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Lineage, Inc. NasdaqGS:LINE

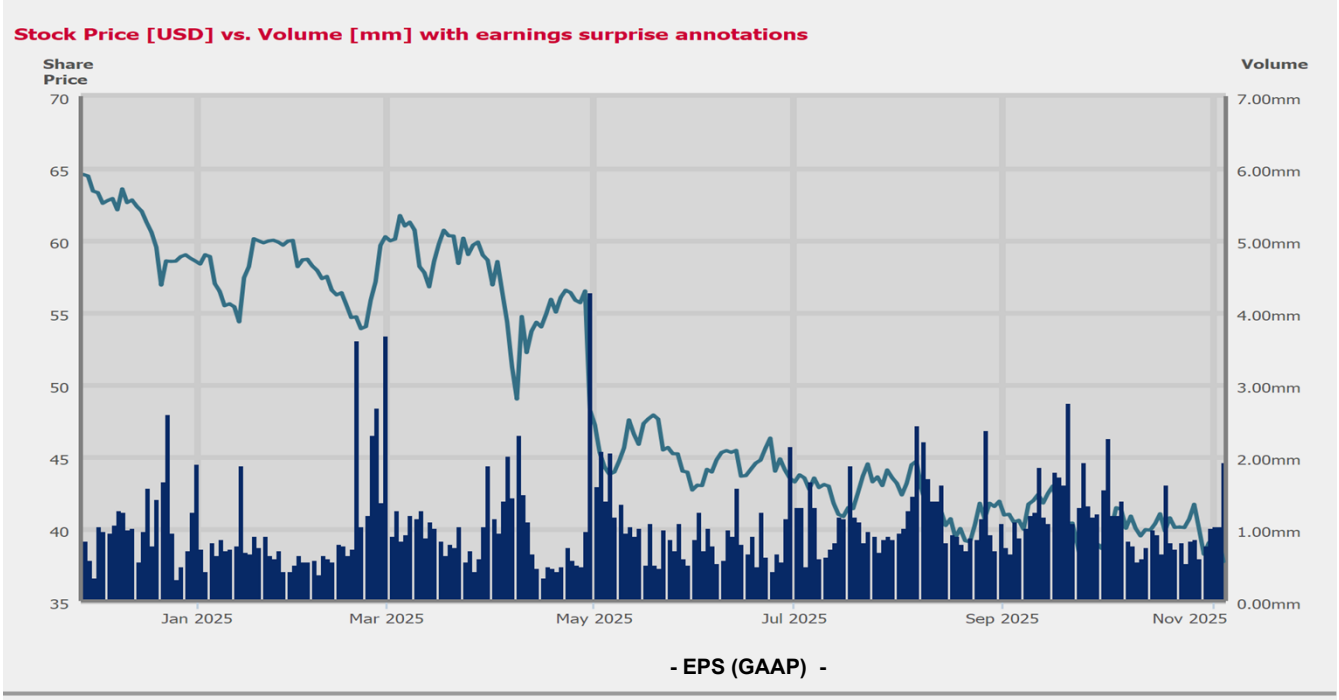
FQ3 2025 Earnings Call Transcripts

Wednesday, November 5, 2025 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.04	(0.44)	NM	0.07	0.04	NA
Revenue (mm)	1378.75	1377.00	▼ (0.13 %)	1398.26	5421.59	NA

Currency: USD
Consensus as of Nov-03-2025 9:03 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2024	0.07	(0.33)	NM
FQ1 2025	(0.10)	0.01	NM
FQ2 2025	(0.06)	(0.03)	NM
FQ3 2025	0.04	(0.44)	NM

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Table of Contents

Call Participants 3
Presentation 4
Question and Answer 8

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Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Desiree, and I will be your conference operator today. At this time, I would like to welcome everyone to the Lineage Third Quarter 2021 Earnings Conference Call. [Operator Instructions]

I would now like to turn the conference over to Ki Bin Kim, Head of Investor Relations. You may begin.

Ki Bin Kim

Thank you, operator. Welcome to the Lineage discussion of its third quarter 2021 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 begin, I would like to remind everybody 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 third quarter 2025 are to those of third quarter 2024.

Now I'd like to turn the call over to Greg.

W. Gregory Lehmkuhl
CEO, President & Director

Good morning, everyone. Thank you, Ki Bin, and welcome to the Lineage family. We're thrilled to have you. As many of you know, Ki Bin joined us from a distinctive career at Truist, bringing 20 years of experience in the real estate industry, most recently as a leading sell-side analyst. He's now 2 weeks into his new role, and we are already feeling his positive impact.

Let me start by walking you through our agenda for this morning. First, I'll recap our third quarter performance, which came in slightly ahead of our expectations. Then we will review occupancy and price, followed by our latest view of supply and demand for our industry. We know this is an important topic that many of you are interested in.

Following my remarks, I will turn it over to Rob Crisci, who will walk through the details of segment performance capital structure and our updated guidance. I'll then return to share closing comments before we open up the line for your questions.

Turning to our quarterly performance on Slide 4. Total revenue increased by 3% and adjusted EBITDA increased 2% to $341 million, which is a quarterly record for the company. Total AFFO grew 6% year-over-year, and we delivered AFFO per share of $0.85, which declined 6% year-over-year. As a reminder, our IPO occurred in the third quarter of last year, which impacts the comparability of these periods.

