

Lineage, Inc. NasdaqGS:LINE

FQ4 2025 Earnings Call Transcripts

Wednesday, February 25, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS (GAAP)	(0.11)	0.03	NM	(0.20)	(0.57)	(0.43)	NM	(0.58)
Revenue (mm)	1379.92	1336.00	▼ (3.18 %)	1326.18	5401.08	5355.00	▼ (0.85 %)	5502.85

Currency: USD
Consensus as of Feb-13-2026 12:35 PM GMT

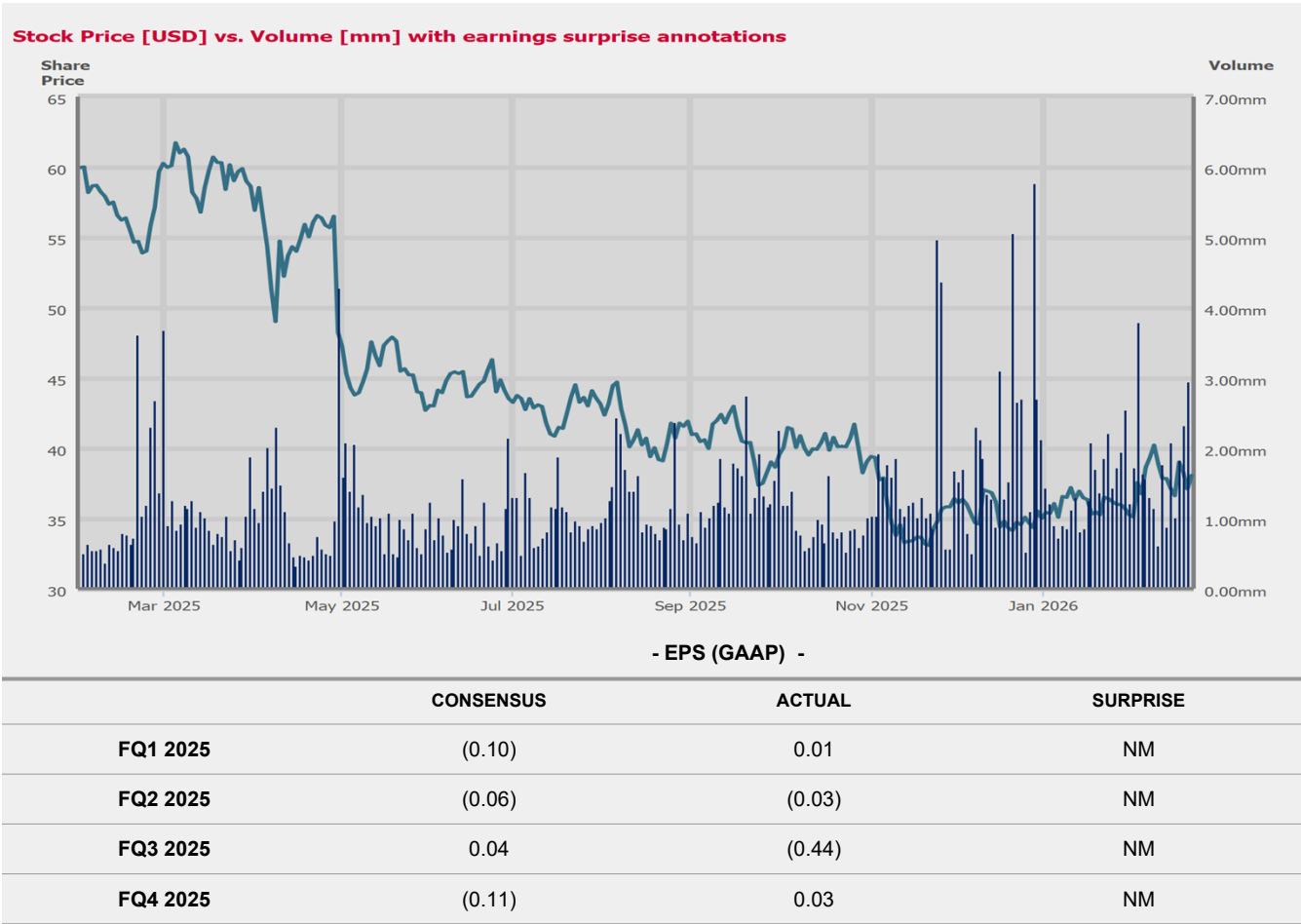


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Call Participants

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to Lineage Fourth Quarter 2025 Earnings Conference Call [Operator Instructions] I will now hand the call over to Ki Bin Kim, Head of Investor Relations. Please go ahead.

