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Agree Realty Corporation

Fourth Quarter 2025 Earnings Call

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PRESENTATION:

Operator Good morning and welcome to the Agree Realty Fourth Quarter 2025 Conference Call. (Operator Instructions) Note, this event is being recorded.

I would now like to turn the conference over to Reuben Treatman, Senior Director of Corporate Finance. Please go ahead, Reuben.

Reuben Treatman Thank you. Good morning, everyone. Thank you for joining us for Agree Realty's Fourth Quarter 2025 Earnings Call. Before turning the call over to Joey and Peter to discuss our results for the quarter, let me first run through the cautionary language.

Please note that during this call we will make certain statements that may be considered forward-looking under federal securities laws, including statements related to our 2026 guidance. Our actual results may differ significantly from the matters discussed in any forward-looking statements for a number of reasons. Please see yesterday's earnings release and our SEC filings, including our latest annual report on Form 10-K, for a discussion of various risks and uncertainties underlying our forward-looking statements.

In addition, we discuss non-GAAP financial measures including core funds from operations or core FFO, adjusted funds from operations or AFFO, and net debt to recurring EBITDA. Reconciliations of our historical non-GAAP financial measures to the most directly comparable GAAP measures can be found in our earnings release, website and SEC filings.

I'll now turn the call over to Joey.

Joey Agree Thanks, Reuben. Thank you all for joining us this morning. 2025 represented yet another year of consistent execution for our growing company. In a dynamic macro environment, we remain disciplined, continued investing in our future, and delivered over 4.5% AFFO per share growth. The \$1.55 billion invested across our three investment platforms was the second highest total in company history representing more than 60% year-over-year growth.

As demonstrated by our 2026 guidance, the fundamentals supporting our outlook are very strong. Our portfolio has never been better positioned, the depth and strength of our team is exceptional, and our balance sheet is in tremendous shape. We have commenced numerous IT undertakings including the construction of the next iteration of ARC and continue to drive efficiencies through systematic process improvement. These initiatives will support bottom line growth this year and beyond, driven by ongoing efficiency gains and a material reduction in G&A as a percentage of revenue.

During the course of the year, we once again proactively fortified our balance sheet, raising roughly \$1.5 billion in capital. We concluded 2025 with over \$2 billion of liquidity, including over \$715 million of outstanding forward equity. With no material debt maturities until 2028, our balance sheet is in tremendous position to execute on our 2026 investment guidance and provide significant flexibility.

At year-end, pro forma net debt to recurring EBITDA stood at just 3.8x, enabling us to execute on the high end of our 2026 investment guidance without incremental equity while staying within our targeted leverage range of 4x to 5x. Our pipeline has expanded significantly over the past month and now represents over \$0.5 billion and provides us confidence in increasing our 2026 investment guidance to a range of \$1.4 billion to \$1.6 billion. Our updated investment guidance

represents approximately a 10% increase from our prior range, and the high end of the range is slightly above our 2025 investment activity.

With yesterday's release, we have initiated full year AFFO per share guidance of \$4.54 to \$4.58. At the midpoint, this represents 5.4% year-over-year growth and 2-year stack growth of 10%. When combined with our current dividend yield, this implies a total operational return of our target of approximately 10%. Combined with the fortress balance sheet, best-in-class portfolio and historic track record of execution, we believe that ADC offers one of the most compelling value propositions in the REIT sector.

Turning to our three external growth platforms, our partnerships across the real estate spectrum have never been stronger or more productive. Today, Agree Realty is the preferred one-stop shop for the country's largest retailers. These partnerships are translating into actionable opportunities including one-off acquisitions, sale-leasebacks, blend and extend transactions, programmatic development and high-quality DFP projects. As a result, all three external growth platforms are accelerating and seeing increasing transactional opportunities.

Moving on to recap last year. During the fourth quarter, we invested approximately \$377 million in 94 high-quality retail net lease properties across our three external growth platforms. This included the acquisition of 94 assets for over \$347 million. The properties acquired during the quarter leased to leading operators in home improvement, auto parts, grocery store, farm and rule supply convenient store and tire and auto service sectors.

Fourth quarter investment activity was a very high quality, evidenced by the largest quarterly percentage of ground lease acquisitions since 2021 at over 18%. Notable transactions included three geographically diverse ground leases leased to Lowe's as well as the Home Depot and Michigan paying under \$5 per square foot in rent. The acquired properties had a weighted average cap rate of 7.1% and a weighted average lease term of 9.6 years. Investment-grade retailers accounted for nearly two-thirds of the annualized base rent acquired.

For the full year 2025, we invested nearly \$1.6 billion in 338 retail net lease properties spanning 41 states. Over \$1.4 billion of our investment activities originated from the acquisition platform. The acquisitions were completed at a weighted average cap rate of 7.2% and had a weighted average lease term of 11.5 years, with roughly two-thirds of rents coming from investment-grade retailers. As a reminder, we do not impute credit ratings for nonrated retailers.

Our development in DFP platforms had a record year with 34 projects either completed or under construction representing approximately \$225 million of committed capital. We're continuing to see increased activity across both these platforms as we partner with retailers and developers to execute on their store growth plans.

During the fourth quarter, we commenced four new development and DFP projects with total anticipated cost of approximately \$35 million. The new projects are with leading retailers including Boot Barn, Burlington, Five Below, Ross Dress for Less, Alta and 7-Eleven. Construction continued during the quarter on nine projects with anticipated costs totaling approximately \$59 million. Lastly, we completed construction on three projects during the quarter with total cost of \$29 million.