Looking at our business segments, global warehousing performed in line with expectations, consistent with the outlook we shared on last quarter's call. Same-store physical occupancy improved sequentially by 50 basis points to 75%, and we anticipate further occupancy gains in the fourth quarter, consistent with the muted seasonal pattern we discussed last quarter.

Same-store NOI increased sequentially to $351 million from $340 million, although it declined 3.6% year-over-year. Same warehouse storage revenue per physical occupied pallet remained stable as expected, growing at 1%. Our Global integrated solutions business saw a year-over-year NOI growth of 16%, led by our U.S. transportation and direct-to-consumer businesses.

In the quarter, we invested $127 million of growth capital, primarily in our development projects. We're pleased with the continued progress on these projects. As a reminder, we have 25 facilities that are in process or ramping. We expect these assets to deliver $167 million of incremental EBITDA, once stabilized.

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In Q3, we delivered in-line same-store NOI and exceeded our adjusted EBITDA and AFFO per share guidance. However, we expect a lower fourth quarter than previously anticipated and are, therefore, moving to the lower end of our full-year guidance range for both EBITDA and AFFO per share.

This is largely driven by a $20 million decline in our outlook for same warehouse NOI due to two primary factors. First, tariff uncertainties impacting import, export container volumes, leading to softer year-end services revenue.

Second, while our total occupancy outlook for the fourth quarter is unchanged versus our previous guidance, U.S. occupancy is slightly lower due to import, export volumes and less-than-expected U.S. new business hitting in the quarter. This is being offset by higher occupancy outside the United States, where we are in lower margins.

Despite these near-term headwinds, we remain focused on providing world-class service to our valued customers by leveraging our industry-leading network and cutting-edge technologies. I'm confident that we are well positioned to grow as the food industry normalizes, new capacity is absorbed and our LinOS labor management and energy efficiency initiatives accelerate.

Moving to Slide 5, as I mentioned, Q3 and Q4 total occupancy are in line with our prior forecast and pricing remains stable as expected. Note that we typically see a sequential decline in storage revenue per pallet in the fourth quarter due to normal seasonal mix changes. Additionally, we saw a sequential 180 bps increase in our minimum storage guarantees to 46.7 as our customers continue to want to secure space across our network.

Turning to Slide 6, we understand that our industry is a specialized part of the real estate landscape with limited publicly available data. Accordingly, we continue to collaborate with CBRE to provide insights into new supply growth for the cold storage industry. At this point, our analysis is focused on the U.S. where we have the most successful data and in certain markets, are seeing the most acute supply, demand imbalance.

Let me quickly walk through this slide. The upper left-hand chart, labeled A, shows from 2021 through 2025, public refrigerated warehouse supply grew at approximately 14.5% on a square foot basis, which is weighing on occupancy and pricing in certain markets. Importantly, CBRE's outlook for new capacity in 2026 is down substantially from recent levels to 1.5%.

The upper right-hand chart, labeled B, is based on Nielsen and Circana data for fresh and frozen food volumes in both the retail and foodservice channels. The data shows demand for the food category stored in our network grew cumulatively by 5% during the 2021 through [2025] time period.

To be clear, in spite of continued pressure from tariffs, consumer price inflation and other headwinds, end-consumer demand for the products that flow through our network has been and continues to grow.

On the bottom left-hand of the slide, we bring these two concepts together to calculate estimated excess capacity of approximately 9.5% for the U.S. market over the last 4 years. Despite this nearly 10% imbalance, our 2025 total estimated average physical occupancy is 75%, down only 3 points from 78% in 2021. We are using our network size and the strength of our operations to perform relatively well in a very challenging environment.

Looking forward, CBRE is expecting less new supply, which we believe is logical, as further speculative development is not supported by current industry dynamics.

Before handing it over to our CFO, Rob Crisci, most of you are aware that he announced his retirement in June and we'll be handing over the rents to our new CFO on Monday. I just want to take this opportunity to sincerely thank Rob for his numerous contributions to Lineage over the last few years, helping to lead us through the IPO process with a lot of passion in building an excellent finance team here at Lineage.

It's been a pleasure getting to know you, both personally and professionally. Also cannot thank you enough for all your help in making this a smooth transition. I look forward to getting together in Sarasota and wish you the very best in retirement.

Robb LeMasters, our incoming CFO, what we call BB because he spells his first staying with two Bs, has been with us in an unofficial capacity over the last few weeks shadowing our earnings process. He has an exceptional background with 2 decades of finance and buy-side investing experience, including a very successful run as a public company CFO at BWX Technologies.

He has a lot of great experience managing complex financial operations at asset-intensive businesses. Robb has already been out to visit a bunch of our sites, and I know he is very excited to officially get started next week. Welcome, Robb. We're excited to work with you and expect great things.

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With that, I'll turn it over to Rob Crisci.

Robert C. Crisci
Chief Financial Officer

Thanks, Greg, and good morning, everyone. I greatly appreciate the kind words. My colleagues at Lineage have also become great friends, which is a testament to the culture you, Kevin, Adam and the team have built here. Robb LeMasters is a great fit for Lineage, and I've really enjoyed getting to know him. The finance organization is an excellent hands. I'm here to help as needed my advisory role, but I doubt Robb will need much.

I'd also like to add, we are incredibly excited to add Ki Bin into the team. It's been great having you as part of our process the last couple of weeks.