Ki Bin Kim

Vice President of Investor Relations

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

Before we start, I would like to remind everyone that our comments today would include forward-looking statements under federal securities law. 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 and supplemental package that was issued this morning. Unless otherwise noted, reported figures are rounded and comparisons of the fourth quarter of 2025 are to the fourth quarter of 2024. Now I would like to turn the call over to Greg.

W. Gregory Lehmkuhl

CEO, President & Director

Thank you, Ki Bin, and good morning, everyone. Let me start by first thanking our valued customers and all our incredible team members at Lineage, who did an outstanding job driving efficiencies and executing on significant new business wins in the quarter and throughout 2025. I'm truly grateful to be working alongside such an outstanding group of men and women each and every day. I'll walk through our agenda for this morning.

First, I'll recap our fourth quarter performance, which came in line or slightly ahead of our expectations on all key metrics. Then we'll discuss our 2026 outlook, followed by our latest view of cold storage supply and demand. Following my remarks, I'll turn it over to Robb LeMasters, our new CFO, who started back in November and has already made meaningful contributions to the business. Robb will walk through the details of our segment performance, expense management initiatives, capital structure and our outlook for 2026.

I'll then return to share some closing comments before we open up the line to your questions. Turning to quarterly performance on Slide 4. During the fourth quarter, total revenue was flat year-over-year and adjusted EBITDA decreased 2% to \$327 million. Total AFFO of \$214 million and AFFO per share of \$0.83 were flat year-over-year, but both ahead of our expectations. AFFO this quarter was propelled by better management of maintenance capital expenditures and more advanced cash tax planning relative to our initial expectations.

I continue to push the team to optimize every aspect of our business to drive cash flow generation. Robb will expand on these efforts later in his remarks. Full year 2025 adjusted EBITDA declined 2.3% year-over-year to \$1.3 billion and full year AFFO per share increased 2.4% year-over-year. Looking at the underlying business drivers, we saw further occupancy stabilization in the fourth quarter. Same-store physical occupancy improved sequentially by 400 basis points to 79.3%, further signaling that our business is returning to a more normalized seasonality just as we anticipated when providing second half guidance last year.

Year-over-year physical occupancy was down only 50 basis points and improved cadence compared to the first half. That being said, we're entering 2026 at a slightly lower occupancy level compared to last year. Encouragingly, our economic occupancy continues to track nicely with our physical occupancy. and we expect to maintain a similar spread between the 2 metrics to what we observed throughout 2025. We look to partner with our customers to manage the seasonal ebb and flow of their inventory levels, and we are comfortable that our physical versus economic occupancy spread is both appropriate and sustainable.

As a reminder, we have largely navigated the volume guarantee adjustments stemming from our customers' multiyear inventory destocking post COVID. During the quarter, we grew rent and storage revenue per pallet year-over-year by more than 1.5% on a same-store basis and by over 3% for the total warehouse segment despite headwinds from the industry's challenging macro environment. Throughput volumes declined 2.8% and warehouse services per throughput pallet was down 70 basis points as a result of lower import/export volumes that we highlighted as a concern in our third quarter call.

Our container volumes for the fourth quarter were down 9% year-over-year. This softer volume and lower price mix weighed on profitability, resulting in lower margins for the warehousing segment. Overall, same-store NOI was down 5% year-over-year, but was in line with our guide. We continue to see early signs of stabilization in many areas of our business. And in fact, many geographies are stable or growing, including Europe, Asia Pac, Canada and most U.S. regional markets. While we're not out of the woods yet, we believe we will continue to build on these trends throughout 2026 and drive further productivity to address this temporary new normal.

We plan to deliver significant incremental new business given our strong performance for customers, strategically located assets and our unmatched breadth of service offerings. Turning to our Global Integrated Solutions segment. In the fourth quarter, GIS saw year-over-year NOI growth of 15%, led by our U.S. transportation and foodservice businesses. This rounds out a really great year for the global GIS team who delivered nearly 10% year-over-year NOI growth in 2025. Great job to Greg Bryan and the entire GIS team.