On the asset management front, we executed new leases, extensions or options and over 640,000 square feet of gross lease area during the fourth quarter, including a Walmart

Supercenter in Rochester, New York, and a Lowe's in Roland Park, Kansas. For the full year 2025, we executed new leases, extensions or options on approximately 3 million square feet of GLA, with a recapture rate of 104%. We are very well positioned for 2026 with only 52 leases or 1.5% of annualized base rents maturing.

During the past year, we disposed 22 properties for gross proceeds of just over \$44 million at a weighted average cap rate of 6.9%. This includes nine properties that were sold for \$20 million during the fourth quarter at a weighted average cap rate of 6.4%. Our capital recycling efforts will continue to focus on select noncore assets as well as opportunistic dispositions.

At year-end, our best-in-class portfolio is approaching 2,700 properties and spanned all 50 states. The portfolio includes 251 ground leases, representing over 2% of annualized base rents. Our investment grade exposure at year-end stood at nearly 67% occupancy increased to 99.7% and reflecting a 50 basis point improvement since the first quarter of the year.

Lastly, I want to recognize Peter and his team for their exceptional work in 2025. We achieved an A- rating from Fitch and successfully launched our commercial paper program - both milestones that will deliver meaningful savings and long-term benefits to our cost of capital.

With that, I'll hand it over to Peter, and then we can open up for questions.

Peter Coughenour Thank you, Joey. Starting with the balance sheet, we had a very active year in the capital markets, raising approximately \$1.5 billion of long-term capital including roughly \$715 million of forward equity, a \$400 million bond offering, and closing on a \$350 million term loan. Additionally, we established a \$625 million commercial paper program, becoming one of only 19 U.S. REITs with a commercial paper program. This has become our preferred source of short-term capital, enabling us to issue approximately \$28 billion of notes during the year and generate over \$1 million in savings compared to borrowings on our revolving credit facility.

During the fourth quarter, we sold 1.5 million shares of forward equity via our ATM program for anticipated net proceeds of approximately \$109 million. We also settled 5.9 million shares of forward equity, receiving proceeds of over \$428 million. At year-end, we had approximately 9.6 million shares of outstanding forward equity which are anticipated to raise net proceeds of \$716 million upon settlement.

During the quarter, we closed on the previously announced \$350 million 5.5-year term loan. Prior to closing the term loan, we entered in the \$350 million of forward starting swaps to fix SOFR until maturity. Including the impact of those swaps, the interest rate on the term loan is fixed at 4.02%. The term loan fits well into our debt maturity schedule and demonstrates continued strong support from our banking partners. To date, no amounts have been drawn under the term loan, which has a 12-month delay draw feature.

We also entered into \$200 million of forward starting swaps during the year, effectively fixing the base rate for a future 10-year unsecured debt issuance and approximately 4.1%. This is consistent with our proactive hedging strategy and combined with our outstanding forward equity, provides over \$915 million of hedged capital to fund investment activity in 2026.

As of December 31, we have over \$2 billion of liquidity, including approximately \$1.3 billion of availability under our revolving credit facility and term loan, the previously mentioned outstanding forward equity, and cash on hand. Pro forma for the settlement of our outstanding

forward equity, net debt to recurring EBITDA was approximately 3.8x at year-end. Excluding the impact of unsettled forward equity, our net debt to recurring EBITDA was 4.9x.

Our total debt to enterprise value was approximately 27%, while our fixed charge coverage ratio, which includes principal amortization in the preferred dividend, was very healthy at 4.2x. Our floating rate exposure remained minimal with approximately \$321 million of outstanding commercial paper borrowings at year-end. And as Joey mentioned, we have no material debt maturities until 2028. We are in an excellent position to execute on our increased investment guidance this year without having to raise any additional equity capital.

The strength of our fortress balance sheet was further validated by the A- issuer rating that we received from Fitch in August. The rating makes us one of only 13 publicly listed U.S. REITs to carry an A- credit rating equivalent or better. This achievement reflects the prudent, disciplined way we continue to grow the company and stands as a testament to more than 15 years of thoughtful portfolio construction and disciplined capital allocation. Over that period, we have invested nearly \$11 billion in best-in-class retailers while maintaining a preeminent balance sheet and consistently leading the way in capital markets execution.

Moving to earnings. Core FFO per share was \$1.10 for the fourth quarter and \$4.28 for full year 2025. The representing 7.3% and 5.1% year-over-year increases, respectively. AFFO per share was \$1.11 for the fourth quarter, representing a 6.5% year-over-year increase. For the full year, AFFO per share was \$4.33 which reflects the high end of our guidance range and 4.6% year-over-year growth. As Joey mentioned, our initial AFFO per share guidance of \$4.54 to \$4.58 for 2026 represents approximately 5.4% year-over-year growth at the midpoint which would be our highest earnings growth since 2022.

We provide parameters on several other inputs in our earnings release, including investment in disposition volume, general and administrative expenses, non-reimbursable real estate expenses, income and other tax expenses as well as treasury stock method dilution. Our guidance for treasury stock method dilution relates to our outstanding forward equity.

As a reminder, if ADC stock trades above the net price of our outstanding forward equity offerings, the dilutive impact of unsettled shares must be included in our share count in accordance with the treasury stock method. Provided that our stock continues to trade near current levels, we anticipate that treasury stock method dilution will have an impact of approximately \$0.01 on full year 2026 AFFO per share. That said, the impact could be higher if our stock price moved significantly above current levels.

Our accelerating earnings growth supports a growing and well-covered dividend. During the fourth quarter, we declared monthly cash dividends of \$0.262 per common share for each of October, November and December. The monthly dividend equates to an annualized dividend of over \$3.14 per share and represents a 3.6% year-over-year increase. Our dividend is very well covered with a payout ratio of 71% of AFFO per share for the fourth quarter.