Turning to our global warehousing segment, total revenue grew 4% and total NOI grew slightly to $384 million, in line with our expectations. Same warehouse NOI declined 3.6%. We continue to focus on operating efficiency. And to that end, we saw our same warehouse cost of operations decline 1%. We will dive deeper into this on the next slide.

Looking to the fourth quarter, we now expect the same warehouse NOI decline of the 3% to 6%, a reduction of approximately $20 million at the midpoint versus our prior implied Q4 outlook. Greg already outlined the main drivers behind this reduction, including the impact of tariffs on the import and export activity. We've been monitoring the tariff situation closely and are cautiously optimistic about some of the recently announced trade agreements, which should benefit both our customers and Lineage.

We continue to fight through the competitive environment, as Greg discussed earlier. We feel good about the positive trend in occupancy and the return to more normal seasonality this year, albeit somewhat muted loss.

Turning to Slide 8, diving deeper into warehouse efficiency. As we all know, the current inflationary environment has driven labor cost increase. As a reminder, labor is, by far, our largest controllable cost of $1.5 billion per year. On a same warehouse basis, we've been able to hold labor costs flat over the last couple of years.

This year, throughput has declined low single digits, making the progress our operations team has made on labor per throughput pallet even more impressive. You can see this on the right-hand chart. We remain hyper focused on lowering costs and increasing warehouse efficiency. This benefits us both in the short term and will drive strong operating leverage by the incremental growth.

Next slide. Shifting to Slide 9 and covering our global integrated solutions segment, revenue was flat and NOI grew 16% to $65 million. Our NOI margin was up 250 basis points to 17.9%. We're continuing to see strong momentum in our U.S. transportation and direct-to-consumer businesses due to the value these integrated solutions provide to our customers.

For the fourth quarter, we expect the strong momentum to continue with 10% to 15% growth. Notably, we benefited in the third quarter for approximately $4 million of NOI that was previously expected for the fourth quarter. We now see full-year NOI growth of 8% to 10% versus prior range of 8% to 12%. The slight reduction at the midpoint is due to less trade services also associated with lower import export activity. Really great year overall and solid execution by Greg, Brian and the global GIS team.

Turning to Slide 10, we ended the quarter with total net debt of $7.55 billion. Total liquidity at the end of the quarter stood at $1.3 billion, including cash and revolving credit facility capacity. Our leverage ratio defined as net debt to adjusted EBITDA, was 5.8x at the end of the quarter. We remain highly disciplined on future capital deployment.

We continue to actively manage our interest rate exposure in light of our existing SOFR hedges that expire at year-end. We have been opportunistically executing new hedges and working to further optimize our investment-grade balance sheet.

Given these year-end expirations, we are providing a very early look for 2026 forecasted interest expense to help with your modeling. At this time, we see approximately $340 million to $360 million of total interest expense in 2026, which is approximately $80 million higher than this year.

A little more than half of the increase is due to the expiring hedges, and the remainder is due to our recent capital deployment, which we anticipate will drive attractive risk-adjusted returns and further support for customer-driven growth.

Turning to the guidance slide. We are initiating Q4 with EBITDA of $319 million to $334 million, an AFFO per share of $0.68 to $0.78. For the full year, EBITDA is $1,290 million to $1,305 million and AFFO per share at $3.20 to $3.30. In short, we are going to the lower end of our of previous ranges on adjusted EBITDA and AFFO per share. We see total and same warehouse NOI about $20 million lower than previous guidance for the reasons mentioned earlier.

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

W. Gregory Lehmkuhl
CEO, President & Director

Rob has walked you through our updated guidance, and I want to reaffirm that while we are operating in a challenging environment, we believe Lineage remains positioned to win. As outlined in detail on our prior earnings call, we're focused on driving competitive differentiation across three key areas: delivering customer success, leveraging our network effects and enhancing warehouse productivity.

Before summarizing and turning it over for your questions, I'd like to provide a quick update on LinOS, our proprietary warehouse execution system. As of today, we've deployed the platform in 7 conventional sites. And the results have exceeded our expectations. We're seeing double-digit productivity improvements in key metrics like units per hour, translating to higher output and lower unit costs.

We expect to complete 10 deployments by year-end, setting the stage for an accelerated rollout in 2026. We look forward to sharing more details at NAREIT, where we'll be hosting an in-person and webcast-ed investor forum on Monday afternoon to separate. The presentation will focus on operational excellence and our LinOS technology.

Turning to Slide 13 and in summary, it's obviously been a very bumpy road since our IPO last July for our external investors and for our Lineage team, who are also owners of our company. But when I take a step back and look at the company, I see the largest, best positioned player in a mission-critical business where underlying consumer demand has been growing, even in the face of some of the worst food inflation in decades.

This is a great company in a resilient long-term industry that is clearly facing short-term challenges due to excess supply and macro headwinds like tariffs. The cash flow generation of our company remains strong, our trading valuation is currently about half of the replacement cost of our assets, and we believe we have an unmatched portfolio of buildings in critical markets for our customers.

While Q4 will be challenged due to near-term headwinds, there are green shoots of optimism, including less new supply coming online, growing demand and potential global trade policy resolution. We grew this business successfully for 15 years leading up to the IPO. And while we can't predict the moment of inflection, we believe in this industry's fundamentals and that stability is on the horizon.

