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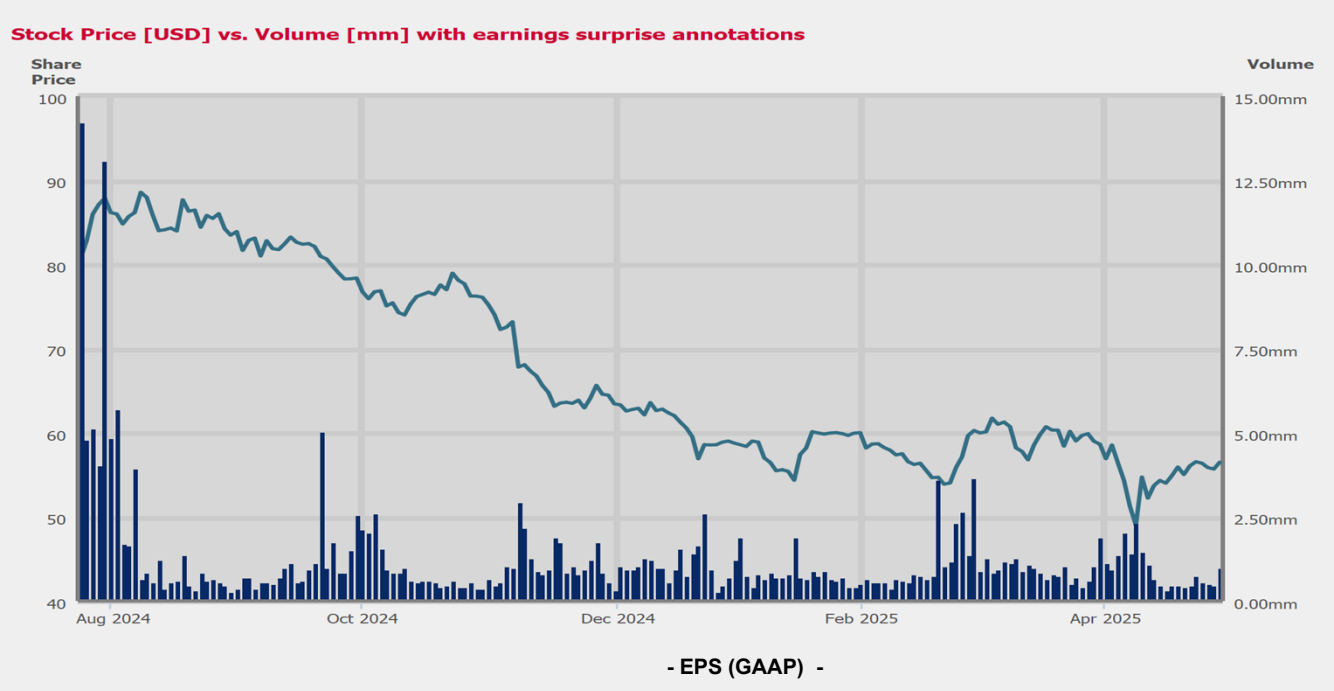
FQ1 2025 Earnings Call Transcripts

Wednesday, April 30, 2025 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.10)	NA	NM	(0.06)	(0.16)	NA
Revenue (mm)	1338.74	1292.00	▼ (3.49 %)	1361.09	5517.58	NA

Currency: USD
Consensus as of Apr-22-2025 11:04 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	(0.13)	(0.46)	NM
FQ3 2024	(1.67)	(2.44)	NM
FQ4 2024	0.07	(0.33)	NM
FQ1 2025	(0.10)	NA	NM

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Call Participants

EXECUTIVES

R. Evan Barbosa
Vice President of Investor Relations

Robert C. Crisci
Chief Financial Officer

W. Gregory Lehmkuhl
CEO, President & Director

ANALYSTS

Alexander David Goldfarb
Piper Sandler & Co., Research Division

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Brendan James Lynch
Barclays Bank PLC, Research Division

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

Craig Allen Mailman
Citigroup Inc., Research Division

Ki Bin Kim
Truist Securities, Inc., Research Division

Michael Goldsmith
UBS Investment Bank, Research Division

Michael Albert Carroll
RBC Capital Markets, Research Division

Michael William Mueller
JPMorgan Chase & Co, Research Division

Nicholas Patrick Thillman
Robert W. Baird & Co. Incorporated, Research Division

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

Ronald Kamdem
Morgan Stanley, Research Division

Samir Upadhyay Khanal
BofA Securities, Research Division

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Todd Michael Thomas
KeyBanc Capital Markets Inc., Research Division

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

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Presentation

Operator

Good day, and welcome to the Lineage First Quarter 2025 Earnings Conference Call. [Operator Instructions] And finally, I would like to advise all participants that this call is being recorded. Thank you.

I'd now like to welcome Evan Barbosa. VP, Investor Relations, to begin the conference. Evan, over to you.

R. Evan Barbosa
Vice President of Investor Relations

Thank you. Welcome to Lineage's discussion of its first quarter 2025 financial results. Joining me today are Greg Lehmkuhl, Lineage's President and Chief Executive Officer; and Rob Crisci, Lineage's Chief Financial Officer.

Our earnings presentation, which includes supplemental financial information, can be found on our Investor Relations website at ir.onelineage.com. Following management's prepared remarks, we'll be happy to take your questions.

Turning to Slide 2. Before we start, I would like to remind everyone that our comments today will include forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our filings with the SEC. These risks could cause our actual results to differ materially from those expressed in or implied by our comments. Forward-looking statements in the earnings release that we issued today, along with the comments on this call, are made only as of today and will not be updated as actual events unfold.

In addition, reference will be made to certain non-GAAP financial measures. Information regarding our use of these measures and a reconciliation of non-GAAP to GAAP measures can be found in the press release that was issued this morning. Unless otherwise noted, reported figures are rounded, and comparisons of the first quarter of 2025 are to the first quarter of 2024.

Now I would like to turn the call over to Greg.

W. Gregory Lehmkuhl
CEO, President & Director

Thanks, Evan, and thanks, everyone, for joining us today. Today is a very exciting day for Lineage as we announced landmark agreements with our valued customer Tyson Foods. In total, we expect to deploy approximately $1 billion of capital in the coming years on the acquisition and new greenfield development that, once stabilized, will generate over $100 million in annual EBITDA. The scale of these agreements on their own by cubic feet would be the size of a top 10 global cold storage company.