With that, I'd like to turn the call back over to Joey.

Joe Agree Thank you, Peter. Operator, at this time let's open it up for questions.

QUESTIONS & ANSWERS:

Operator (Operator Instructions) Our first question will come from the line of Michael Goldsmith with UBS.

Ami Probandt This is Amy Probandt I am with Michael. I was hoping to start -- we could dig in a little bit on the increase in the 2026 investment guidance, just 30 days after providing the initial guide. How was this increase split across the platforms? And were there any large transactions identified? Or is this more of an increase in one-off opportunities?

Joey Agree Since the initial release in January, we've secured a number of transactions including a couple of sale-leaseback transactions that will close in Q1 and Q2, respectively, as well as some single credit portfolio transactions on the acquisition side. From the Development/DFP side, we just have more confidence, frankly, in those projects commencing in Q1 and subsequently also in Q2. So, all three platforms have seen accelerated activity. I would note that the increase after approximately 30 days in the investment guidance is primarily due to those sale-leaseback transactions in that single credit portfolio.

Ami Probandt Great. Then on the noncore asset sales, you highlighted dispositions of some retailers that I think we were expecting and some that we weren't, maybe Family Dollar, a fitness operator, a Goodyear store. What makes some of these tenants more right for capital recycling than others?

Joey Agree Yes. So capital recycling, as I mentioned in our prepared remarks, the portfolio is in tremendous shape. There're opportunistic sales that were taking place in Florida, California and Texas on Goodyear, as you noted, we pared back Advance Auto Parts exposure as well. So you'll see us continue to pare back exposure to retailers that we don't either have full confidence in on a go-forward basis, select noncore assets [within] -- I would say the predominance of our disposition activity this year will just be valuations that are driven by the 1031 market or the big beautiful bill where we don't see the value of the asset matching our prospective purchasers.

Operator Our next question will come from the line of Jana Galan with Bank of America.

Jana Galan I was hoping you can maybe talk to about the cap rates on acquisitions, where you kind of see that trending? Then any other -- maybe there is cap rate stability, but anything changing on the escalators, lease terms or options at expiration when you're speaking with your different retailers?

Joey Agree Don't see anything materially changing on the cap rate front. Obviously at the beginning of the year, we have -- [ones that complete], but pretty -- our Q1 pipeline is effectively filled at this point, no material cap rate deviations. Obviously, we won't move up the -- we won't change our parameters and move up the risk spectrum. So, no change there.

Also, I think that rent escalators have been embedded with the historic inflation that we've seen post pandemic, and we haven't seen any reversal of that trend or increase in that trend in terms of size of escalators or frequencies. I think most tenants have agreed today that escalators of 7.5% to 10% every 5 years are appropriate, given just the inflation that we're seeing currently and as well as historically on a cumulative basis.

Jana Galan Then can you just share some information with us on construction costs? We're hearing those are increasing?

Joey Agree Well they certainly aren't going down. In the 100 years -- [you look back at the] past 100 years, while commercial rental rates have peaks and valleys, construction costs just continue to migrate upwards. So, we're seeing construction costs that are fairly in line with last year. We've looked to alternative engineering and alternative mechanisms to reduce those costs in conjunction with our retailers. Those costs are embedded, obviously, in our development budgets. They certainly aren't going down. As I mentioned, the typical junior box in this country today is approximately \$160 per square foot vertical cost. That's an off-price retailer today. Pre-pandemic, those were \$95 per square foot.

Obviously, a constrained labor environment doesn't help that, tariffs don't help that. Since we've been able to look at sourcing domestically and like I said, other alternatives here to try to reduce those costs, different construction methodologies, reducing labor when appropriate, using some prefabricated materials and Jeff Konkle and our construction team have worked diligently with our retailers to value engineer any buildings.

Operator Our next question will come from the line of Smedes Rose with Citigroup.

Nick Joseph It's Nick Joseph here for Smedes. Just on the sale-leaseback, is that more timing-driven that you've seen those deals come through? Or are you seeing more interest broadly from corporates on that structure?

Joey Agree Yes. Nick, it's a great question. It's really just frankly specific. We haven't seen a multitude of sale-leasebacks coming to market, certainly not within our sandbox. There are two that we will execute on in Q1 and Q2. Q1 will have the larger sale-leaseback. A core tenant of ours, a relationship tenant of ours who we're very fond have been very close to an existing top 20 tenant of ours. So haven't seen an increase in the sale-leaseback velocity, but two tenants that we have historical relationships with we'll execute on here in the first two quarters of the year.

Nick Joseph That's helpful. Then you mentioned kind of the potential for G&A savings with some of the efficiencies. How does that look medium and longer term versus where you are today as a percentage of revenue?

Joey Agree So last year, we were very clear that it was an investment year for us. Coming off of 2024, when we started with the do-nothing scenario, we had effectively net new -- zero net new team members incremental to the team. Last year, we added almost 25 team members through the organization. We're approaching 100, as I mentioned in the prepared remarks, and we're in a terrific position to continue to execute with depth across all areas and functional areas of the organization.

At the same time, we continue to benefit from our IT improvement. The team here has done really a terrific job. I mentioned, we're working on the ARC 3.0, next iteration of ARC we put a Microsoft backbone in place and have a number of projects that the team is executing on for data efficiency and access, which will continue to make us faster and more efficient. We're utilizing AI, as we mentioned for prior calls, for the last 3.5 years for lease underwriting checklists. We've deployed AI for lease extraction. We anticipate deploying artificial intelligence for purchase agreement drafts and other form documentation this year. So, I would anticipate

that approximately 30-plus basis points of G&A savings relative to total revenues. And so I think we'll continue to see that on a go-forward basis.