Turning to capital investments, which is a compelling driver of upside to our medium-term growth model. In the quarter, we invested \$170 million of growth capital primarily in our development projects, and we're pleased with the continued progress on these projects. As a reminder, we have 24 facilities that are under construction or in the process of ramping and stabilizing. These projects represent over \$1 billion of previously invested capital and a significant amount of our future asset mix. We expect these assets to deliver over \$150 million of incremental EBITDA once stabilized, a considerable addition to the Lineage earnings base.

Also, we're not just growing to grow. We are constantly looking to manage our portfolio of assets. In December, we sold a noncore asset in Santa Maria, California at a mid-6 cap rate for \$60 million. This is consistent with several other recent private cold storage transactions that were executed around a 6 cap, further reinforcing the strength and resilience of private market valuations for our real estate. We're actively looking at numerous options to take advantage of the mispricing between the public and private markets to enhance shareholder value.

We think this makes sense, especially as you consider that most recent research implies that we traded over a 35% discount to our NAV, over an 8.5% implied cap rate and in our view, an even larger discount to the replacement cost of our portfolio. We have plenty of attractive opportunities to redeploy this capital into our balance sheet to further enable strategic acquisitions, customer-led developments and capital return strategies. This is a very active work stream, and we look forward to updating you in future quarters.

We believe these efforts will not only highlight the mismatch between private and public valuations, but also position us to continue to consolidate the U.S. market as opportunities present themselves. Turning now to our outlook for 2026. We expect same-store NOI growth of negative 4% to negative 1%, adjusted EBITDA of \$1.25 billion to \$1.3 billion and AFFO per share of \$2.75 to \$3 per share. Robb will provide future guidance details in a moment, but I'll share the macro assumptions that inform our guidance.

In 2026, we expect 1% to 2% net pricing increases in our warehousing segment. While it's only February, we've already worked through 65% of our warehousing revenue base. We also expect our business to track to normal seasonality in 2026, albeit entering the year at a slightly lower occupancy level than we entered 2025. We anticipate that the industry will continue to digest new supply and remain competitive. Our observations mirror what many food producers and distributors are saying.

Global food demand remains stable as highlighted by the recently published Circana and Nielsen data. But the consumer continues to exhibit value-seeking behavior, trade down activity and incrementally shifting their spend from restaurants to retail. Given that we ultimately serve the end customer, whether they choose to eat at home or at a restaurant, by national or store brands, demand in our business in the long run remains stable.

And as I mentioned, we believe that we're past the inventory drawdown after COVID and remain optimistic that the categories we serve will continue to grow. Overall, we're assuming a similar operating environment as 2025 and not building into our guidance any upside from potential catalysts such as tariff resolution, interest rate reductions, a stronger consumer or the benefits to the consumer from pending tax relief. In the meantime, we're not standing by waiting for a stimulus.

Lineage remains focused on controlling the controllables and driving efficiencies wherever possible. Robb will discuss this more later, but he has helped accelerate our efforts, and we expect to remove \$50 million annualized admin and indirect costs by the end of this year. These savings will not discourage our investments in our sales, our customer support team nor our prudent technology investments to stay the industry leader in automation and warehouse execution. We are using this challenging time in the industry to become a better, leaner company with even more positive operating leverage in the future.

Turning to Slide 5. As a reminder, last quarter, we collaborated with CBRE to gain additional insights into new supply and demand trends within the industry. At this point, our analysis is focused on U.S. markets where we have the most accessible data. To recap the analysis we put out recently, CBRE data shows that from 2021 to 2025, U.S. public refrigerated warehouse supply increased 14.5% on a square foot basis, while consumer demand for these categories stored in our network grew 5%.

That implies a 9.5% excess capacity across the U.S. over 4 years. Even so, Lineage's 2025 average physical occupancy was 75%, only 300 basis points below its 2021 level despite tariffs, reduced U.S. agricultural exports and inventory destocking, a testament to our network scale, hardworking commercial team and the customer desire to align with the industry leader. Looking ahead, new supply in 2026 is expected to slow significantly, which is logical given the current environment just does not support speculative development.

To further mitigate supply side challenges, we are idling buildings where appropriate with finding alternative real estate uses. We also think competitor weaknesses and asset obsolescence could help ease industry capacity. On the demand side, potential catalysts such as tariff resolution, tax stimulus, moderating food inflation and lower interest rates could serve as meaningful tailwinds to our business.

