And so, we think that that gives us time to just execute on the $17 equity that we got through the preferred. But even if you think about where our stock is today, in the mid-16s, going to $17, you're talking about an AFFO yield at ranges from the mid-7s to – mid to high-7s. With that cost, I think we could probably do debt costs that are 5% or lower if you think about where seven-year term loans might price. And that translates our weighted average cost of capital that is between 75 to 125 basis points below where we're seeing acquisitions. So, that does put us in a strike zone to continue to execute. But fortunately, the equity question (24:27) this year. It's more about when you think about what you go into next year and how that translate.

And I also highlight, I made the comment in my remarks, is that we are de-levering this year. We're only using $25 million of debt on the $75 million of equity. So if we end below 5.5 times, we do actually have capacity to grow into 2027 without really needing to market for a bit of time. But it is nice that from a weighted average cost of capital and growing AFFO per share, which is what we intend to do, we are well set up to do that even if we're not quite at the NAV. Now I point to you, if we do get to – I think if we do get to the NAV again at a (25:09) premium, what you look at the net lease concept, 98% of the market cap is above NAV. If we get to that point where we're doing – where our cost of capital gets there, just the math of being a smaller company will allow us to grow faster than any of our peers. And that's something that, I think, is an advantage that we will see over time, but first, we have to get to the NAV.

Question – Anthony Paolone: Okay, great. That's a sort of good color. And my second one relates to the deal activity as you look into the market. How are you prioritizing like initial yield versus contractual bumps versus lease length? Like when I look in the quarter, you had good yield and long lease lengths. The bumps were a little on the lower side. I guess is there a priority there or are you just looking at the totality of the transactions?

Answer – Stephen S. B. Preston: Yeah, yeah. Generally good question. Certainly, the totality is an equation, but certainly for us, we're focusing on the location and we're focusing on sort of that size of the land track. And then what's also very important for sure is the market rent and making sure that anything that we're acquiring also has rent that's replaceable. And then of course, we look at and we're focusing on the credits and then determine the escalations as well.

And with respect to the escalations, I think they came in about 1.2% for the quarter. It just sort of ebbs and flows on when bumps take place. Typically, you get a 5% or 10% bump every – or 1% to 2% bump every five years. And so, it's in line with our 1% to 2% overall, which sort of averages about 1.5%, (27:01).

Operator

Thank you. Your next question comes from Ronald Kamdem from Morgan Stanley. Please go ahead.

Analyst: Ronald Kamdem

Question – Ronald Kamdem: Hey. Just two quick ones. I wanted to dig back in on sort of the acquisition pipeline. I think you said mid-7s cap rate, if I remember that correctly. Maybe can you just talk through, are some of these deals are off market or are there special situations, and really, how large do you think that pipeline can get to the extent that you get the cost of capital? Thanks.

Answer – Stephen S. B. Preston: Yeah. No, good question. Certainly, the market is fluid. We have acquired through – we expect to acquire through Q1 sort of in that 7.5% range. We see that cap rates could come in a little bit into Q2. But we are a circumstantial buyer. We have seen in the marketplace a little bit of increased institutional interest just generally in net lease, which is kind of setting the tone for the marketplace, and then sort of in the market that we play in leverages a little bit easier now for other buyers to obtain. So, there's just a tiny bit more competition. But we're playing this very large, very liquid market. There is a lot of opportunity for us to choose. Again, we don't – we're not competing with institutions or other REITs really due to property size. And we have a very strong pipeline that can build. Remember, we bought about $100 million of acquisitions during Q4 so we can sort of expand and build on that pipeline. And then we have these competitive advantages that we've demonstrated, which is we get to close quickly and then see outside returns because of that.

So as a result, there are circumstances that allow us to achieve higher cap rates, especially with respect to like the 7 Brew as an example, buying an elevated cap rate because there were issues with an acquisition that others just can't fix, and that's another very big strength for us, is that we can come in and makes us this buyer of choice in the marketplace where we close quickly all cash without sort of financing contingencies, and then at the same time, we can fix our problems.

Answer – Pierre Revol: I would say, Ron, one more point there is also that a lot of this – the transactions that we're targeting, if they're below $5 million, $6 million, it's very fragmented in that market where we can play and there's a lot of opportunities within that market. When you get to larger deal sizes, that's where you see more people step in. But we are dealing with a highly fragmented market where if you're viewed as a buyer that can solve problems and find solutions, you get a lot of opportunities, and that's something that's been – that's helpful for the types of assets that we target.

Answer – Stephen S. B. Preston: Yeah, with that, Just to add on that deep brokerage relationships and we see a lot of deals just being that repeat buyer that performs and closes quickly.