On top of that, as Peter mentioned, we're seeing just from our size, scale, obviously obtaining the A- credit rating, \$1 million in savings from the commercial paper program. So, our size and scale now is giving us access to different tools, different capital raising short-term capital in this case, let's say \$1 million, so almost \$0.01 last year, subject to the curve and obviously the commercial paper program that can move up and move down. But we just have more tools, frankly, at our disposal to drive savings. So this year, I would anticipate single-digit hires. I think we are -- we're in a tremendous position to execute across all facets of the business on a go-forward basis and continue to benefit from those efficiencies.

Operator Our next question will come from the line of Spenser Glimcher with Green Street.

Spenser Glimcher On the four DFPs commenced in the quarter, are you guys able to share if these are one-off projects for these tenants? Or are they part of larger store count expansion for the retailers? Just trying to give a sense if there will be opportunity for more projects alongside these retailers.

Joey Agree They are not one-off projects. There will be, I think a significant opportunity for us. What we're seeing is retailer and many of these are publicly issued statements, retailer expansion with the desire that is greater or greater than any time since the prior to the GFC. So, if we look across the board, Home Depot, Walmart, Kroger--[keep going] Tractor Supply, O'Reilly, all the off-price operators have realized in a 21st century omnichannel world, their store base is critical. So absent construction costs getting in the way of project feasibility here, we're going to continue to see that.

I would anticipate us breaking ground on 10-plus projects over the course of the first and second quarter. So, we're excited about both the development pipeline. We've announced three 7-11 Speedway projects last year. We will continue to execute those on the -- in the first and second quarter of this year as well as some significant DFP projects where we'll step in and finance any of the developers and own them upon completion.

Spenser Glimcher Okay. Great. Then just on the ground lease market. Maybe first on the transactions that you've executed on recently. Are there purchase options on any of those at the end of the lease? Then just maybe more broadly, if you're able to share any color on the ground lease market in general, just in terms of opportunity set and/or pricing that you're seeing?

Joey Agree Yes. No purchase options at the end of the lease that I can think of that's very atypical. The ground lease market per se isn't really a market. I mean oftentimes, sellers aren't even frankly cognizant of the ground lease structure and look at it as a net lease transaction. We did one unique transaction, I would say during the quarter in Flanders, New Jersey which had a number of ground leases driven by a Lowe's ground lease, as I mentioned, in the prepared remarks. There's also a ground lease to Panda Express there, a ground lease to Wells Fargo, a ground lease to Wendy's there.

So a number of ground leases, all pads to that Lowe's. Obviously 18% was elevated in Q4, driven by that. The other Lowe's I mentioned as well as the Home Depot, about 20 minutes from here. We'll have more ground lease opportunities in Q1. But I think thinking of it as a market is pretty challenging. Many times, we're working with retailers on early extensions through short

term, either retail or directed. And so it's a unique seller pool all the way from institutions to mom-and-pop owners here.

Operator Our next question comes from the line of John Kilichowski with Wells Fargo.

Jamie Feldman Great. This is actually Jamie Feldman here pinch hitting for John. So how much of the high end of your investment guidance range, the \$1.6 billion is dictated by the available forward equity you already have versus what you think the true opportunity set could be this year?

Joey Agree None of it is driven. I mean I would say they're really separate. Peter, feel free to chime in. But I think we're confident in the uses with the \$1.4 billion to \$1.6 billion. As we mentioned, in the prepared remarks, we can stay under our targeted leverage range of 4 to 5x, really excluding dispositions. We anticipate having significant free cash flow after the dividend, even increasing the dividend this year, and obviously with \$700 million plus outstanding of forward equity, we're in tremendous shape.

Peter Coughenour Yes. Jamie, just to echo Joey's comments, we have over \$2 billion of total liquidity, but thinking about it from a leverage perspective, we have \$1.6 billion of buying power without having to raise any additional equity and we can end the year at the high end of our stated leverage range of 4 to 5x while executing really on the high end of our investment guidance range. So we're very well positioned for this year from a balance sheet perspective given that liquidity and outstanding forward equity, but I think that's really only one factor as we think about setting guidance.

Jamie Feldman Okay. So if I heard you right, you really feel strongly 1.6 is kind of the max of what you see out there?

Joey Agree Definitely not. I think it is our guide at this time. We have no visibility outside of development into Q3 or Q4. We started commencing sourcing Q2 acquisitions 15 days ago. What I can tell you is there's \$0.5 billion in the pipeline, as I mentioned, that we are very confident in, and we'll continue to source across all three platforms and update the market and everybody on this call as we continue to see activity, but no visibility outside of development and a couple of DFP projects beyond, let's call it May right now.

Jamie Feldman Okay. Then secondly, I think we had expected yields to compress more than they have. Any thoughts on why you think that hasn't been happening given there is more competition in the space. Then the developer funding program, do you think that's better as a low -- in a low rate regime or a higher rate regime as we think about you growing that business?

Joey Agree So in terms of competition, we haven't seen any increase in competition due to the private capital that's entered the space. I think everyone on the call is familiar with the numerous different sleeves and operations that have launched. These -- our typical transaction is \$4 million to \$5 million. 20 people touch it from letter of intent in our underwriting, letter of intent execution to close. We're a horizontally integrated machine that's closing two transactions per day.

It's high touch, frankly. We are working with retailers to extend deals, to identify deals. We're working directly with developers. We overcome obstacles and hurdles that are, again high touch

real estate exercises, not just sale-leasebacks with middle market credits. So it's a very different business and the preponderance of capital that has entered the space is chasing.