Moving to Slide 6. Using the latest CBRE data, we take a closer look at when the new supply has come online and its magnitude. As new supply is added to the market, customers naturally reassess their options. They decide whether to stay with Lineage or to switch providers, which in the near term increases competitive pressure. What we've observed is that this customer switching largely occurs in the first 1 to 2 years after new supply comes online. Then markets typically begin to stabilize.

To break this down, we're focusing on a subset of our U.S. assets that have been in the same-store pool since 2021 and represent over \$0.5 billion of our U.S. NOI. The top chart shown in green reflects markets that have seen less than 15% cumulative new supply over the last 4 years. Many of these markets have high barriers to entry, constrained land, challenged permitting and high building costs. And together, they represent over 60% of our U.S. portfolio. NOI growth in these markets has been relatively insulated from new supply pressure, though they were impacted by inventory destocking coming out of COVID in 2023 and 2024 as well as other macro factors like declines in import-export volumes and tariffs.

Now that customers have rationalized their inventories, we are seeing stabilization in 2026. The next 2 charts represent markets that have experienced more than 15% cumulative new capacity in the last 4 years. We further split these into early cycle supply markets shown in blue, where most of the new capacity was delivered in 2022 and 2023 and late cycle supply markets shown in gray, where most of the new capacity was delivered in 2024 and 2025. The early cycles chart in blue saw on average same-store NOI declines in 2023 and 2024.

But thereafter, these markets saw slight organic NOI growth in 2025 and are forecasted to be relatively flat in 2026. To be clear, these markets still carry new capacity overhang, but NOI has begun to stabilize as the inventory destocking is behind us and as the markets absorb the new supply, leading to market rent equilibrium. Importantly, in many cases, customers who originally left for lower prices have since returned to our network because of our service excellence.

With limited incremental new supply over the past couple of years and with inventory destocking behind us, we have a more favorable outlook for this group, which accounts for 21% of our sampled NOI. Combined, the low new supply markets and the early cycle supply markets make up 85% of our U.S. NOI and both groups have demonstrated improved NOI stability, something we expect to continue in 2026. Finally, the gray chart at the bottom represents the late cycle supply segment. These are places where we are seeing the most competitive pressure today as the new supply was delivered more recently, and we expect this competitive pressure to continue into 2026.

These markets make up only about 15% of our U.S. NOI in this pool. Importantly, across the U.S. overall and especially in these late cycle supply markets, we expect to see a significant decline in new deliveries in 2026. And as this supply is digested, we expect to regain opportunities to grow with our customers. Net-net, this data shows while a small portion of our portfolio is navigating a temporary supply-demand imbalance, 85% of our NOI in the U.S. is on stable footing. Despite macro headwinds, I'm confident that we are well positioned to grow over time as the food industry normalizes, new capacity is absorbed and our commercial, energy, admin and productivity initiatives, including LinOS continue to accelerate. Now let me turn it over to Robb LeMasters. Robb, welcome to Lineage.

Robb A. LeMasters
Chief Financial Officer

Thanks, Greg, and good morning, everyone. I joined Lineage a little over 3 months ago, and it has been great meeting our talented team members and many of the investors on this call. These past 3 months have confirmed my view that Lineage is a world-class organization, and I look forward to actively engaging further with you all in the months to come. Now on Slide 7, you can see our

Global Warehouse segment. In the fourth quarter, total warehouse NOI declined 2.4% year-over-year to \$373 million, while same-store NOI declined 5% year-over-year to \$340 million, both in line with our previously provided guidance.

In our same warehouse segment, as Greg highlighted, we grew our rent, storage and blast revenue per physical pallet by 1.7% year-over-year. We also saw an impressive sequential growth in our physical utilization of 400 basis points to 79.3%, signaling further evidence of a return to the more normal seasonality Greg forecasted last summer. Conversely, throughput volumes were slightly softer, down 2.8% year-over-year with services revenue per throughput pallet down 70 basis points.

For the full year, total warehouse NOI declined 3.3% to \$1.48 billion, while same-store NOI growth was minus 5.8%. While our occupancy has been stable, services mix and throughput volume continue to be weighed down by lower import/export volumes related to the shifting tariff announcements during the second half of the year. Keep in mind, volume shifts in certain higher-value commodities can incrementally impact results given the attachment of higher value-added services.