Question – Ronald Kamdem: That's really helpful. My second question is we appreciate the disclosures on the traffic count population sort of place very high scores. As you're sort of putting it all together, I think you talked about 50 basis points of bad debt for this year. Is the thinking that through sort of the (30:24) functions that you've done, like that sort of the right run rate going forward as you're thinking about the portfolio in the launch list? Thanks.

Answer – Stephen S. B. Preston: Yeah. Yeah, I would say so. The portfolio is performing pretty well. 50 basis points is pretty in line with what we've seen historically. And as we've said, as you heard earlier this morning, we're going to be expecting well over 100% recovery out of the current to the Smokey Bones and then certainly the Twin Peaks. So yeah, I think that's a good run rate. Also (31:01) with respect to the watchlist, that is pretty minimal right now. And I don't really see any material changes or adds to the watchlist. It seems pretty healthy, pretty quiet. Obviously, you've got a Smokey Bones, you've got a small Go Health. There's a

couple of sleep (31:17) numbers on there and maybe a couple of gas stations. But all in all, it feels pretty good and pretty small. I know there's some tenants that there's a little bit of noise in the marketplace on today. For example, there's Wendy's, there's – they're in the news. We have five Wendy's and we've got sales in most of them. We've already proactively replacing two of them that would take us down to three. Our Wendy's have average rent of about $120,000. And so, we feel that those are pretty good, and again, the sales volumes show that they're performing well. Just kind of another tenant that's been in the space and people have been talking about it. Advance Auto, we have seven of those, represents about 1.3%, 1.4% of ABR. We were proactive with that group as well, extended several of ours into the 10-year mark. Our average remaining WALTs on our – remaining is about eight years, and again, we've only got an average rent of $122,000 (32:18) across all of our Advance. So, we don't want to take a look at selling those at any discount and got great basis in great markets. And if any one of those comes back to us, we've got the team in place, we've got the experience in place, we've got the expertise in place, we've demonstrated that already, that we can re-lease and create value for any problem that comes our way once you choose this or whatever it may be.

Operator

Thank you. Your next question comes from Jana Galan from Bank of America. Please go ahead.

Analyst: Daniel Byun

Question – Daniel Byun: Good morning. This is Dan Byun on for Jana. Just wondering if you could provide any color expectations around non-reimbursed property in operating expenses and cash G&A for the year. I know you guys did a (33:04) guide for that.

Answer – Pierre Revol: Yeah. So, that was part of the remarks. We think it came a little bit elevated with the 96% margin. There were some taxes that we took out related to vacancies fully (33:19) 2025. We think that that number comes down. And so, we do believe that the NOI margin is going to increase about 100 basis points. If you run that through, it's like $450,000, $500,000 on a quarterly basis in terms of how you should think about that. And it's – the portfolio continues to do well. It's a big focused area that adds value. But I think that that should come in.

Question – Daniel Byun: Got it. Thank you. And then for my follow up, could you talk about maybe the potential to do more preferred convertible capital raising in the future?

Answer – Pierre Revol: So, what's interesting about the preferred equity has been, it's been hugely successful and a lot of – there's been a lot of interest in (34:02) to do more and people have been curious about that. I think that right now, our mandate is to deploy it, do well and I think that the alignment with Maewyn has been helpful and we will continue to execute on the plan. Our plan right now is to pursue that path. It's an option if we wanted it. It would not – the conversion price would not be a third. It was a 30% premium at a time. Now, it's under 10% premium. So, we're pretty close to what it is. We plan to probably just go back to more traditional funding going forward, assuming that our stock price improves as we think it will.

Operator

Thank you. Your next question comes from Daniel Guglielmo from Capital One Securities. Please go ahead.

Analyst: Daniel Guglielmo

Question – Daniel Guglielmo: Hi, everyone. Thank you for taking my questions. In the past, I think you all had mentioned that the elevated renewals over the next few years could be a potential benefit with current rents below market. You probably have a good line of sight into the 2026 renewals. So, are you seeing kind of a rent catch-up benefit with some of these older vintage leases?

Answer – Stephen S. B. Preston: Yeah, good question. The short answer to that is yes. What I'll say is that, I think we all know this but sort of continue to hit it home, that we've got extremely good quality real estate. It's very desirable. It's fungible. And then ultimately, the portfolio was also exceptionally diversified, which certainly is helpful.

From a data standpoint, pure data standpoint, which gets to your point, since 2016, we have had 53 lease expirations. We've had 44 renewing to the same tenant and 3 renewing to a new tenant. That recovery rate has been about a little over 105%. And so, that is an approximately 90% renewal rate. So we do expect that with any of these leases coming off, that we'll have those similar historical recoveries for 2026 and 2027. And I'd also like to point out, too, that the leases that are coming out in 2026 and 2027, you've got some of the top placers for it. So, I think we're like about 25% to 30% of top placer scores for those tenants coming up.