In terms of our DFP platform, I think what's really driving -- the increased activity is, one, our own efforts. Those are critical. But two, we already touched on construction costs today. And so with vertical construction costs, primarily vertical I should say, penciling these projects is extremely challenging. You combine that with the availability and the cost of capital, as you mentioned, driven by the ten year which drives equity returns to fill any gaps or potential mezz debt, these projects are very difficult to pencil for private developers.

So, our Developer Funding Platform provides a unique solution to finance the entire project and own it upon completion really taking the risk off the developer unless they blow their budget. Then it comes out of, frankly, their profit payment. So we're entering with a fixed return. We're providing our -- not only our balance sheet as well as an exit, but our relationships with retailers, many of which we have form leases and very strong relationships with, so we can expedite or accelerate that project. So, we see that looking pretty stable, and our goal is to continue to ramp it.

Jamie Feldman Okay. But I guess the question on just why yields have been so sticky? Are you saying because you haven't seen that much competition? Or is there anything else we should be thinking about?

Joey Agree I think the 10-year is obviously traded within a band, right? We've seen the 10-year trade within a band. There's no material increase in competition in the sandbox that we are operating in. So, we really haven't seen anything deviate over the past, call it, a year plus here now.

Operator Our next question will come from the line of Brad Heffern with RBC Capital Markets.

Brad Heffern You've had the medium-term goal of \$250 million in development investment commitments per year. Do you think this will be the year that you see that number? And does that represent a steady state? Or should we expect a higher goal at some point?

Joey Agree We're always raising goals here. We are built to scale as we talked about on prior questions. I'm hesitant to say this will be the year because due to third-party timing, that's retailer approvals, municipal approvals, access approvals, often from DOTs and counties. I think this will be a continued year of growth for us. Our pipeline is large. The timing of those projects is often subject to third parties, but our pipeline continues to grow across development well Developed Funding Platform with projects in all stages from the shadow pipeline to breaking ground as we speak.

Brad Heffern Okay. Got it. Then, Peter, can you talk about what the assumed credit losses and guidance and where you ended up in 2025 as well?

Peter Coughenour Sure. In terms of our AFFO per share guidance for 2026, we're assuming at the high end of that guidance range 25 basis points of credit loss which is relatively in line with where we ended up for 2025. I believe we're at 28 basis points to be exact. Then at the low end of our AFFO per share guidance range for 2026, we're assuming 50 basis points of credit loss for the year.

So overall, the portfolio continues to be in great shape, it was 99.7% occupied as of year-end and is performing well. We're not seeing any significant changes to our watch list or any new entrants that are material from an exposure perspective and anticipate the portfolio should continue to perform well in 2016.

Operator Our next question comes from the line of Alec Feygin with Baird.

Alec Feygin So you just mentioned -- talked about how the development and DFP pipelines are growing. I'm curious now that you're -- as you said, last year, a full suite real estate platform, how has that maybe changed conversations or seeing other retailers that you haven't worked with come to you seeking out your full suite of capabilities?

Joey Agree No. It's a timely question. The team was down with a number of retailers yesterday that we are working with currently and aren't working with currently across all three platforms. I think most importantly, it provides a holistic conversation with retailers. I would add our asset management platform. So everything we manage is internally property managed, lease administrated internally, taxes, insurance, any ancillary responsibilities. The ability to sit down with any retailer in the country and provide an entrepreneurial platform that can execute across all phases of the life cycle of a transaction from net new development to extensions of short-term leases to sale-leasebacks is just a unique value proposition that is one of one.

And so you combine the entrepreneurial DNA of a real estate company of a private real estate company with a \$12 billion, \$13 billion balance sheet, an A- rated company that is a publicly traded REIT with significant liquidity, access and a premier cost of capital and opportunities will arise. So, we continue to maintain dialogue with retailers, grow those relationships that are existing. We're always talking to retailers about net new projects and launching a vertical with them in conjunction with our standard acquisition third-party activities.

Operator Next question will come from the line of Upal Rana with KeyBanc Capital Markets.

Upal Rana Great. On the forward equity, you've got \$700 million remaining to deploy. Is there any timing when you need to settle those shares? You've done some significant forward offerings during 1Q last year and April last year. So just wondering if there's any timing related to those shares settling and expectations when you need to deploy that capital.

Peter Coughenour We have a lot of flexibility in terms of settling the \$715 million plus of outstanding forward equity. I think the earliest tranche matures in June of this year, the latest tranche matures in May of 2027. So, we have a lot of flexibility in terms of when we sell those shares. I think it's fair to assume that most of those shares get settled at some point and in 2026, subject obviously to uses and other capital sources, but we have a good amount of flexibility in terms of when we decide to settle those shares and receive the proceeds.

Upal Rana Okay. Great. That was helpful. Then just given we're halfway through 1Q already and you've already increased your investment guidance almost 10%, could you share any preliminary 1Q or even 2Q visibility you're seeing on investment activity?

Joey Agree Yes. As I mentioned, there will be a sale-leaseback in there with an existing top 20 tenant of ours in the first quarter. The second quarter, we'll have a sale-leaseback with another top 20 tenant. There are two or three single credit portfolios, one with the largest retailer in the world from a third-party seller, another with the leading paint manufacturer and retailer in the

world. Those are primary drivers, I would say in there and then one-off transactions on the acquisition front that are typical of everything we do.

Operator Our next question will come from the line of Mitch Germain with Citizens Bank.

Mitch Germain Joey, you've been pretty good at predicting retail trends and I'm curious if there's like a tenant or maybe a sector that you think could become a bigger piece of the portfolio on a go-forward basis.