Shifting to Slide 8. Global Integrated Solutions segment's EBITDA grew 15% to \$61 million in our fourth quarter and was up 9% to \$251 million for the full year 2025, continuing this division's great trends all year. Our fourth quarter NOI margin for GIS improved by 470 basis points to 19.5%. We are continuing to see strong momentum in our U.S. transportation and foodservice businesses due to the value these integrated solutions provide to our customers. As a reminder, we see solid longer-term upside in the combined offerings of our GIS businesses and our Warehouse segment. Our ability to bring to market a global network of assets to offer customers an end-to-end solution is unique and rewarded by our customers.

Turning to Slide 9. Fourth quarter adjusted EBITDA declined 2.4% year-over-year to \$327 million and full year adjusted EBITDA declined 2.3% to \$1.3 billion, both in line with our expectations. Fourth quarter AFFO per share was flat compared to the prior year at \$0.83 and full year AFFO per share grew 2.4% to \$3.37 per share, both ahead of our expectations and consensus. As we progress through the wrap-up of 2025, our first full year as a publicly traded REIT, our tax team was able to successfully enhance its tax planning initiatives to substantially drive upside to our guidance.

We finished the year with a current tax expense for AFFO of \$15 million versus our prior guidance of \$30 million to \$35 million. Our fourth quarter tax expense was better than our expectations by approximately \$18 million or \$0.07 per share. On a go-forward basis, we expect about half of that beat to be sustainable. Hats off to our tax team for driving continuous improvement in our tax structure. Ultimately, even if we excluded \$0.04 of nonrecurring tax benefits, we still came in above the high end of the guidance range.

In addition, our heightened cash flow focus allowed us to better manage recurring maintenance capital expenditures, allowing us to come in slightly lower than our guidance at \$56 million for the quarter. We know investors focus on same-store NOI, and so do we, but we are also focused on driving every lever of efficiency and cash generation, not just same-store metrics. We are proud to see our team members also focus on EBITDA and AFFO outperformance.

To that end, today, I want to announce that we have accelerated our internal efforts to drive efficiencies on our admin and indirect expense cost base. We see opportunities to further streamline our organization while continuing to fully support our team members in the field. We have line of sight to \$50 million plus of annualized cost savings by year-end 2026 by streamlining and centralizing select functions. We have been studying this opportunity for a couple of quarters and believe we can prudently rightsize the combined teams to drive immediate savings and speed up decision-making. We see about half of this hitting 2026, and we'll describe how we layer this into our guidance further in my prepared remarks.

Turning to Slide 10. We ended the quarter with total net debt of \$7.7 billion and total liquidity of \$1.9 billion. During the quarter, we issued \$700 million of 7-year eurobonds at a 4.125% coupon and locked in a \$1.25 billion floating to fixed forward swap at a rate of 3.15% through February 2028. These fourth quarter transactions come on the back of our inaugural USD 500 million bond offering issued at a coupon of 5.25% in June of 2025. We appreciate the confidence of our fixed income investors in our investment-grade rated balance sheet.

We welcome all these new global fixed income investors to our call, and I look forward to meeting you in the coming months. On leverage ratios, you can see here that our net debt to adjusted EBITDA was 6.0x at the end of the quarter. Also on this slide, we added what we hope is a helpful supplemental disclosure commonly asked for by our investors. This metric, adjusted net debt to transaction adjusted EBITDA adjusts for the \$1 billion of capital investments made into our development pipeline, the corresponding non-stabilized NOI and the NOI tied to intra-quarter acquisitions or dispositions.

Under this methodology, which is consistent with the reporting practices of other top companies within the REIT sector like Prologis and First Industrial, our leverage is 5.2x. Also, keep in mind that our development projects have been significantly derisked given most of these projects are anchored by customers with long-term commitments. Thanks to our new great leader of Investor Relations,

Ki Bin Kim, who many of you know from his prior life, you will notice this and other supplemental disclosure enhancements now and into the future.

Finally, I would be remiss to not mention the sale of our Santa Maria site, a great example of the shareholder value-enhancing transactions we are evaluating. As Greg mentioned, we will explore every opportunity to address the valuation mismatch between the public and private markets, including joint ventures and/or partial monetization actions that help generate capital and highlight the locked-up potential in our world-class portfolio.

On Page 11, let's discuss our outlook for 2026. We are initiating 2026 guidance with same-store NOI growth of minus 4% to minus 1%, total warehouse NOI growth of minus 2% to plus 1%, GIS NOI growth of 0% to 2%, adjusted EBITDA of \$1.25 billion to \$1.3 billion and AFFO per share of \$2.75 to \$3 per share. You can also see the additional guidance details we have provided in the past, including admin of \$465 million to \$480 million, stock-based comp of \$125 million, interest expense of \$340 million to \$360, current tax expense for AFFO calculations of \$20 million to \$30 million and recurring CapEx of \$170 million to \$180 million.