First, we announced a definitive agreement to acquire and take over operations of 4 Tyson Foods cold storage warehouses for $247 million. These warehouses total approximately 49 million cubic feet with 160,000 pallet positions and are located in Pottsville, Pennsylvania; Olathe, Kansas; Rochelle, Illinois; and Tolleson, Arizona.

Second, at or prior to closing the acquisition agreement, Lineage will enter into an additional multiyear warehousing agreement to design, build and operate 2 next-generation fully automated cold storage warehouses in major U.S. distribution markets, which Tyson Foods will occupy as an anchor customer. They will add 80 million cubic feet and 260,000 pallet positions into our portfolio.

We expect to deploy over $740 million on these 2 greenfield developments, with an expected yield of 9% to 11% when stabilized. Under this warehouse agreement, Tyson Foods will also begin storing product at our newly developed next-generation fully automated Hazleton facility as an anchor customer. The acquisitions are expected to close in the second quarter, subject to customary closing conditions.

We look forward to welcoming over 1,000 existing Tyson Foods employees into the Lineage family and executing our proven integration process. We expect to break ground on the greenfield development in the second half of this year. As the new build warehouses open, targeted for late '27 and 2028, the 4 existing acquired warehouses will transition into public multi-client facilities.

Our leading global facility network and world-class automation expertise, combined with our proprietary data science capabilities, aligns really well with Tyson Foods' objective to enable a faster, smarter and more integrated supply chain to meet the demands of an increasingly dynamic, evolving and growing market. These landmark agreements showcase the multiple ways we can strategically add value for our customers, and we look forward to future opportunities to help them build resilient and more responsive supply chains.

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Turning to our first quarter highlights on Slide 4. Our first quarter results reflect normal seasonality against the elevated inventory levels we saw in the first half of 2024, as discussed in our last earnings call. Our total revenue was down 3%, adjusted EBITDA down 7%, same-store warehouse NOI down 7.9%, and we delivered 6% AFFO per share growth. Right now, winning in the marketplace does come with trade-offs.

Despite the inventory reset, our same-store physical occupancy remained strong at 76.5%. However, the quarter was impacted by lower revenue per throughput and occupied pallet, primarily driven by new business wins at lower rates and customers resetting volume guarantees at lower levels given lower industry occupancy.

However, our team continues to control costs and improve productivity in an environment where food companies are balancing the challenges of high interest rates, shifting consumer sentiment and significant macroeconomic uncertainty compounded by evolving tariff policies.

In response, many customers are pausing their supply chain investments and maintaining lean inventory levels. They are acutely focused on increasing their sales volumes while working hard to lower their operating expenses. Accordingly, we are partnering with our customers to leverage our global scale and expertise to help them optimize their supply chain and navigate through this challenging period.

All in, we are maintaining our previous guidance and expect to deliver adjusted EBITDA and AFFO per share growth for the full year as well as return to same-store warehouse growth in the second half.

We are excited to report continued progress on our LinOS pilots at our conventional buildings, which continue to exceed our expectations. As a reminder, LinOS is our proprietary warehouse execution system that we've already implemented in multiple automated facilities. The software uses patented and proprietary algorithms as a result of many years of development. 2025 is about testing and proving out these gains in a variety of facility profiles in advance of a broader rollout starting next year.

I'm personally really excited about LinOS. This technology is one example of the innovative and bold thinking at the core of Lineage. I'm thrilled to see what a great complement it is to our lean methodologies that we've been implementing over the last decade. These methodologies and our productivity initiatives are expected to offset labor inflation and lower our cost structure. We are realizing some of those benefits now as our same warehouse cost of operations declined 2% in the quarter despite the inflationary environment. We expect LinOS will supercharge those efforts in the future and create meaningful cost advantages versus our competition.

Finally, we continue to execute on our robust pipeline of development and M&A opportunities, including the Tyson Foods agreements, which I've already talked about; the acquisition of 3 warehouse campuses from Bellingham Cold Storage for $121 million, adding to our existing portfolio in the Pac Northwest; and $67 million in development spend in the quarter, including completing the semi-automated expansion at our Vejle, Denmark facility ahead of schedule and breaking ground on our automated expansion project at our Bergen op Zoom facility in the Netherlands, which, once completed, will be the largest cold storage in Europe.

Finally, I'd like to give a shout-out to our finance and accounting team for enhancing our quarterly close process, resulting in us speaking to you today a week earlier than our last 10-Q in the fall. Their hard work echoes across the organization, and I would like to sincerely thank all of our global team members for their contributions during the first quarter.

Now I'd like to turn the call over to our CFO, Rob Crisci.

Robert C. Crisci
Chief Financial Officer

Thanks, Greg. Good morning, everyone. Starting on Slide 5 and looking at our financial results for the first quarter. Our total revenue was $1.29 billion, down 3%. Our adjusted EBITDA decreased 7% to $304 million, with adjusted EBITDA margin down 110 basis points to 23.5%. Our AFFO for the quarter was up 48% to $219 million, and AFFO per share was $0.86, a 6% increase versus prior year, aided by lower-than-expected tax expense and the timing of our annual maintenance CapEx spend.

Next slide. Shifting to our global warehousing segment. We have the 4-year view on this slide that does a good job of pointing to the multiyear trends we talked about in February. Inventory levels were elevated in the last couple of years, helping drive 22% same warehouse NOI growth in the first quarter 2 years ago. The excess inventory appears to have stabilized, but we are now seeing more typical seasonality as revenue declined sequentially from the fourth quarter, representative of a more normal pattern.

Average revenue per pallet has been challenged for the reasons Greg mentioned. We've been controlling costs well through sustainable labor productivity improvements even before realizing future benefits around our LinOS technology.

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Turning to the outlook for the remainder of the year. We continue to expect normal seasonality, with the second half outpacing the first half. However, since our February call, the macroeconomic uncertainty, driven largely by the U.S. tariff announcement, has created some hesitancy among our customer base in the short term. Notably, about 15% of our U.S. throughput volume is directly tied to import/exports. Some of our customers are in a wait-and-see mode, making it difficult to predict near-term activity.

We expect year-over-year declines in Q2, similar to Q1 as comps remain challenging in Q2, which, by the way, is typically the lowest quarter of the year from a seasonal perspective. We anticipate growth to return in the second half, driven by normal seasonal increases and easier comps. However, given the macro uncertainty, it's difficult to predict the level of which we will grow in the second half. Past supply chain disruptions sometimes boost customer inventory levels, but it's too early to tell with confidence what's going to happen. We will have more visibility, and we'll be better able to quantify growth as tariff policies stabilize, and we look forward to updating you next quarter.