In the meantime, we will continue to focus on the areas of our business that are under our control, becoming a leaner, smarter company, investing in our people, processes and technology. And when the industry does inflect, we will come out stronger than ever. Finally, I want to thank our global team members for their dedication and commitment to our customers.
Operator, I'd like to open it up for questions now.

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Question and Answer

Operator

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

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

I was wondering if you could talk a little bit more about that expected lower U.S. new business in 4Q. I guess, how important is new business versus existing business throughout the year and in 4Q specifically? And how has new business fared to date? And are you suggesting some change for 4Q? Or is it more of the same?

W. Gregory Lehmkuhl
CEO, President & Director

Thanks for your question. So let me just provide a little more color on the lower -- on both the tariff and the new business front.

So I think we're all sick of hearing about tariffs at this point, but we're definitely seeing the tariff uncertainty impact import export, volumes more than we did earlier this year and certainly more than when we were guiding last quarter.

So this has been specifically impactful in our West U.S. business unit, where the ocean import, export container volumes are down about 20% from where they were trending most of the year through July and back when we gave guidance.

And this is lucrative business with substantial accessorial revenue like services for customs documentation, bonded fees, [glass freezing].

For example, in our seafood category, many customers ordered back in the summer and are bleeding down their inventory right now awaiting tariff resolution. And they're telling us that there's -- while there's a possibility they'll reorder by year-end, it's more likely going to be after the first of the year, and that's what our guidance is based on.

We're also forecasting that this impact of container volume, not only it's warehousing same-store NOI, but also it's GIS in the fourth quarter as we provide a lot of drayage around the ports for our customers in our GIS segment.

To your question more specifically on the new business side, competition in certain U.S. markets is impacting new business. And while we continue to expect to have a record new business year overall and we continue to have a very strong pipeline, we're just forecasting a little bit less than we were previously guiding to hit in the fourth quarter.

And obviously, the contribution margin on new business is very high, given the fixed cost nature of our business. And therefore, a relatively small change in new business revenue has an outsized impact on NOI. And that happens the other way when we land a lot of new business,as we get the operating -- the positive operating leverage.

Operator

Our next question comes from the line of Michael Goldsmith with UBS.

Michael Goldsmith
UBS Investment Bank, Research Division

Greg, can you provide an update on the pricing strategy during the quarter, just given some of the demand headwinds that you talked about and then also the supplies? So I'm just trying to get an update on how you've approached pricing as a lever to maintain occupancy.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. We've been -- so first of all, I want to start by saying, in Q2 we provided, for the first time, a multiyear revenue per pallet chart, both on services and rent storage and blast.

And I think it's really important that I reinforce this every quarter that the metric that we all look at externally is going to be volatile quarter-to-quarter, driven by a number of factors.

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Rate is certainly a piece of it, but volume guarantees, inventory turns, [blast] freezing rising volumes, commodity mix, exchange rate seasonality, all play into that metric, and it caused a little volatility in the short term. That's why we provide that multiyear view to show that our pricing is making progress over time.

And so in the quarter, there was no change to our pricing strategy. We will achieve -- in some challenged markets, we did have to talk about volume versus price as the year progressed. But overall, we'll see a net price increase between 1% and 2% this year.

And so we -- nothing changed in the quarter. We're not -- one of our core strategies is not to trade volume for price. We're talking to each customer uniquely. And again, in aggregate, we saw net price increases this year.

Operator

Next question comes from the line of Steve Sakwa with Evercore ISI.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Greg, I appreciate the added color you provided on the excess capacity. And it's nice to see that you guys didn't take as big of a hit on occupancy. But given that there's still a lot of excess capacity, I guess, in the market overall and there's still some new supply to come on in '26, I guess just sort of what are your expectations looking forward kind of on that physical occupancy? And how is that excess capacity kind of being absorbed and priced in the marketplace against the existing stock?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Great question. So at this point, the new supply is really just trickling in. You saw the CBRE forecast for next year is 1.5% new capacity. We think that will stay the same or go down over time as it just doesn't make sense to add more capacity speculatively in this market.

And so when we look at our -- this is really a U.S. phenomenon, it's not really the same situation outside of the U.S. And some markets remain challenged, like I've talked about Jacksonville and Miami in prior calls. Chicago has had a lot of new capacity, and we're having to work through that new supply getting onboarded.

But we are actually more optimistic about some key markets that have had new capacity delivered in the last couple of years, like New Jersey, Dallas and Houston, we basically absorbed that new capacity. We worked through our book of business. We've kind of fought the fight, and now we're building back inventories in those markets.

And so I think it's market-by-market. And once the supply gets delivered and we kind of have those discussions with our book of business in that market, we think it's kind of a reset and we can build up from there, and that's what we're seeing in the markets that I just discussed.

Operator

Next question comes from the line of Craig Mailman with Citi.

Craig Allen Mailman
Citigroup Inc., Research Division

Just as we think about the third consecutive guidance cut we've had, I'm just kind of curious, if you guys are having this much trouble underwriting your own portfolio, like how do we get comfortable with yields on the capital you're deploying into development and potential acquisitions that we're not going to be a couple of hundred basis points kind of below pro forma here because looking at your schedule, you still have a lot to stabilize in terms of the portfolio? I think only about 15% kind of stabilized here.