Further, we expect our same-store NOI cadence to start the year at the lower end of our annual range and see improvement into the second half. Supporting this outlook will be the ramp of our development projects and the 2025 purchased M&A coming online throughout the year. We will also see acceleration of our productivity and SG&A initiatives as we move through the year. As we centralize and optimize some field expenditures into admin, this will create a modest headwind to admin expense. This will also conversely act as a tailwind of about 100 basis points to 2026 same-store NOI.

Ultimately, our guidance for admin is \$465 million to \$480 million, which contemplates the field cost shifts, inflation and higher 2026 bonus. These items will be offset by the cost savings initiatives we outlined earlier. Together, these factors and the typical seasonal shift from Q4 to Q1 will result in adjusted EBITDA in the first quarter of 2026 following a sequential decline comparable to that experienced in the first quarter of 2025.

Finally, AFFO in 2026 will experience a headwind from expiring interest rate hedges and from annualized interest expense from the U.S. dollar and euro bond offerings we did in the middle of 2025. However, prudent CapEx management and improved tax planning will allow us to deliver a solid base of cash flow per share. All of this should set us up to deliver a solid 2026 and allow us to focus on continuing to mature the organization and remain the industry leader for years to come.

W. Gregory Lehmkuhl
CEO, President & Director

[Audio Gap] Now that Robb has walked you through our 2026 guidance, I want to reaffirm that while we're operating in a difficult environment in certain markets, we believe Lineage remains extremely well positioned to exit these challenges as an even stronger company by increasing our future operating leverage across the business. Allow me to summarize with 4 key points. First, our industry is showing signs of normalization with a return to normal seasonality, customer inventory destocking largely behind us and many markets stabilizing after digesting new supply.

Second, we are focused on controlling the controllables as highlighted by our \$50 million admin and indirect expense saving announcement. These are in addition to our already in progress productivity initiatives, including LinOS that are expected to offset inflation again this year. Third, while not built into our guidance, we see potential headwinds turning into tailwinds, including reduced inflation, interest rate reduction, consumer tax stimulus and international trade stabilization.

Lastly, while our balance sheet is already in great shape, we will continue to look for opportunities to unlock value, further enhancing our liquidity. This will maintain our investment-grade rating and enable us to opportunistically take advantage of strategic investment opportunities. Before turning it over to your questions, I'll provide a quick update on LinOS, our proprietary warehouse execution system. As of today, we've deployed LinOS to 10 sites and expect to at least double that number in 2026 before accelerating even further in 2027.

We remain confident and on track to deliver the savings we outlined at Nareit in December of \$110 million run rate savings over 3 to 5 years. When I take a step back and look at our company, I see the largest best positioned player in a mission-critical business with excellent team members in a resilient long-term industry. The cash flow generation of our company remains strong. Our balance sheet remains solid, and our dividend is well covered and likely to grow over time. We grew this business successfully for 15 years leading up to the IPO, and we believe the industry's fundamentals are stabilizing. Again, I want to thank our global team members for their dedication and commitment to our customers. Operator, at this time, I'd like to open it up for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Ronald Kamdem with Morgan Stanley.

Ronald Kamdem

Morgan Stanley, Research Division

Great. I just had a question on the same-store NOI guidance. You exited the year down 5%. You talked about sort of the first half versus second half dichotomy in 2026. And the disclosure on the markets that are stabilizing down, I think, is really helpful. But just wondering if you could just contextualize just the conviction on the same-store getting better. And when you think about sort of the markets and the different supply cycle, any sort of numbers on how the same-store NOI ranges between those buckets?

Robb A. LeMasters

Chief Financial Officer

[Audio Gap] that Greg and I talked about. First was on the volume or occupancy side, if you will. We're coming into the year in 2026 at a little bit of a lower level. You can see that in our same-store metrics. So you can see that we're going to ultimately have that as a little bit of a headwind as we go in. That's just a minor headwind as we go into 2026. The second element of how we thought about our guidance is that while we're seeing great net price put out to the market, we have the same factors that impacted us in 2025 in terms of mix, in terms of import/export just as we look out.