Turning to Slide 7 and covering our global integrated solutions segment. Segment revenue was down 3% to $348 million. NOI was down 3% to $57 million, with NOI margin flat at 16.4%. As expected, we saw new business that we won in the second half of 2024 starting to come online in the first quarter. We see strength in this segment as our transportation and other value-added services are increasingly sought after by our customers.

For 2025, we expect strong momentum to continue with sequential growth throughout the year. Easier comps later in the year should help drive strong double-digit growth in the second half.

Turning to Slide 8. We ended the quarter with net debt of $6.7 billion. Total liquidity at the end of the quarter stood at $1.7 billion, including cash and revolving credit facility capacity. Our leverage ratio, defined as net debt to adjusted EBITDA, was 5.2 at the end of the quarter. Our strong balance sheet, available cash and debt capacity continues to offer us flexibility to take advantage of attractive capital deployment opportunities moving forward. Our landmark agreements with Tyson Foods are a great example, and we look forward to continuing to take advantage of our attractive pipeline of accretive opportunities.

Turning to Slide 9. We are maintaining our 2025 guidance with our adjusted EBITDA range, in million, of $1,350 to $1,400 and AFFO per share of $3.40 to $3.60. Our guidance includes contributions from our recently announced acquisitions of approximately $25 million of adjusted EBITDA and $0.05 of AFFO per share for the balance of the year. However, we believe it's appropriate to maintain previous guidance to account for the near-term uncertainty we are seeing in the core business as our customers remain tentative given evolving tariff policy. We continue to be well positioned for growth in the second half of the year.

As a compounder, it's nice to have some strategic capital deployment to help fill the gap created by some of this near-term uncertainty. Importantly, the Tyson Foods agreements help increase our base and position us well for incremental growth in 2026 and beyond, both from the acquisitions and down the road from the greenfield developments.

Lastly, we've included some additional modeling support on this page. Most assumptions remain unchanged, with the exception of higher interest due to the new capital deployment and lower tax expense related to some of our international operations.

With that, I'll turn it back over to Greg to wrap up before turning it over to your questions.

W. Gregory Lehmkuhl
CEO, President & Director

Thanks, Rob. I'll conclude on Slide 10. Our achievements this quarter demonstrate our strength and ability to create value through strong customer relationships. The landmark agreements with Tyson Foods, representing approximately $1 billion in total capital deployment, will significantly enhance our platform and add to our global leadership position. Our acquisition of 3 warehouse campuses from Bellingham Cold Storage has strengthened our presence in a key market while our Vejle and Bergen op Zoom expansions showcased customer-led growth across our global markets.

Lineage's competitive advantages continue to differentiate us in the market. We remain committed to growing these advantages through our technology-first approach exemplified by our progress on LinOS. Looking ahead, we see significant opportunities for growth, with a robust pipeline of strategic acquisitions and greenfield development opportunities.

As I reflect on the challenges in our environment today, I'm heartened that at its core, Lineage is a business that is built to weather the storm. We have the largest platform driving significant network effects, the best assets; are industry leaders in technology, automation and data science; and are the most diversified geographically and across our more than 13,000 customers.

We provide the most comprehensive set of services with our globally integrated solutions segment. We are leaders in lean operational excellence, and we believe we remain the acquirer of choice in the industry, demonstrated again by today's announced landmark

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agreements with Tyson Foods. We have the balance sheet and attractive cost of capital to take advantage of market opportunities through strategic M&A and capital deployment.

Because of these structural and distinct advantages as the industry leader, I'm confident that we are well positioned to win and to deliver long-term compounding growth to create shareholder value.

Lastly, I want to thank our over 26,000 team members around the world for the great work they do to safely serve our customers every single day.
And with that, I'll open it up to questions. Operator?

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Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Caitlin Burrows of Goldman Sachs.

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

Maybe you mentioned in the prepared remarks that 50% of throughput is directly tied to the import/export business. So is the other 50% consumption? Or can you go through that? And I think we've just been surprised on how volatile the food business can be. So can you give some more color on how that food imports/exports business is able to be so volatile? And similar for consumption, like how does economic uncertainty impact customer inventory and throughput? I guess that's a lot, but hopefully, it all ties together well.

Robert C. Crisci
Chief Financial Officer

Caitlin, just to clarify, so it's 15%, 1-5, directly tied to import/export.

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

Okay. I heard 50%, so thank you.

Robert C. Crisci
Chief Financial Officer

Yes, yes. No worries. And I will turn over to Greg.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I think that while the tariffs have created significant uncertainty in the short term, the consumption really has to change. So the -- and it really hasn't impacted overall occupancy too much at this point. There's certainly again, short-term uncertainty given the tariffs that our customers are not making major supply chain decisions in large part because of the tariffs. But I don't think it's driving substantial volatility so far yet.

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

Got it. And then maybe just if you could realize 15% is a different scale than 50%. But on that import/export business, is it just that certain foods then are being consumed less today than they would have been previously? Or how does that actually end up like happening and impacting you?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. So I've met with 20 customers literally just in the last few weeks. And I think the biggest single impact is customers are delaying major decisions, and it's just creating hesitancy. Our customers are just waiting for more clarity before they make major decisions like where to expand operations, where to build plants, where to source long-term transportation, whether that be domestically to ports or internationally in the forwarding space or where to shift position and build inventories.

The kind of rapid changing of tariff policies has caused some, call it, short-term disruption. For example, our customers have rerouted inventory that's been in flight, on the way to destinations like China. For example, Alaskan seafood, which generally comes to the Pac Northwest after being processed in China -- that was headed to China for processing has either come back to the U.S. for processing or been rerouted to other Southeast Asian countries like India or Vietnam for processing.

In the protein space, we've seen certain proteins -- we've seen the export levels come down. But importantly, when you talk about volatility, even though some export levels have come down in specific proteins, the production and manufacturing levels have actually remained very steady. The end consumption has remained steady. And just a little bit more of that production is being routed to the U.S. versus overseas.

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I think out of 20 customers, literally only one beef producer in Australia that I met with a couple of weeks ago was not worried about the U.S. tariffs because he said the U.S. has such a beef shortage because the herd is so small right now. He basically said no matter what our price is to export to the U.S., Americans are going to eat cheeseburgers, and he wasn't worried. But everybody else had said tariff was at the top of their list.

Operator

You have a question from Brendan Lynch at Barclays.