And just a second one to sneak it in here. Just have you guys thought about -- is a REIT maybe the right structure for this company, given the fact that you guys are more of a 3PL than you are a real estate company and it might be beneficial for you to be able to retain capital and redeploy that? Just some thoughts there.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. So certainly, the last thing we want to be doing is sitting here lowering the fourth quarter. And the fact is our industry has been challenged and -- with the new supply and very, very hard to predict, given we talk to our 15,000 customers every month about

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them forecasting their volumes and what they're going to do. And it's very difficult for them to predict and you heard that from the producers in their quarterly releases.

So it's -- we're the recipient of that short-term volatility. Again, the underlying demand for our products is growing, not shrinking. And we think that's good for the long term as we absorb this new supply and get back to kind of equilibrium in the market. And as I mentioned in the prepared remarks, we're not sure exactly when that is, but we feel very good about our positioning, about our technology, about all the things that we can control are going well.

On the new developments, I mean, we track this every quarter. It's one of my KPIs for by bonus every single year, and we performed well versus our underwrites for many years and continue to do

so. Those developments are very -- are generally customer-led developments. Many of them have strict volume guarantees and revenue guarantees, and we're not out there building spec buildings where we don't have certainty that we're going to get the returns that our expecters expect.

And so is there pressure around are things uncertain? Absolutely. That's why we -- things performed pretty much exactly how we thought they would in the third quarter. And here, we are looking at the fourth quarter, and our customers are telling us their container volumes are going to be down 20% in our largest business unit.

And that's the -- those are the type of things that we -- that are very, very difficult or impossible to predict. And all we can do is execute our plan, control our controllables, treat our customers great, treat our team members great and work through this challenging time.

Robert C. Crisci
Chief Financial Officer

Yes. And I would say we do believe REIT is the right structure for us. We have an incredibly valuable real estate portfolio. We think the benefits outweigh the -- there really aren't very many negatives to being a REIT. So we're very, very happy to REIT.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I mean we -- if you can choose to pay taxes or not, we're going to choose not.

Operator

Next question comes from the line of Ronald Kamdem with Morgan Stanley.

Ronald Kamdem
Morgan Stanley, Research Division

just a lot of really helpful breadcrumbs on 2026 with the interest guidance and so forth. I just -- going back to the question of excess capacity. I was just wondering if you could sort of think about the next 12 to 18, and in this sort of environment, what can you control? And what do you think sort of the pricing versus occupancy impact can be and so forth? So what have you sort of seen in this sort of environment?

W. Gregory Lehmkuhl
CEO, President & Director

Sure. So on the pricing side, looking forward, we are -- a lot of our volume guarantees, for example, got reset in '25 earlier this year in the first and second quarter after the big destocking from COVID that I talked about in the last several quarters.

And now we're kind of in a new -- we're kind of in a more stable point. We are having conversations with customers already about '26 pricing. Those conversations obviously haven't been wrapped yet. But despite the new supply we discussed, we were targeting inflationary-level increases, and we believe that we're going to be able to achieve net increases in the low single digits for '26.

And we don't think we'll have to give up occupancy to achieve those low single-digit price increases. Our customers do understand that we have to pay our people more and there is inflation out there. And I don't -- we're not going to get 10%. But low single digit, we think is very achievable. Even now the supply.

Operator

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Next question comes from the line of Michael Carroll with RBC.

Michael Albert Carroll
RBC Capital Markets, Research Division

Greg, can you give us some color on how Lineage was able to push their guarantee contracts up a little bit this quarter? I mean, is it abnormal to do this in the third quarter? And is that the reason why economic occupancy was up bigger sequentially in 3Q versus fiscal occupancy?

W. Gregory Lehmkuhl
CEO, President & Director

It was the reason. And the reason for the volume guarantee progress is some new customer-led developments include long-term contracts with higher volume guarantees than our average.

Also, our sales team, I said that -- I mentioned on the last question that our volume guarantees got reset at a lower level in the first and second quarter this year. We've kind of been through that pain, if you will. And now on new business, our sales team is doing a phenomenal job broadening the customer base that are utilizing volume guarantees.

So our new business, despite the challenges in certain parts of the U.S., we're seeing new business come in with higher volume guarantees than our average. And so those are the two impacts.

Operator

Next question comes from the line of Alexander Goldfarb with Piper Sandler.

Alexander David Goldfarb
Piper Sandler & Co., Research Division

And first, Robb with the BB, welcome aboard. Rob with the single B. Congrats on retirement. And Ki Bin, welcome to the inside.

Greg, you mentioned that international is performing much better versus the U.S. Is it simply a matter of the excess supply, and that's really the difference? Or are there other things at work?

I mean, there are always trade disputes from country-to-country. There are always geopolitical things, inflation tension, whatever happening overseas. So I'm just trying to isolate what the key difference is for why global is performing well versus the U.S., and I wonder if it's simply the supply or if there's other factors at work?

W. Gregory Lehmkuhl
CEO, President & Director

Alex, good question. So I don't want to overemphasize this. I mean the occupancy in the U.S. is a little bit lower than we were forecasting back in -- after Q2, and Europe is a little bit higher. That's the difference.

And the impacts are -- really are exactly what I laid out, Alex. And that's container volume, which is mostly seafood, which I think everyone knows we love that business. It's 13% of our book, we were trending at literally like our customers are telling us that we're seeing right now as the quarter progresses, a 20% reduction in import, export volume, and that's impactful.