And so that ultimately will be a little bit of a drag of our revenue per pallet, if you will. Again, we're seeing net pricing of 1% to 2% that blends just slightly lower. And then the final factor as we thought about it is just we are fighting inflation overall as a company. We're doing a lot on the productivity side. And so we're really striving to keep NOI margin, if you will, flat. But then, of course, you have just minor pressure there. We saw a little bit of that in 2025. So those 3 factors really kind of blend up. And we'll see a good pattern as we evolve through the year. As we said, we're starting at the low end, but all the initiatives that Greg outlined really sets us up nicely as we kind of move through the year.

Operator

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

Michael Goldsmith

UBS Investment Bank, Research Division

Can you talk through the impact of idling assets? How many assets did you idle during the quarter? Did that have a positive impact on occupancy? And if you can quantify that? And then also, if you're idling assets, what are the add-backs to earnings just to try to get a better understanding of kind of what has been moving in and out of the same-store pool and the financial aspects.

W. Gregory Lehmkuhl

CEO, President & Director

Sure. Thanks, Michael. So last year, we idled 10 sites and the benefits are obvious. We can move labor, move the customers to adjacent sites and lower our overall cost and increase our occupancy in the receiving sites. This for 2026, because our physical occupancy is relatively strong, we don't think we'll see quite as many opportunities in 2026 as 2025. And the overall impact on the NOI and the occupancy was pretty negligible. We took out less than 1% or around 1% of our supply. And as far as how we treat these, we don't add back any of these costs. They roll into our non-same-store pool and roll up to AFFO and EBITDA accordingly.

Operator

Your next question comes from the line of Caitlin Burrows with Goldman Sachs.

Caitlin Burrows

Goldman Sachs Group, Inc., Research Division

On dispositions, the noncore [SoCal] disposition you did, what made that property noncore? And how representative is the mid-6% cap rate in the U.S.? And then are you willing to sell international assets? And what types of multiples or cap rates are you seeing in the international assets?

W. Gregory Lehmkuhl
CEO, President & Director

Caitlin. So the [SoCal] asset, I would say, was kind of a medium quality asset in our U.S. portfolio. It was a single user and did not support any of the surrounding public customers in that region. And so the user wanted to purchase it. It was a reasonable price for us, reasonable valuation. So we decided to go ahead and achieve a little bit of liquidity there. As far as other dispositions, Robb will probably talk about this on other questions, but we're looking at the entire portfolio to optimize and certainly analyzing the public versus private disconnect in valuations and kind of more to come on that as the year progresses. Nothing to announce today.

Robb A. LeMasters
Chief Financial Officer

Yes. I guess I would just comment, I had the group, as I'm new, kind of look at the overall environment and what we're seeing in terms of transactions and actually pleasantly surprised with some of the comps that I'm seeing out there. Over the past year, we've seen over \$1 billion at least of transactions that we've been tracking, whether it's DHL or Cold-Link or otherwise. And of course, we're familiar with the multiple we saw on our property.

But we're really seeing strong mid-teens EBITDA multiples. Now sometimes these are in certain geographies, but that ultimately translates into those low 6% to mid-6 cap rates. So we're feeling good about it. I wouldn't say there's any comment we have about specific geographies per your exact question. We'll really look, as Greg said, as are we the best owner of that asset or not. And so we'll be going through an evaluation just of our whole portfolio as we always do.

We'll be looking very unemotionally at that. And frankly, we see the opportunity to create capacity for opportunities that we are almost sure will present themselves. We don't currently have anything on the docket now, but we're looking hard as this industry turns, really having the firepower to do whatever we want to do.

Operator

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

Alexander David Goldfarb
Piper Sandler & Co., Research Division

Just going back to the topic of customers switching. You mentioned sort of 1 to 2 years after a tenant takes a new facility that they may end up switching. We've been hearing about this for quite some time. And I just want to get a sense, is this more of a talking point? Or are you seeing like tangible or anecdotal evidence where, hey, in the past 6 months, we've seen a noticeable uptick in people moving out of new entrants into your facilities? Just trying to see as the supply ebbs, how much this is really a tailwind versus just something that is a talking point, as I say?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Thanks, Alex, and happy birthday to you. So as we talked about in the prepared materials, we are seeing a clear trend. So in the U.S., where we're seeing really the only region in the world where we're seeing the excess supply, 60-plus percent of our markets are -- have not seen excess new supply. We had to work through the destocking, but those have been on stable ground for some time, and we expect them to be on stable ground in 2026.