Brendan James Lynch
Barclays Bank PLC, Research Division

On the assets that you're acquiring from Tyson, can you talk about where they are in the supply chain and what their level of commitment to you is over the long term for those specific assets?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I'll just say it's a long-term agreement, a multiyear agreement. We can't disclose specific attributes of the actual agreements themselves. The assets that we're acquiring are a mix between production and distribution. More slanted towards the distribution side, though.

Operator

Your next question is from the line of Samir Khanal from Bank of America.

Samir Upadhyay Khanal
BofA Securities, Research Division

Greg, I guess, just maybe talk around occupancy, right? I mean occupancy was down as we would have thought, maybe a little bit even more. But how to think about the cadence of occupancy as we go through the year? I know you talked about a recovery in the second half. So any color on that would be helpful.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, certainly. So we talked at length last quarter about how there was a multiyear inventory stocking that concluded in the third quarter of last year. And since then, we reported last quarter that we've seen more normal seasonality. And that holds true through this quarter. We are seeing normal seasonality despite the tariff uncertainty. And what that means is we were elevated in the first half of last year, and the first half comp this year is very challenging. But we would expect to see normal seasonality in the second half, which would give us elevated levels from last year or versus right now.

Samir Upadhyay Khanal
BofA Securities, Research Division

I guess as a follow-up to that, I mean, what gives you the confidence of that sort of return back to seasonality? I know the comps get easier in the second half, but you kind of highlighted the delays in decision-making by customers. And I guess what are you seeing in changes to that customer behavior to kind of give you that confidence given the uncertainty?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Great question. So our data science team studied the last almost 10 years of our data for what we call core inventory holdings. These are customers where we never -- we neither won new business nor lost any business and built that up from the SKU level in the actual facilities.

And from that, we derive what we consider normal seasonality across our global network. And that historical pattern of normal seasonality, kind of how inventories change month-to-month, resumed in the third quarter of last year, and that stayed consistent with that historical trend through the first quarter of this year.

And so of course, things could change. We're not trying to predict the future. We're just saying that so far, our data shows that normal seasonality has returned and the inventory destocking concluded in the third quarter of last year.

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Operator

You have a question from Michael Carroll at RBC.

Michael Albert Carroll
RBC Capital Markets, Research Division

Greg, can you provide some more color on your storage and service rental rates? I know both looks like they were down a decent amount year-over-year and sequentially. I guess what's driving those weaknesses? Is Lineage cutting rates to win market share? Or is there a mix shift? I guess what's going on with those numbers?

W. Gregory Lehmkuhl
CEO, President & Director

Yes, great question. So let me just kind of provide quite a bit of color on what we're seeing in the industry right now in response to your question. There's a lot -- there's a few things going on at the same time here. First of all, inventory occupancies declined because of the destocking I just reviewed. Again, normal seasonality has resumed, but we'll have tough comps in the first half of this year. But in the first quarter of this year -- so the inventory levels of core holdings are down. And so in the first quarter this year, our customers have reset volume guarantees at a lower level to match their inventory needs. And then certainly, over the last couple of years, some new capacity has come online in select markets.

And so in this challenging environment, we've been focused on keeping our physical inventory high. And I mentioned on the last earnings call that we are willing to trade volume for price strategically when it makes sense for the long-term health of the business. And our sales team has actually done a great job managing the situation by winning a lot of new business, which has largely offset the core holdings decline that we just talked about.

And I think that's illustrated by in a declining environment, our physical inventory is only down 1%. And as you suggest, part of the trade-off to win some of that new business has been to work strategically with the customers on price.

Now all that said, and while there is pressure and uncertainty in the short term and the marketplace definitely remains competitive, we believe that we've returned to, again, normal inventory holdings and seasonal patterns, even without some kind of inventory rebound, which we're not counting or we're guiding to. And the year-over-year pricing headwinds that you're seeing in our numbers will wane as the year progresses as customers have largely reset their volume guarantees now, that happens majority in the first quarter, and inventory levels have stabilized.

And so when we look forward, as Rob talked about in his prepared remarks, we see a similar environment in the second quarter to the first quarter and a return to same-store growth in the second half. We're not providing an exact same-store growth figure for the second half only because of the macro uncertainty. There's a number of things in the short term that could impact us by a few points in either direction. But we're confident in the midterm that we're going to be fine just because of the scale and diversification of our network.

Michael Albert Carroll
RBC Capital Markets, Research Division

Okay. So with the minimum resets, stores numbers coming down impacting that rent number, does that -- is that all kind of already in the numbers in 1Q? I believe you kind of highlighted that. So we should think about that kind of at a good level today, not any incremental weakness and could build back up over time, maybe in line with inflation?

Robert C. Crisci
Chief Financial Officer

Yes. I think in a general assumption, yes, I think that's very fair. I mean, I think that makes sense, Mike. We were just -- there's uncertainty, right, around all the stuff we talked about. And so we just want to be super careful because we're -- we learn more every day. And we think we'll have a really good year and a really nice second half. And we're just -- we're challenged to quantify for all the reasons we talked about.

W. Gregory Lehmkuhl
CEO, President & Director

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Yes. But I think, in large part, that kind of price or volume guarantee reset has happened in the first quarter, that will cascade through the year. But then we would expect to get normal price increases and not have guarantees drop a bunch again next year because we're at very lean inventory levels throughout the industry and the destocking is concluded.

Operator

Your next question comes from the line of Michael Mueller of JPMorgan.

Michael William Mueller
JPMorgan Chase & Co, Research Division

I guess, first, can you talk about some examples of where you're seeing customer pauses? Are you seeing it more with producers? Or is it more from retailers? Just some color on that would be great.

W. Gregory Lehmkuhl
CEO, President & Director

I would say it's more for producers than retailers as the consumption in the U.S. isn't changing. And it's more about kind of outside of Tyson making structural changes, contracting with forwarders for certain international lanes for a year and locking down price when there's so much volatility because they -- their producers on the export side or import side don't know exactly where they'll be sourcing certain products or where they'll be shipping certain products. What we know is that food flows like water around the world that people are going to eat everywhere, and kind of no matter what happens, we think will be -- we'll be well positioned [in the future].

Michael William Mueller
JPMorgan Chase & Co, Research Division

Got it. Okay. And then, I guess, second question, how do acquisition and development required returns change when you're dealing with kind of somewhat of an anchor customer or tenant as opposed to just normal course one-off activity?