Joey Agree Yes. I'm going to hesitate to we've talked about Boot Barn, we talked about our increased exposure there. We foreshadowed Gerber Collision. We foreshadow Tractor Supply. Obviously we're extremely acquisitive with off-price, the TJX concepts, Burlington, Ross, there are tenants that we're always looking at that are, I would tell you on the periphery of our sandbox or potentially even on the cusp of entering that sandbox.

I'm hesitant to mention them because as soon as we start, frankly, targeting them, it seems that we get some copycats out there that then start chasing those credits. So, there are always tenants that we're looking at. We've been pretty outward with Five Below in terms of developing, acquiring. So there's always tenants on the outside of that sandbox that are making their way in. I think we'll hold off disclosing them until they are actually in our table.

Operator Our next question comes from the line of Eric Borden with BMO Capital Markets.

Eric Borden Joey, CVS performance appears to be improving. Have the CVS' recent initiatives began to show up in the performance metrics within your portfolio? And how does your exposure compared to their broader store base?

Joey Agree Yes, look, we've got a tremendous relationship with CVS. I would note that pharmacy exposure at 12/31 was down 3.6% in totality. Again that's in as versus in 2010, when we launched the acquisition platform of being 43% Walgreens exposure. There's a case study in the deck about that, that's very de minimis for us now.

Our focus with CVS is acquiring high-performing stores where the -- frankly, the fixed cost, the rents make sense, the days of dualling suburban pharmacies on opposing corners, we believe, is over. Ground leases, super high-performing stores and then stores that have an extremely good rental basis and are productive. So, we're not interested in the suburban \$400,000 per year pharmacy that's 14,000 feet on two acres. Those are readily available on the market for anyone who wants to roll back the clock 10, 15 years.

We're more interested in the pharmacies that are either on a ground lease or paying a couple of hundred thousand dollars in rent or have outperformance, 24-hour operations, or early extensions with our tenants there. So we're -- it's a very selective acquisition process for us. It's a very informed acquisition process for us. We'll make select additions to the portfolio, but it's not a focus for us. You will not see any material growth in our pharmacy exposure or CVS exposure at this time.

Eric Borden Great. Then just on the quick service restaurant side, I noticed that the exposure increased to 2.3% of ABR. Can you just discuss the types of tenants you're targeting today whether more QSR assets are coming to market? And how does the brand coverage within this segment compared to the overall portfolio?

Joey Agree Yes, to be frank, we're not targeting the sector. As I mentioned earlier, these are generally ground leases, and that's what you saw in Q4. So the Flanders outlets, the Panda Express, the Wendy's, we acquired an Olive Garden ground lease with a Darden guarantee during the quarter, restaurants, McDonald's ground lease. So I would tell you, restaurants for us, we will continue to stay away from outside of the ground lease structure or a very unique opportunity, not a focus for us, especially in today's economy.

Then more importantly, when we look at the fungibility of the box and the rents per square foot, we just don't see the residual values there to mark-to-market. So restaurants will be on the perimeter. If we do -- if you see us acquire a restaurant or any such single-purpose type structure or fit out, it will generally be on a ground lease.

Operator Our next question comes from the line of Omotayo Okusanya with Deutsche Bank.

Samuel Ohiomah This is Sam on for Tayo. I was wondering if the exposure to lower income consumers present some sort of downside risk, particularly around categories such as dollar stores, off-price retail, or discount stores? And like what are you guys doing to mitigate this risk?

Joey Agree I think it's the opposite -- on last call I said we are the trade down effect -- what we're seeing in 2026 is just the steepening of the K. The theme in 2024, and I don't want to get -- this is about affordability and I'll put it in quotes, the theme of 2024 and 2025 was the low-income consumer and the challenges they were having. The theme of 2026, and hopefully, it gets resolved, but I don't see any resolution in the near term is the middle-income consumer. We have dual working parent households in this country costs are increasing, whether it's automobiles, health insurance, residential costs, right, cost of living across the board. Inflation, the cumulative inflation that we've seen since the pandemic has been devastating for these families.

So, if you look at the prints of the Targets of the world, and you juxtapose that against the prints of the Walmarts of the world and the dollar stores of the world, the trade-down effect is palpable you can see those consumers looking for -- for bargains, for discounts. You see it, frankly, in the size of the basket size, the ticket size and the frequency of the trips. You see Five Below -- retailers like Five Below, really we're thriving in this environment. Dollar General performing extremely well; and Walmart, frankly, kicking ass crossing \$1 trillion equity cap. And so, you'll continue to see us focus on those retailers that cater to that consumer. We avoid luxury. We avoid experiential. We avoid fun. It's goods and services that are necessity-based. And if they're not the lowest priced operator, they have a unique value proposition. So that's our focus. It has been our focus. I think it inures to our benefit of what we're seeing out there given the portfolio composition that you see, obviously in our materials.

Operator Our next question comes from the line of Linda Tsai with Jefferies.

Linda Tsai Earnings growth was over 4.5% in '25, and you're guiding to midpoint to 5.4% in '26. Do you view this 4.5% to 5.5% earnings growth cadence as a sustainable state?

Joey Agree We've been very clear for a month that our earnings algorithm would kick in this year. We drove 4% or 4.5% AFFO growth per share last year after only deploying \$950 million approximately in 2024 and while investing and dealing with the Big Lots bankruptcy machination. So, we were very clear that our earnings algorithm would kick in this year. We have no upcoming material debt maturities, and so we're all systems go.

Let's be clear, across all three external growth platforms as well as from a balance sheet perspective. And so, our goal has consistently been to deliver 10% operational returns we will deliver 10% two year stacked to AFFO growth, whether it's last year or this year, this year, next year. We've been very clear about that while maintaining a defensive posture from a portfolio position maintaining our strict underwriting criteria and a fortress balance sheet.