Answer – Pierre Revol: And I would just add to that point, it's a great point, but one thing to point out is that as we spend more time working on properties and we lease (36:41), so if you think about what's going on with Twin Peaks and getting a 92% rent increase, that's going to show up later this year, there's – as you (36:51) properties and you retenant them, new rents that are coming in higher is a benefit that is on top of the normal quote of expiration. That's a little bit unique within a net lease space. A lot of net lease we just sell properties when they go vacant. By doing this approach, you are creating some tailwinds as we retenant those as they come on next year.

Question – Daniel Guglielmo: Great. Yeah, no, I appreciate all that color and that's a testament to the quality of properties. Just as a follow up, at REITworld, around kind of US consumer health, I think you had mentioned potential for less dollars for older concepts. Have you kind of seen that continue into 2026 or has it generally been healthier than you expected?

Answer – Stephen S. B. Preston: I'm sorry, can you – I'm not sure actually if I follow the question. So, are you saying that the concept concerns on certain concepts? Is that the question?

Question – Daniel Guglielmo: Yeah, yeah. Just US consumer health, I think just overall kind of less dollars from US consumers (38:02).

Answer – Stephen S. B. Preston: Oh, yeah, I got it. Yeah, no, listen, I think we see that throughout the space unfortunately. It was certainly that a strong stock market. And – but you do see the consumer that is struggling a little bit, certainly with inflation. And so, we want to stick to those concepts. We certainly like the essential. We like the service tenants. And again, I'll just highlight that we're focusing on great real estate, replaceable rent. And the concepts that we have, now you can see all of our concepts through the entire portfolio, these are known strong national regional brands and that applies to a real diverse demographic.

Answer – Pierre Revol: And I'd point out that even in terms of the dispositions, if you think about which industries had moved (38:50) – sorry, one other thing just to add on that one question was that we've actually reduced our casual dining quite a bit this year. We still like sort of the casual dining concepts like Texas Roadhouse (39:04). We have a good percentage there. But if you think about where we were in the beginning of last year versus today, that also has come down a little bit. But our...

Operator

Your next question come…

(39:16)

Answer – Pierre Revol: Go ahead, operator.

Operator

Okay. Your next question comes from Matthew Erdner from JonesTrading. Please go ahead.

Analyst: Matthew Erdner

Question – Matthew Erdner: Thanks for taking the question. You mentioned that most of the optimization of the portfolio has kind of occurred throughout 2025. What are you guys thinking from a gross net investment, net disposition – well, I guess gross for both?

Answer – Stephen S. B. Preston: Yeah. Coming in at 2026, yeah, you're right. In 2025, we sold off about $80 million to optimize that portfolio. I think certainly, it goes without saying that we were certainly not selling off our best assets. We're selling assets that – we're strategically selling concepts that we thought that could come under pressure, maybe less optimal concepts, they had lower (40:07) possibly, or just concepts we wanted to reduce exposure to. And we've done a lot of that optimization throughout the year. So, I would expect that we're – we were doing about $80 million, run rate in the $30 million to $40 million of disposition, continue to (40:23) that portfolio coming into 2026. And again, I think hopefully, we'll expect that similar cap rate. But those assets sell through at 2025 were in that upper of 6%, 6.79%, 6.8% cap rate, median about 6.9%, against where we're trading today in the low-8, 8.1%. So, I think it's a pretty good proof in the pudding demonstration of the dislocation, too, of the marketplace. We're not selling any more Raising Cane's. We're not selling a Walmart. We're not selling a Chipotle or Lowe's, et cetera. So, those are sitting at a much, much, much lower cap rates available in the portfolio.

Question – Matthew Erdner: Right, right. That makes sense and that's helpful. And then I think you mentioned it a little earlier, if the capital was deployed kind of towards the early half of the year, that only did the high end of guidance. What are you guys expecting in terms of pace of deployment? Obviously, the $75 million is going to be kind of spread out across the year, but I guess just what is the first quarter kind of look like the projected first half?

Answer – Pierre Revol: So, the first quarter is looking like pretty much in line. Like we have – it's going to be $25 million net. Maybe I think it's closer to $35 million acquisitions with some dispositions behind it. And the second quarter, we're building it right now, our expectation in terms of what we're forecasting. So, it will be close to $25 million net as well. But there are a few deals that we're looking at that could bump it either way. That is a driver, but there's a lot of different drivers in terms of just the portfolio acting well that will help us achieve the high end of that number.

Question – Matthew Erdner: Got it. Awesome. Thank you, guys.

Answer – Stephen S. B. Preston: Thank you.

Operator

There are no further questions at this time. I will now turn the call over to Steve Preston for closing remarks. Please go ahead.

Great. Thank you, everyone. Please be safe, please be healthy and we look forward to seeing you at the Citi event in early March. Until then, thanks. Bye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.

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