W. Gregory Lehmkuhl
CEO, President & Director

I would say these are -- all the deals that we announced today are in line with our historical expectations. And we love the customer. We think we're going to be able to help a ton with our technology and automation. We think we can really partner with them and streamline their supply chain even more, and the deals are accretive to us in line with past deals.

Robert C. Crisci
Chief Financial Officer

Yes. I mean Tyson is very much a win-win for both parties. We worked really closely over many, many months on these agreements. And we very much want our customer to do well, and we think we'll do well, and it's a wonderful thing.

Operator

Your next question is from the line of Craig Mailman from Citi.

Craig Allen Mailman
Citigroup Inc., Research Division

Just wanted to follow up on kind of the changing assumptions here. I mean if it hadn't been for the Tyson's deal, you essentially would have lowered guidance here by $0.05. I mean what's the biggest pressure point as you guys reevaluated kind of the risk of tariffs? Is it further erosion in occupancy, rate, margins? Kind of what's the -- what worried you the most from a visibility perspective?

W. Gregory Lehmkuhl
CEO, President & Director

I think it's just the unknown and the uncertainty of the tariffs. I mean, again, we're all over the world. We can support consumption in all the major markets in which we operate. But our customers are telling us they're not sure what they're going to do. They don't know where they're going to build inventories. They don't know how they're going to direct trade flows, and that could have a short-term disruption even though we're very confident we'll support their needs in the medium and long term.

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So given that uncertainty, given 19 of the 20 clients I met with said we don't know what's going to happen with our supply chain, we think it's prudent to reinforce our overall guidance with the acquisition, new cash flows, but not try to get specific when none of our customers know exactly what's going to happen in the [indiscernible].

Robert C. Crisci
Chief Financial Officer

As I said in the prepared remarks, there's also an upside opportunity here, too, right, which is also difficult to predict. But normally, more inventory tends to get into the system any time you have disruption. We've seen that many times over history.

W. Gregory Lehmkuhl
CEO, President & Director

Brexit, COVID.

Robert C. Crisci
Chief Financial Officer

Yes, so Brexit, COVID, et cetera. So I just think, again, it's just hard to predict. As Greg mentioned, I mean we're going to be within a range, but it could go a few points one way or the other. And so we really want to see more, and we'll update everyone as we see things here into the next quarter and the second half of the year.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I mean there's been supply chain disruptions in the past like port strikes, like COVID, like Brexit, but there's really -- this is unprecedented. I mean no one knows what's going to happen with global trade flow. And I think we just feel thankful that we're not in consumer electronics or auto parts that can be handicapped in the medium and long term from these changes. And we're in food, and people are going to eat, and we're all over the world and diversified. So we think we're super well positioned versus most companies in the long term. But in the short term, there could be a little volatility.

Craig Allen Mailman
Citigroup Inc., Research Division

Okay. And then just on the volume kind of resets here with customers and sort of the lower price points. I mean how much of that is happening with renewal agreements versus pricing pressure trying to poach clients from competitors to bring in kind of new deals?

W. Gregory Lehmkuhl
CEO, President & Director

I would say on the volume guarantees, it's -- what's happening with the volume guarantees is we're actually -- our sales team is doing a great job of getting new volume guarantees. We have record new business despite the soft environment, and the new business has more than 42% volume guarantees. However, the existing customers, the kind of core holdings that we had volume guarantees with going into the first quarter, they've lowered those guarantees. And that puts pressure on our revenue per occupied and throughput pallet.

And so while we love collecting revenue from customers, we don't -- we actually don't think customers paying significantly more -- paying for significantly more space than they're using is beneficial in the long run. And we like a relatively low gap between physical and economic for that reason. We think too big a gap is kind of a ticking time bomb, frankly. So we think we've worked through that, and it will be more stable going forward.

Operator

And your next question comes from the line of Alexander Goldfarb of Piper Sandler.

Alexander David Goldfarb
Piper Sandler & Co., Research Division

Two questions. First, if we look at the non-same-store pool, that seems to be where you guys are experiencing a much bigger occupancy drop. So just want to get a little bit more color. That's my first question.

Robert C. Crisci

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Chief Financial Officer

Yes. I mean that's really related to the Kennewick fire from last year. It's -- yes, it's basically -- that's a big part of it in the first quarter.

Alexander David Goldfarb
Piper Sandler & Co., Research Division

So 42 properties were -- that occupancy drop was just -- a 15% drop was all driven by one property?

Robert C. Crisci
Chief Financial Officer

Yes. And there was also Big Bear. So there's a couple where we had incidents, right, with the fires. That's the biggest driver. I mean that Kennewick was one of our largest facilities. And that's relatively small non-same-store [indiscernible].

W. Gregory Lehmkuhl
CEO, President & Director

It was totally full.

Robert C. Crisci
Chief Financial Officer

Yes, it's totally full. Yes. So I think that's a big driver, Alex.

Alexander David Goldfarb
Piper Sandler & Co., Research Division

Okay. And then the second question is, we've been -- for the past few quarters, we've been talking about this normalization of inventory levels. And obviously, you guys have a lot of experience in the business, but it does seem that each quarter, it seems to be the next quarter.

So just curious, as you look at the normalization of inventory levels and the stable consumption that you guys see in the food business, is there something different about this cycle versus your 15-plus years in the business that seems to be taking longer for inventories to normalize? Because I mean, COVID was a few years ago. Presumably, the destocking occurred a few years ago, and the tenant should have been back, especially pre-April 2. So just sort of curious why it seems to just be taking a little bit longer than what we initially spoke about. I think it was back on the -- on your initial earnings call.

Robert C. Crisci
Chief Financial Officer

Yes, yes. So I'll start and turn it over to Greg. But we actually -- from an occupancy level, we're pretty much right where we expected for the first quarter. I mean we saw normal seasonality. As we talked about, we saw the core holdings stabilize after the second quarter of last year. So actually, yes, from the occupancy standpoint, we are directly in line. Like, rate was a tiny bit worse, as Greg talked about, and that really was the driver. We were actually pretty close to our internal models on Q1. So consistent with what we had told people.

And I'll turn it over to Greg for...

W. Gregory Lehmkuhl
CEO, President & Director

No, I would just reiterate what you said. We said very clearly last quarter, we thought normal occupancy and seasonal patterns resumed in the third quarter. That remains true today and is reflected in our numbers. And as Rob said, the occupancy was right where we frankly hoped it would be in the first quarter.

Operator

Your next question is from the line of Blaine Heck of Wells Fargo.