And just more broadly, certainly in the U.S., in certain markets, like the one I mentioned -- the ones I mentioned earlier, there is competitive pressure. And those are the two big impacts versus what we thought before.

But again, I mean, it's isolated markets that we are absorbing this capacity. We are keeping our occupancy up despite the new supply. And we're getting that price increases despite the new supply. So we think, in a very unpredictable and very challenged environment, the company is executing as well as possible.

Robert C. Crisci
Chief Financial Officer

And it's another benefit of having a very diversified global footprint, right? So we can benefit from growth in other markets to help balance out our performance. So I think it's a positive for Lineage overall.

Operator

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Next question comes from the line of Tayo Okusanya with Deutsche Bank.

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

Yes. Ki Bin, welcome aboard. Rob with the BB, also welcome aboard.

First quarter in a while you guys really haven't done much on the acquisition side. Just curious what you're seeing from that perspective. I know I kind of curious, again, is it just really more tied to your overall cost of equity right now that you slowed down or kind of how you're kind of looking at acquisitions going forward?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. So we're highly disciplined as always on capital deployment. We're cognizant of developments that we're working on. We see our leverage ratios, they're in a really good spot. We don't obviously view our equity as a place anywhere but very, very undervalued. So we're not interested in issuing equity, and so we're managing the portfolio, and we'll be really smart on capital deployment.

There's obviously a ton of opportunity out there, and there's more things becoming available in the market. So we'll be opportunistic, but we're going to be very disciplined.

Operator

Next question comes from the line of McGinniss with Scotiabank.

Greg Michael McGinniss
Scotiabank Global Banking and Markets, Research Division

Greg, I was hoping to get some more insight into the earnings commentary regarding improvement in fresh and frozen demand that Lineage is seeing. Is that in reference to the Q2 seasonality trend? Or is there something more broadly that you're seeing in the market?

W. Gregory Lehmkuhl
CEO, President & Director

So it's third-party data that -- yes, that's going. It's not our view, it's third party.

Robert C. Crisci
Chief Financial Officer

Yes, this is third-party data from Nielsen, which is the retail data, and then Circana is the rolled-up food service data. So it's the full picture of food consumed in the United States from the two best sources that we purchased this last quarter because we had -- our data showed that underlying demand was growing, but we didn't have third-party data.

So we want to provide that every quarter. And what that shows is continued growth in the categories that we supply in fresh and frozen. It's -- we very much believe it's accurate, and that's what we thought. Despite the -- again, despite the elevated food inflation, the underlying categories continue to grow.

Operator

Next question comes from the line of Dan Guglielmo with Capital One.

Daniel Edward Guglielmo
Capital One Securities, Inc., Research Division

You all mentioned the stronger international trends versus the U.S., which does align some with what we've seen for other global brands this earnings season. Can you just remind us what the rough revenue breakdown is between the U.S. and international? And then are there certain international markets where you see opportunities to lean in?

Unknown Executive

Yes. So overall, we're 70-30 sort of U.S. versus Rest of the World.

W. Gregory Lehmkuhl

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CEO, President & Director

Yes. I think Europe overall, our European team is crushing it and winning it in a lot of different markets in Europe, and we're excited about continued growth there, both in same-store and non same-store.

Operator

Next question comes from the line of Vikram Malhotra with Mizuho.

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

Congrats to everyone on their new roles. I guess just two clarifications. One, on just the numbers, maybe you can share some color on what you've seen in October, specifically to keep sort of the occupancy seasonal uptick. Your peers sort of assume the occupancy does an uptick. So why are you still assuming occupancy upticks?

And just on the comment on you can get pricing next year, I mean if there's still supply volumes are muted, like what gives you confidence on pricing? So that's just the first.

And then second, do you mind sharing some specific examples -- like all the acquisitions you've done in the past 5 years, maybe just give us some overall sense of how underwriting -- how actual performance has trended versus underwriting in terms of whether it's NOI growth or yields or anything else, just to give the sense of what those properties recently acquired are doing?

W. Gregory Lehmkuhl
CEO, President & Director

Sure. So on the occupancy front inter quarter, it's pretty much spot on what we thought it would be after last quarter. So our total occupancy guide and the seasonality that we predicted is happening in our network. In fact, on Monday, I get the occupancy report every week. And for the first time in, I don't know, 8 quarters maybe, the occupancy was higher than prior year, total, in the same store. So that was great to see.

And so we're seeing that trend. It's a combination of the new supply kind of settling and us performing well in the marketplace. And again, on the pricing front, what gives us confidence that we can get price next year is we got it this year. And there was probably no harder year in our industry's history than this year, given the new supply that's been delivered over the last couple, and we were able to get net increases in price, and the initial conversations with customers are for next year that they're open to very modest price increases, and we think we'll get that price.

On the M&A front, we bought 70 companies in the last 5 years. It's varied by region and facility. Overall, we're certainly happy with the acquisitions of the network we built as we think it's irreplaceable and industry-leading. We don't break down each individual past acquisitions, we roll that in up into global [Avnet]. And a lot of things change when we buy. But we certainly made progress on cost productivity, occupancy as we roll companies into Lineage family.

Operator

Next question comes from the line of Blaine Heck with Wells Fargo.

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Just following up on guidance. With respect to the fourth quarter, it's a relatively wide range between $0.68 and $0.78. So can you just share your thoughts on what key drivers or line items are kind of the biggest variables that could result in AFFO coming in towards the upper or lower end of the range?