Linda Tsai Then in terms of new-to-market comers, not sure if you track it this way but what percentage of ABR came from new to market in '25? And would you expect to increase your exposure to these customers in '26?

Joey Agree New to market, meaning new to our portfolio? Peter, I can't think of one new tenant to the portfolio that we added. Can you?

Peter Coughenour No. If we did it would have been in a pretty de minimis way.

Joey Agree Yes, extremely de minimis. We took on a bank ground lease, I think \$80,000 or \$100,000 as an outlot to one of the Lowe's that we acquired. So it would be an ancillary small piece, but really no new tenants or new entrants of any substance at all in the portfolio in 2025.

Linda Yu Tsai Just one last one, if I could. So, Walmart is 5.6% of your ABR, obviously gold standard in terms of tenant credit, but any feeling to which you'd be comfortable with any specific tenant exposure?

Joey Agree To Walmart specifically?

Linda Yu Tsai Just anyone.

Joey Agree Look, Walmart is the only tenant as you mentioned, over 5% of the portfolio. We've thought that was a grey line for a while was breached by different operators within the space. We also look at 10% as a great threshold for sector, line of trade, grocery is just over 10%. We feel very comfortable there. I'm happy to add more Walmart exposure on a percentage basis as we go forward. We're always working on Walmart transactions, frankly across our platforms. There are Walmart in our pipeline right now.

So, as a percentage basis, we feel very good with where Walmart is. I mean they are also our top three or top four ground lease tenant in the portfolio, number three actually in terms of ground lease ABR. So, we're very confident in our Walmart exposure. The company continues to perform tremendously. So, we're comfortable. I think at the peak during Covid, it went off almost up to 9, Peter, correct me if I'm wrong, went up to 9%. I wouldn't anticipate that occurring, but we'll certainly pursue Walmart transactions aggressively.

Operator Our next question comes from the line of Rich Hightower with Barclays.

Richard Hightower I want to go back to -- I think it was Jamie Feldman's question just on sizing sort of the forward equity component of the total sources. So, is the gating factor there at any given time related to the deal pipeline? Is it market impact on the share issuance? Is it something else? Just what would prevent you from taking \$700 something million in ATM -- I'm sorry, in the forward unsettled shares today to \$1 billion, \$1.5 billion or something like that?

Joey Agree When I get the confluence of factors, most importantly -- is ultimately uses, right? Do we have the uses of that capital? Obviously, we have the liquidity and the balance sheet tolerance, the full flexibility to do whatever we want. The most important thing is to have that flexibility and never raise any type of capital. We want to continue to be opportunistic. But I think ultimately, it's sources. So, with no material debt maturity or uses excuse me, ultimately with no material debt maturities in all of the capital that we raised effectively going towards net new investment activity, we'll monitor those -- the pipelines across all three verticals. But I think that's the driver.

Peter, anything else you want to add?

Peter Coughenour No. I agree with that. I think staying ahead of our uses is ultimately most important and that will allow us to continue to be opportunistic in terms of how and when we raise capital. Today with over \$2 billion of liquidity and \$1.6 billion of buying power, as I referenced earlier, we are well ahead of our uses and well positioned for the year.

Richard Hightower And I guess just to follow up on that. I mean is it a safe signal for the rest of us, I guess on this side of the phone call that every quarter or so as you're kind of issuing forward shares, is that a signal that the pipeline is indeed sort of growing above and beyond the current target? Or is that not really the right way to interpret some of those movements?

Joey Agree We'll look at all capital sources. I hope we get back to the day where we can issue a perpetual preferred at 4.25. We'll look at all capital sources, see how they fit within our capital stack. Last year was the first year in a number of years with the 5.5-year delayed draw term loan. We have a full suite, obviously access to all four quadrants of longer-term capital. Short term, we have the line of credit, the commercial paper program, significant free cash flow as well as dispositions which we anticipate ramping a little bit this year.

So, it's -- there's really no direct causation. Are they correlative? Sure. I would say it's correlative as we see our investment pipeline grow further it's wholly possible that we'll add incremental equity to fund that, subject to other capital sources and obviously the respective cost of those capital sources. But look, we have it at the forefront of capital raising in the net lease space, and I would argue REITum today utilizing forward equity first in 2018 on a regular way and then subsequently off of the ATM and so we anticipate continuing, obviously in an external growth business to be raising capital.

We have swaps in place, as Peter mentioned, to tap the unsecured long-term unsecured bond market this year as well. And as the year progresses, we'll look at all, obviously the sources and the uses and continue to match them to create an A- balance sheet that's on par with our expectations.

Richard Hightower That's helpful. If I could sneak in one more, just on development and DFP. Just maybe help us understand where kind of across America, this sort of development is taking place because I think otherwise, retail, commercial real estate obviously is being underdeveloped more broadly, but you guys are finding these sort of pockets. I mean is it infill, is it redevelopment of sort of existing underperforming real estate? Is it greenfield kind of associated with new residential development in different places? Just what does that composition look like?

Joey Agree Interesting question. Look, the constraint today and net new retail development is not desire from retailers. It is cost project feasibility driven by the vertical construction costs primarily. So, we are operating from the west coast to the east coast, all the way down south. There are tertiary markets, there are primary markets. There are redevelopments of existing structures, splitting up larger boxes into junior boxes. There's ground-up projects that have TIFs or outlots or extremely low land basis to support it. It's highly diversified. It's hard corners for c-stores, it is exit ramps for CFL c-stores, larger commercial fueling locations that provide for diesel. And so if you look at the c-store sector today and the growth of the regionals and the nationals, the off-price sector, their voracious appetite to grow, whether it's TJX -- by banner, Ross too or Burlington's desire to get to 1,000 stores.