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

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Just a few with respect to the agreement with Tyson. Can you talk about the age and condition of the 4 properties that you acquired, whether they might need any redevelopment or repositioning as Tyson moves from those properties into Hazleton and eventually the 2 new developments, and then also what the yield is on the assets that are being acquired, if you could share that?

W. Gregory Lehmkuhl
CEO, President & Director

Start with the...

Robert C. Crisci
Chief Financial Officer

Yes. So I think we talked about 9% to 11% on the development. In terms of the EBITDA contribution of these acquisitions, we're low double-digit EBITDA multiple on the acquisitions we announced this quarter.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, we did do, of course, complete due diligence, and Tyson was totally open book on the condition of the assets. They're generally in very good condition, and any CapEx that we would need to put in is certainly figured into the overall deal and returns.

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Okay. Great. That's helpful. And then second question, can you talk about how we should think about the sources of funding past the cash that you guys hold on the balance sheet for the total spend on the acquisition and development agreement? And maybe how you think about additional capacity or dry powder for investments kind of incorporating this deal, the Bellingham acquisition with the additional spend on development underway and potentially any debt paydowns that you might be considering?

Robert C. Crisci
Chief Financial Officer

Yes, sure. So I think this is all in line with our normal operating cadence where we spend money using our revolver. We still have a ton of capacity. We're a solid investment-grade company. We have the opportunity to do public bonds here moving forward, which is something we'll certainly look at. And then as we grow the business and we generate more EBITDA, we get more capacity. We generate more cash, and you get the flywheel that we talked about.

So we still have capacity now. We're going to be very thoughtful in this market. Again, we're always going to be patient, and we'll manage this investment-grade balance sheet and continue to grow the business.

Operator

Your next question is from the line of Nick Thillman of Baird.

Nicholas Patrick Thillman
Robert W. Baird & Co. Incorporated, Research Division

Maybe wanted to touch some on the variable costs within the business and the labor in particular. I guess what are you guys seeing on the labor front when it comes to wages as wage pressures kind of have abated at this point? And then what are you guys kind of doing on the staffing levels with volume expected to be a little bit lower on the import/export? I guess how are you adjusting to this type of environment?

Robert C. Crisci
Chief Financial Officer

Yes. So I'll start. Yes, the labor productivity is still a great story for us that we talked about. I think we showed our same-store warehousing costs down in the quarter. And that's driving -- helping us, and it's all about labor productivity and lean and the things we've been doing forever. And then we'll -- I'm sure we'll talk about LinOS and the opportunity there. But yes, no, it's a good story. I think we continue to have a lot of positives here that are helping us.

W. Gregory Lehmkuhl
CEO, President & Director

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Yes. I would say, certainly, the labor front is stable, and we're seeing wage increases of about 3.5% a year, which is in line with history.

Nicholas Patrick Thillman
Robert W. Baird & Co. Incorporated, Research Division

That's helpful. And then maybe just following up on an earlier question. Of the $25 million of EBITDA, are you able to break that down between Tyson and the Bellingham acquisition?

Robert C. Crisci
Chief Financial Officer

No. I don't want to get into the details on that. But as we -- no, the [actions to get] -- like I said, we're low double digit EBITDA as you kind of back into it.

Operator

Your next question is from the line of Omotayo Okusanya from Deutsche Bank.

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

I was hoping you could dive a little deeper into guidance. So again, it's unchanged. You're gaining $0.05 from all the acquisition activity. Could you just talk a little bit about all the other moving parts, whether it is, we're now expecting slightly worse by X amount on operations, but we're picking up this amount from better cost? Just to kind of get the general sense of how guidance still kind of ends up being flat, but understanding some of the moving parts a little bit better.

Robert C. Crisci
Chief Financial Officer

Yes, for sure. So it's really about all the uncertainty that we talked about earlier. So there are a lot of moving parts. We have a lot of levers to pull. We feel very confident in these guidance ranges that we gave you on adjusted EBITDA and AFFO per share. There's a lot different ways to get there. And we'll continue to execute throughout the year to make sure we deliver these results or better.

But there's just a lot of moving pieces, right? I mean it's tough to quantify everything because you can't predict the future. But we feel really good about these ranges, and we're aided by the acquisitions, and we'll execute well the rest of the year.

W. Gregory Lehmkuhl
CEO, President & Director

And we're certainly building in substantial productivity improvements continuing through the year, actually accelerating through the year. And I think the price, the pressure that we saw in the first quarter will continue throughout the year, and that's all baked into our assumptions.

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

Okay. That's helpful. And then if I could ask a quick second question. Could you talk about the business in terms of how domestic is performing relative to your international operations? Is one generally feeling better than the other? Is there more risk in one or the other? Just kind of curious how that's shaping up?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I think the price pressure that we saw with the volume guarantees resetting was kind of a U.S. phenomenon. And our -- both our Asia Pacific business and our European business is actually performing very well and, I believe, has accelerating performance. And while GIS -- our GIS segment was down year-over-year, we're still guiding to 5% to 10% EBITDA growth of that segment, and we feel good about that.

Operator

Your next question is from the line of Ronald Kamdem of Morgan Stanley.

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Ronald Kamdem
Morgan Stanley, Research Division

Just 2 quick ones. So starting with sort of same-store NOI. I know the previous guidance, obviously, of 2% to 5% constant currency. The presentation says 2Q should be sort of down as much as 1Q, if I'm understanding that correctly. So just trying to think about the cadence of what's baked into the second half of the year? Obviously, without putting an exact number on it, but how are you guys thinking about that down and recovery in the second half of the year?

Robert C. Crisci
Chief Financial Officer

Yes. So I think as we said, we're confident in growth in the second half of the year for all the things we talked about, the easier comps, the seasonality. I think that we're not sure how much it's going to grow. And that's why we're being careful on giving ranges. And that's where we'll continue to give you more information as we see it. But that's really the -- as Greg mentioned, that's kind of the point.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, those are the key points.

Ronald Kamdem
Morgan Stanley, Research Division

Great. And then my second question is just a little bit more color on what you're hearing from tenants and sort of their level of inventory sort of post tariffs and so forth. And are there any sort of sectors, whether it's food, seafood, protein, is there any one or other that's better or worse positioned than any other sort of post tariff announcement?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I would say there's a wait and see on whether to change any inventory positioning or level of holdings. Our seafood business, we talked about that a lot last year, that stabilized. And I think we're kind of at a normal consumption level in seafood. And so we're seeing that -- we're seeing those inventories down from the peak of COVID, but there's no longer downward pressure in that segment of our business.