Robert C. Crisci
Chief Financial Officer

Yes. So the bigger thing, obviously we can manage is the recurring maintenance CapEx. And and for the fourth quarter, it's always typically our seasonally highest quarter. We expect that again that certainly can move $5 million or $10 million based on spending.

Obviously, same-store NOI is the thing we care about the most. And we're working hard to, as Greg mentioned, we -- so far, October is looking okay, but that's embedded in our guidance. But certainly, if we have more year-end activity, that will help because really

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services revenue and a lot of that is related to these tariffs and containers; and so as Greg mentioned, that could certainly get a lot better at the end of the year.

But we're just being very, very cautious based on what we see right now. And it's hard to predict November, December end-of-year activity. And so that was our thought process on the guidance.

Operator

Next question comes from the line of Michael Lewis with Truist Securities.

Michael Lewis

Great. Thank you. Well, we're welcoming people. I'll welcome Robb. I'll, of course, welcome my good buddy and pal, Kevin and maybe welcome myself to covering this name as well.

My question, I wanted to ask, I don't think anybody asked about this lapsing SNAP benefits, right? So it will be a temporary thing. I just wonder if there could be any impact on 4Q from that. Surprisingly to me, I guess, 1 out of every 8 Americans is on food stamps. Is there any potential for that to cause anything in the numbers in 4Q if this drags on? Or is that not really a concern?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. And Ki Bin's concerned because part of this comp package is food stamps. So let me start with the SNAP, but I'll talk more broadly about the government shutdown.

So just a little context on SNAP in overall food consumption, so in '24, U.S. consumers spent roughly $2.7 trillion on food and the SNAP benefits from the federal government were about $100 billion or about 4% of total food expenditures.

But the data shows that for every dollar in change in SNAP benefits, the total food spending only changes about $0.30 because consumers just change their budgets and they're going to continue to eat. And so who knows what's going to happen here if the courts are going to step in or the states are going to pick up the tab or it just goes back to normal.

But even in the most dire case, where SNAP benefits are completely eliminated, the impact on total food consumption would only be about 1%. And so we do not see this being a meaningful impact in the short, medium or long-term, as we don't think it will totally go away. And even if it did, it's 1% of total consumption.

More broadly, on the government shutdown, we are seeing other impacts -- for example, the USDA cold storage survey that the holdings report that you all report on every month or most of you do isn't being issued during the shutdown. We are seeing import, export order delays.

So while customs is operational, the FDA, the EPA, the USDA all have reduced staffing, leading to delays in inspections and certifications and documentation. So we are seeing, as a result of that, some increased dwell times in the ports and terminals. We're also seeing delays in export license approvals. But I think most importantly, though, the USDA and the FDA actual food inspections have been unaffected.

Operator

Next question comes from the line of Samir Khanal with Bank of America.

Samir Upadhyay Khanal
BofA Securities, Research Division

I guess, Greg, I was looking at this chart on Page 30, which is the presentation you have up there, where you show economic and physical, an 80% economic today; I mean do you have data going back prior to, let's say, '21 and even 2020? Just trying to see if there was any other time before 2020 or '21, where occupancy was below 80%. It's clearly been a problem forecasting occupancy in this business. So I was trying to figure out how today's levels compare to historically before 2020.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, good question. And the second half, we are -- we did forecast occupancy accurately, to be clear. But you're right, it is very, very challenging to forecast it in this environment.

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And the answer is it's very challenging to go back prior to 2020 because we bought so many new companies in that time frame and the same-store pool is so different. And so I do think just from my memory, not supported by like-for-like data. There were certainly times prior to 2021 where our occupancy was lower than it is today.

I'm thinking about 2016, '17, '18, back when we were just kind of still a young company and much smaller. Obviously, different footprint, we weren't in Europe yet. But yes, there were times in our core business where economic occupancy was lower.

Operator

Next question comes from the line of Michael Mueller with JPMorgan.

Michael William Mueller
JPMorgan Chase & Co, Research Division

Curious, what are your larger customers telling you at this time about volume expectations for 2026? And have you seen any customers wanting to shrink their fixed commitment agreement yet?

W. Gregory Lehmkuhl
CEO, President & Director

So 2026 is very difficult to predict. And I think that's what our customers are telling us. We're just in the midst of our -- we don't even have October numbers finally yet. We're just in the midst of -- our business unit presidents are working on their '26 budgets right now and -- with the finance team next week, and I'll see a roll up in a couple of weeks.

And certainly, puts and calls as I sit here today, but hard to predict. And that hard to predict is driven by all the conversations we're having with our customers worldwide, who see their business as hard to predict. And so it's -- we'll see, we'll be continuing to have those conversations through the budget cycle.

And -- but as far as the volume guarantees, as I mentioned, Michael, a lot of them got reset in the first half of this year, and we think that we're at a very healthy level of volume guarantees now.

We're actually kind of -- we kind of reset the bar, and now we're making a little bit of progress. I wouldn't see those dropping a bunch more. I don't think we have kind of an overhang of incremental resets. And new business that we're earning, as I mentioned, is coming in with slightly higher volume guarantees than our average.

Operator

Next question comes from the line of Todd Thomas with KeyBanc Capital Markets.