Then the big box space, Lowe's, Home Depot, as I mentioned, Walmart, Costco, Kroger even announcing net new stores. We see the tremendous appetite to grow, again get the permutation correct in an omnichannel world. I would tell you all retailers have recognized that free shipping and then a 40% return rate does not work. So, they're trying to get stores in place to get our butt to the store to pick things up and if it is delivered, to deliver from the store fulfill that last mile or two in the most efficient way possible, whether that's tertiary or primary. And so there's tremendous appetite for growth. Again most of these retailers are public. They're out there with their stated store goals. We can -- we're in a really unique position to fulfill that appetite with our three vertical external growth platforms.

Operator Our next question will come from the line of Ronald Kamdem with Morgan Stanley.

Jenny Li This is Jenny on for Ron. The first is, we noticed the weighted average lease term on 4Q acquisition was 9.6 years versus like 10.7 years in Q3. I'm just curious, more broadly, how do you think about lease terms when you underwrite acquisitions? Like what's the right balance between lease duration and returns?

Joey Agree All project-specific or opportunity specific. We'll buy short-term leases when we like the real estate, the mark-to-market we have strong performance feedback. We obviously -- the sale-leasebacks will have longer-term. Some of my favorite opportunities are pre-inflationary or construction cost inflation opportunities in the junior box space. They're paying \$10, \$11 per square foot on a short-term deal when mark-to-market is \$17, \$18, \$19, just due to those construction costs I've been talking about on this call. And so you'll see a variety of lease terms. This is a real estate operation here, lease term is one input, store performance, underlying real estate fundamentals, access, visibility, fungibility of the box, signage, traffic counts and demographics are all playing a part in that role as well. So, I wouldn't think of Q4 as a static state at all. I think if we dive into the individual transactions, you'll see -- really what the driver was and really pushed it over through the approval threshold.

Jenny Li Appreciate the comment. The second question is how should we think about the re-leasing spread for investment-grade tenants? I see you only have 1.5% of ABR being renewed next year, but how should we think about the releasing spread?

Joey Agree No difference. 104% has been -- 104% recapture rate has been pretty static.

Peter Coughenour Yes. Over the last few years, we've been at 103% or 104% in each year.

Joey Agree It doesn't seem to be moving and the vast majority of our upcoming expirations which will be handled with favorable outcomes here, we'll I think that blended will fall into the same range. We don't anticipate many of these tenants leaving here.

Operator Our final question will come from the line of John Kilichowski with Wells Fargo.

Jamie Feldman It's Jamie again just with a quick follow-up. The disposition guidance, \$25 million to \$75 million, I think you had mentioned 1031s and even OBBBA being a driver of demand. How are you thinking about that range? Then can you talk more about what's changed and what -- if you might be ramping up that pipeline due to pricing?

Joey Agree Well I think -- I haven't heard that acronym. I think the OBBBA is a driver there for us. So, we have what I would call not economically rational real estate purchasers that are benefiting from accelerated depreciation that they're taking, aren't looking at the real estate fundamentals. If someone wants to buy a Goodyear with a five handle in front of it, we're sellers. I'll be honest.

We're big fans of Goodyear, we're their largest landlord. We obviously did the sale-leaseback with them and took the real estate that they owned on balance sheet and did a sale-leaseback at extremely low rents, but they have control of that property through options. We don't see redevelopment potential, there're contractual rental increases.

So, if someone wants to pay something that we don't think makes sense relative to where we can redeploy that capital, we'll do that. So, a lot of it is the one big beautiful bill purchasers. Then you have some interesting -- I'll call it purchasers that seem to traverse Florida. That doesn't seem -- the pricing often doesn't seem to make sense, and we take advantage there. California as well and in Texas as well, in some of these states.

Now you're not going to see -- and then I'll tell you, we'll look at opportunistic sales and larger price point assets as well. So, if we think we can redeploy the capital at a material spread while increasing the credit profile and the real estate fundamentals, the tenant, we're going to jump on that opportunity and then overall, it's an accretive transaction for us.

So many of these are inbound, not even listed. When you have a portfolio of 2,700 properties, there's always inbound activity. We'll listen. We'll look at those and vet those opportunities and the qualifications of the purchaser. If appropriate, we're going to strike to drive ultimately accretion.

Jamie Feldman Okay. But it still sounds like it's more the smaller buyers rather than institutions when you think about the sales?

Joey Agree Yes. Generally, it's the smaller 1031 net lease dominated 1031 purchaser or tax motivated purchaser as you mentioned. Occasionally, there is some institutional inbounds for a variety of reasons. Maybe they own the adjacent property, maybe there's an overall redevelopment that they're trying to execute upon. But the vast majority of transactions, just like the entire space, is individual purchasers.

Jamie Feldman Okay. Then I know it's a small dollar amount, but what are you targeting for cap rates on dispositions?

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Q4 2025 Earnings

Joey Agree I would say on a blended basis in the 6s, right? Again, we'll continue to pare down, I anticipate, Advanced Auto exposure, frankly, a material level and not very material today. There are some Goodyear transactions in the pipeline which are nonrefundable which will close in the first quarter or have closed already. I don't see anything different in the second quarter or beyond at this time.

Operator This concludes the question-and-answer session. I'll hand the call back over to Joey Agree for closing remarks.

Joey Agree Well, thank you all for joining us this morning. Good luck to the rest of earnings season. And we look forward to seeing you at the upcoming conferences. I appreciate your time.

Operator This concludes today's call. Thank you for joining. You may now disconnect.