Operator

Your next question is from the line of Steve Sakwa of Evercore ISI.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

I don't know if you guys saw there was a major article about the Chinese that had canceled a major, I guess, pork order from U.S., obviously, given the tariff situation. And I'm just curious how that sort of transaction ripples back through the system here in the U.S. And could things like that, in some cases, put upward pressure on occupancy? Or how do you sort of think about that in light of the comments, Greg, you sort of made about customer uncertainty with kind of the import/export business?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. It's a really great question. So absolutely, that could happen. I mean we're -- all the uncertainty that we have and the reason we're not giving a same-store exact number for the second half isn't all downside. There's a lot of things that could happen here that could buoy our occupancy and results. And that's one of them.

I mean China is a very large trading partner with the U.S. in the food space. We've spoken with our team, a number of commodity experts. And I think, importantly, though, while China is a large partner, they've been using nontariff trade barriers for a number of years. So this really isn't a new issue. While it's pronounced that it could have a bigger impact than past issues, it's not a new thing for our customers to deal with.

I mean, for example, China was not renewing export licenses for a number of U.S. protein locations that compete with their domestic producers all of last year, and our customers have been dealing with that. And so customers and producers are already working to

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redirect their exports to different countries, and that's exactly what they'll do if the tariffs remain -- if China's protectionist policies continue or the tariffs get larger.

So I mean, like we said, food flows like water around the world. If it's not exported to China, it will be exported somewhere else, or it will be -- because -- it will be pointed to the domestic market here in the U.S. But yes, there is upside, as you point out.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Okay. And then maybe just -- sorry, did you want to say something else?

W. Gregory Lehmkuhl
CEO, President & Director

No, all good. Proceed.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Okay. Just second question. Just I guess as you think about capital deployment and like this Tyson's deal, does the economic uncertainty maybe create more opportunities for you guys as customers look to kind of shed costs and streamline their business? And how are you thinking about those deals and maybe the return hurdles in light of kind of where your stock has traded since the IPO and uncertainty in the bond market? Are you raising your investment hurdles? And do you think this can create more opportunity?

W. Gregory Lehmkuhl
CEO, President & Director

So we think it could. We're always looking at risk-adjusted return, and our cost of capital is a key component of that calculation that we talk about every week in our capital deployment call. But certainly, if tariffs impact the global supply chain, customers will shift their either production or distribution channels. And we are in those rooms with those executive staffs, helping them decide and execute on any major supply chain changes.

And so Tyson is one that was obviously born well before these tariff policy changes. But as things change, we tend to get even more valuable with our customers.

Operator

Your next question is from the line of Ki Bin Kim from Truist.

Ki Bin Kim
Truist Securities, Inc., Research Division

Going back to the Tyson's deal, I mean, ultimately, what was the value proposition for Tyson's? Was it just cost savings or LinOS or just more sustainable operations? Just curious overall.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, all the above. I mean lower cost, best technology, best automation, serving their dynamic customers better, positioning their inventory in the optimal locations. These guys are really smart about how they plan their future supply chain, and we were able to work with them for a full year on what that future supply chain should look like. We also provide them with a lot of flexibility, given that they're an anchor customer in these buildings and can flex inventory if needed, to a certain extent. And that kind of future-proofs their supply chain.

LinOS was certainly a piece of this and will be running in these automated buildings, and we will convert to LinOS in the buildings that we're purchasing from them. And I'll just give a quick LinOS update while we're on the topic.

Our pilots continue to go extremely well. We're seeing double-digit productivity improvements in these buildings. And as we mentioned, this is a year of just proving it out, and then we'll roll it out more broadly over the next couple of years. But we're increasingly excited about how this technology can transform our operations. And we're seeing very real benefit, not only in direct labor, but also in indirect labor, in benefits, in energy, in safety, even in employee turnover and training expense.

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We even think this will lower our maintenance expense and CapEx as we'll be -- we use our facilities more efficiently. And over time, we think this will meaningfully lower our cost structure and create an even deeper moat between us and our competition and improve the already outstanding service we provide to our customers. So we're highly encouraged, and this technology was a component of the deal with Tyson.

Ki Bin Kim
Truist Securities, Inc., Research Division

Great. And on the trade uncertainties, one of the things the administration has talked about is not just tariffs, but perhaps improving the balance of trade through exports, especially like agricultural exports. I'm not sure if you and the food producers have had much dialogue with the administration. But any kind of insights you can share what this potential could be? And how real does it feel like? Or would it be like all soybeans and not touch the cold storage warehouse?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I think it could impact us. But to try to predict how and why and where and which commodities, yes, we -- I've met with 20 customers in the last just several weeks, and there's so much uncertainty. I think it would be unwise for me to try to predict what's going to happen at this time, but more next quarter.

Operator

Next question is from the line of Michael Goldsmith of UBS.

Michael Goldsmith
UBS Investment Bank, Research Division

How much room do you think your current tenants have within their current commitments to utilize before they would need to take on more space?

W. Gregory Lehmkuhl
CEO, President & Director

It varies by customer, by region, by commodity, yes.

Robert C. Crisci
Chief Financial Officer

I think where we are from an occupancy standpoint, there's a ton of room that we have to sell to customers, and that's actually a really nice opportunity moving forward, right? With all the things we've done from a productivity standpoint, getting our costs at a really good level here, having the space to sell, having a market that is going to bounce back at some point gives us a ton of opportunity to drive really strong operating leverage moving forward.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. And I think because the volume guarantees were just reset here in the first quarter, customers are -- they have an appropriate amount of space reserve for what they see in their business. If there's any inventory inflection, if there's any increase in consumer sentiment that leads to an uptick in sales and volumes, that's all upside for us, and incremental margins are extremely strong. And so we're kind of at a bottom in inventories right now, and any stimulus to rebuild or reposition just help us.

Michael Goldsmith
UBS Investment Bank, Research Division

Got it. And then just a follow-up on supply. How much supply delivered over the last year is yet to be absorbed? And then also how much supply is set to be delivered in 2025 that is unleased within the industry?

W. Gregory Lehmkuhl
CEO, President & Director

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Yes. Yes, great question. So certainly, there's been new supply into the market over the last several years. That new capacity peaked in 2023 with about 4% in the U.S. incremental pallet positions. That came down by about 50% in '24 and, again, similarly this year. So about 2% new pallet positions added in the U.S. in '24 and '25.