Todd Michael Thomas
KeyBanc Capital Markets Inc., Research Division

Just in terms of the tariff uncertainty that you cited and the decrease in container traffic, it seems like some of this is just lost business, but is there an impact on inventory levels as a result of this decrease in container traffic that you mentioned that might create some pent-up demand to the extent that there's improved visibility or if there's some change around tariffs here? How could this sort of play out in the quarters ahead?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. The answer is yes. I mean we were seeing consistent container volumes through July bounce around month-to-month, but it was pretty consistent. And then we saw a drop through September and that lower level is being [steep], as of this point.

And again, 20% in our Western business unit is not small, and it is not driven by new business. It is driven by predominantly our seafood customers that are holding off to reorder. And that's the impact. So yes, are they going to reorder some point for [indiscernible] Easter? Absolutely. We're just not predicting that's going to be in the fourth quarter at this point.

Operator

Next question comes from the line of Nick Thillman with Baird.

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

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Good morning, everyone. Just as we think about the excess capacity you all highlighted within the presentation, we're hearing a lot from the food manufacturers on restructuring, rationalizing supply chains.

I was wondering if there's anything Lineage just been doing on their own network, whether it be closing underutilized facilities or just rationalizing their footprint within the U.S. being a large player that could maybe close that gap with excess capacity we're just seeing from a national picture.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Great question. So there's kind of two things going on with customers. The first big one, the huge impact over the last couple of years was the destocking from COVID. We think that's behind us, that's really good, kind of back to normal inventory levels or bouncing across the bottom, but certainly, there's not more excess inventory that's being depleted at this point broadly.

There's customers who have been optimizing their supply chains across my 30-year career, and we are their partners in helping them position inventory properly to satisfy their customers' requirements, and help them determine how much to store where and how to transport those products into our facilities and out to their customers.

And so Tyson is a great example of that. We were right in the middle of their optimization. And we're the recipient of core business, given that optimization. We're having those conversations with customers all the time.

On the new supply as far as kind of how it could come out, it's an excellent question. We've idled 8 buildings so far this year. We know some of our competition has as well. And we do that for obvious reasons. We take out the labor, we lower or eliminate the energy costs, and we're able to move that business into the adjacent facilities, and that's part of what's so great about having such a large debt network is that we have the opportunity to do this where much of our competition doesn't.

And so if you look at other ways that capacity is going to come out, we're idling -- others are idling old buildings that have higher maintenance CapEx where that are not needed, where we can move that product elsewhere. We also feel that some of the new operators are really struggling as they have a high basis in their properties if they own the assets, and they're paying very high leases if they lease them.

And because they built it peak construction cost timing. And so we believe that some of these companies are going to not succeed and we plan to assess these opportunities for consolidation and bring those facilities into our network as they present themselves. I think an important caveat to that is that not all warehouses are created equal, and we're pretty good at making strategic acquisitions for the capacity only when it makes sense for our network.

We also believe that some of the inventory that's been added was just added in the wrong locations or it was built in a way the actual development itself and the configuration of the building makes it fundamentally disadvantaged and we think it will just fail in the medium term.

And so we think capacity will come out that way as well. And we did see we are hearing directly from some competitors that they're struggling in a big way and there is instances where companies and close our doors as well.

Operator

Next question comes from the line of Tayo Okusanya with Deutsche Bank.

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

Yes. Could you talk a little bit about sort of labor on your same-store pool, kind of pretty well managed; but on the non-same-store pool, some kind of large year-over-year increases kind of understanding, you've added kind of new assets over time? But just kind of curious, are these new rule assets have, again, lower occupancy assets but already fully staffed or kind of what's kind of happening on the nonsame-store side to kind of have these really large jobs with the increased number of facilities?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Good question. Obviously, on the non-same-store pool, frankly, I wouldn't focus on it because there's so much going on there. We have 25 buildings either ramping or in development. And we have to -- for example, in that labor line is our General Manager and our Assistant Manager and our supervisors, and we hire them before a pallet even hits the building.

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And so all these are in different phases of the J-curve. And so you'll see kind of abnormalities in that labor line until they move into the same-store pool.

Operator

And our last question comes from the line of Caitlin Burrows with Goldman Sachs.

Caitlin Burrows
Goldman Sachs Group, Inc., Research Division

I had a question on the pricing side. So one of the concerns I've heard from investors is that I think it's like half of your portfolio 1-year agreements. So those were recently reset in '25. But the other half, that means, they're on leases from a few years ago. Maybe you could tell us how far back they go. But what's the risk of rent roll outs from those older contracts that were established a few years ago in '26? And is that incorporated into your view of low single-digit rate increase in '26? Or is that '26 low single-digit price increase only related to those 1-year agreements and the rest could be an incremental headwind?

W. Gregory Lehmkuhl
CEO, President & Director

Great question. We don't see an overhang from long-term agreements that are going to get reset at lower levels. And definitely, all those are included in our projections of low single-digit net price increase.

Operator

That concludes the question-and-answer session. I would like to turn the call back over to Mr. Ki Bin Kim for closing remarks.

Ki Bin Kim

Thank you. On behalf of the entire Lineage team, thank you for joining us today. We hope you will be able to attend our [NAREIT] Investor Forum on Monday, December 8. where we will highlight our operational and excellence and unique LinOS list platform. We look forward to speaking with you again. Thank you, everyone.

W. Gregory Lehmkuhl
CEO, President & Director

Thanks, everybody.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining in. You may now disconnect.

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