And that new supply is expected to be cut in half again based on what's been announced so far and what we know is happening in 2026. So in 2026, the new pallet positions added in the U.S. will kind of be back to historical pre-COVID levels.

But I think it's important to mention that, that capacity that's been added over the last several years has been built at the highest cost to build ever, and the cost of capital has obviously increased. So it's hard for these smaller players to succeed at anything below kind of market prices. And we expect some of these businesses to underperform and some to fail, and we're definitely seeing evidence of that in the marketplace. And we expect those dislocations to create opportunities for us to either grow organically or through acquisition.

And I think compared to these new entrants, we have such distinct competitive advantages. We have scale that creates network effects. We have world-class and leading automation. We have proprietary technology even before the LinOS launch. We have 13,000 customer relationships, and we have global farm-to-fork service offerings.

And so we have a really deep moat. I mean, for example, I'd argue that if you think about this new capacity or new companies that have entered our space, I think we're the only one capable of successfully signing and executing a deal like to the scale of the Tyson Foods agreements.

Operator

Your next question is from the line of Todd Thomas of KeyBanc Capital Markets.

Todd Michael Thomas
KeyBanc Capital Markets Inc., Research Division

First question, I just wanted to follow up on the minimum volume guarantees, which decreased 200 basis points sequentially to the 42% level. That decrease occurred before the tariff announcements. And I realize there's uncertainty around how inventory levels will trend in the near term with the uncertainty around trade flows and inventory. But in terms of those changes, I just wanted to clarify if that was predominantly a first quarter reset of sorts or whether you do expect that process to be ongoing throughout the year and whether or not the fixed commits -- the percent of fixed commits might fall further, perhaps below 40%.

W. Gregory Lehmkuhl
CEO, President & Director

It is largely a first quarter phenomenon. The majority of them get reset in the first quarter. And again, the reset at lower levels, it's -- but while the existing customer volume guarantees came down a little bit, the new business we're selling has more than 42% average volume guarantees.

And so we would expect -- and I don't think tariffs would have an impact on this. If anything, to Steve's point earlier, if there is any stockpiling of inventory or things are having to be held or rediverted or diverted back to the U.S. that are on the water, that could lead to people needing even more space and potentially come kind of out of cycle and ask for increase in volume guarantees.

So we'll see what happens. Again, a lot of uncertainty. But to directly -- to answer your question, it is a majority first quarter phenomenon.

Todd Michael Thomas
KeyBanc Capital Markets Inc., Research Division

Okay. And then a separate question on the Tyson's transaction. With regard to the existing facilities that will be transitioned to public warehouses, will those warehouses experience a decrease in occupancy in '27 or '28 during that transition? How will that hand-off happen? And I'm just curious whether or not we should expect those -- how those operations should sort of trend during that transition period if they need to sort of fill up and if they'll be sort of operating in a way like lease-up or development assets during that period?

Robert C. Crisci
Chief Financial Officer

Yes. I mean we can't get to this -- all the details of the agreement, but we've built -- there's a very smooth transition. Like anything else, it becomes a public warehouse. There could certainly be a bit of a J curve as you're filling up the new warehouse in a couple of years, but there's a structured transaction around this that...

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W. Gregory Lehmkuhl
CEO, President & Director

Yes, that will certainly -- yes, the answer is, yes, there will be an occupancy decline when they depart, and we will build it back up into a public facility. But all of that was certainly built and contemplated as we entered the agreements with Tyson Foods.

Operator

And your next question comes from the line of Vikram Malhotra from Mizuho.

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

So I -- just going back to the guide, I get it's very difficult to pinpoint where same-store warehouse or even the global solutions NOI growth is going to go. But just trying to understand, high level, to keep the guide intact, you must have baked something in. Or said another way, like if tariffs were to go away tomorrow, would you still be hitting your original guide? Or is there some other offset? Like you maintain the guide, what are the other components that you're cutting, assuming kind of the same store comes in well below your original expectation?

Robert C. Crisci
Chief Financial Officer

Yes, it's real hard to predict what would happen if tariffs got -- went away tomorrow. Yes, I think if you just do the simple math, right, and you look at our guide and you look at the $25 million that we're planning to get, you're losing $25 million somewhere else, right? So that gets you more to the low end of our initial same-store guide, if you're going to go back to that. But again, there's a ton of volatility. There's upside, downside.

We're very confident in the levers that we can pull on cost and everything else. And so we're committed here to deliver these ranges, barring any sort of other economic thing that were to happen, and our job here will be to do even better than that.

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

Got it. And then I guess just you talked a lot about opportunities on the external growth side. Obviously, Tyson is a solid deal. Wondering just given kind of how the stock's performed and, obviously, the embedded value, what about considering a big buyback or even just other ways to kind of highlight value?

Robert C. Crisci
Chief Financial Officer

Yes. I think the Board and the management team will always do whatever that we think is the best interest of the shareholders. And so we'll always evaluate all things that we could potentially do to drive shareholder value over the long term. I mean we're really focused here, as you know, on compounding growth and driving long-term shareholder value. I think that's what we do.

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

Okay. And then just one, if I can clarify, like how much of this -- the -- I guess the challenged same-store, you've got a big global portfolio, the scale, et cetera. Are you able to share any like industry stats to kind of show how maybe the Lineage portfolio is outperforming even in this environment? Like what's happened to economic occupancy changes across your peers or just the overall growth? Any stats you can share that would highlight Lineage still outperforming fundamentally?

Robert C. Crisci
Chief Financial Officer

There's not really publicly -- or it's very fragmented industry.

W. Gregory Lehmkuhl
CEO, President & Director

Very fragmented. It's not transparent even in the U.S., much less in the international markets. I think we're getting that from the intel of our 250 salespeople around the world that are acutely aware of the capacity or occupancy of their competitors in their markets.

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I personally visited with teams across 10 markets around the world -- actually, more like 12 this year and met with our teams. And they are very in tune with what's going on in the market and what customers are going where and what the capacity is at our competitors' buildings. And based on that intel, we think we're performing very well from physical [standpoint].

Operator

Ladies and gentlemen, due to the constraints of time, we do need to conclude our Q&A session for today. And I would like to turn the call back over to Evan Barbosa, for closing remarks.

R. Evan Barbosa
Vice President of Investor Relations

On behalf of the entire Lineage team, thank you for joining us today and for your interest in Lineage. We look forward to speaking with you again on our next quarterly call.

W. Gregory Lehmkuhl
CEO, President & Director

Thanks, everybody.

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

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