Where we're -- directly to your question and why we feel so good about our ability to compete in the medium term is because markets like New Jersey, Dallas, Houston, where this new supply hit earliest, we did take a hit there. And now we're seeing -- this isn't anecdotal. We're seeing a lot of customers come back to us because of our -- because of all the structural advantages we have, especially our service excellence. And so we can group those into a very large pool and say, the NOI went down and now the NOI is up or stabilizing.

And then when we look at our 2026 plan, we can see late cycle markets like Allentown and Miami, where we're still facing pressure. But the fact that we've seen so many markets go through this cycle, and we're seeing ourselves starting to win again gives us confidence that we can kind of work through this last wave and the new supply being delivered in '26 and beyond is minimal. And so even without supply absorption, which we think there's lots of reason to believe that will happen faster than some may fear, we think we can win in this existing environment.

Operator

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

Blaine Matthew Heck

Wells Fargo Securities, LLC, Research Division

More of a high-level question. There's been a lot of attention paid to the impact of AI on different businesses over the last several weeks and months. I know you guys have done a lot on the technology enhancement and data analytics sides already. But in general, how do you see your business being impacted by AI, whether that be on the warehouse or GIS side?

W. Gregory Lehmkuhl

CEO, President & Director

So I'm glad you asked that. We've been thinking a whole lot about this. I mean, so certainly, AI promises to make supply chain more efficient. And that could potentially reduce storage needs over time. But supply chains take a long time to change and optimize. And what we're seeing right now is that customer inventory levels are effectively at the bottom, given a couple of years of destocking after COVID, high interest rates, food inflation, international trade chaos driven by the tariffs, for all these reasons, our customers' inventories are very low.

But when you take a step back and you think about our industry and AI, we think we're one of the most insulated from disruption. And actually, at Lineage, we think we have some of the most upside driven from AI. So think about the industry first. So fundamentally, cold storage infrastructure is necessary to bridge the duration between when food is produced and when it's consumed. And AI cannot change when food is produced or when it's consumed. So cold storage is durable and essential in the long term, even in the world of AI. And there's millions of examples of this.

But think about a frozen chicken, frozen French fries and steak, we don't think those will ever ship directly from a processing plant directly to somebody's home. And AI can't change the seasons nor when seasonal products are harvested. So they'll always need to be stored. AI is not going to change the need for people need. We're pretty sure that's a durable trend. And our industry has hard expensive assets required to operate our industry and AI cannot create nor replicate those. And if AI does change how consumers behave, so if there's more online shopping, more multichannel, that just generally increases the need for warehousing because of more SKUs and more nodes of distribution.

Also, I think as our recent announcement is evidence of our industry has an evolving data center and self-driving electric vehicle use case that's unique to our high-powered assets. So plug-ins for electric vehicles and using our excess power to fuel small to midsized data centers. And so -- but if you double-click on the industry to a lineage perspective, we think we're farthest along on the use of AI. We've been investing in data science, as many of you know, for more than 10 years. We're cloud native. We're API-oriented already. We already rely on AI to make operational decisions within our warehouse.

The most recent example of that is our rollout of LinOS, where our AI, our patented AI is deciding which operator performs, which task, which priority to optimize labor and to optimize our customer performance. We're also already using AI for our entire automation stack. I think everybody knows we're the world leader in cold storage automation for our energy management initiatives that have shown over many years to offset energy inflation. And we're also using AI in our computer vision in a technology we call the Lineage Eye in our most tech forward warehouses, and that's technology that basically identifies what the pallet is and its contents and streamlines the inbound process and makes our receiving more accurate and efficient.

We're also best positioned -- and maybe this is the most important one. We're best positioned to leverage robotics and AGVs or automated guided vehicles because of our approach with LinOS. LinOS is built to tell robots the next task, the next best task just like it tells people the next best task today. And so as AGVs and robots get certified for cold and they're quickly getting there, we are ready to inter read those into our workforce and gain efficiencies faster than anybody else in our space, we feel.

We're also -- I think we proved we're effective acquirers and developers and can apply AI tools to the acquired companies and developments better than any other company. And lastly, we have far and away the largest data set of warehousing data and probably the biggest data set of temperature-controlled transportation data other than arguably C.H. Robinson. And we can harness that data to provide our customers with insights that help them optimize their supply chain overall. And so overall, yes, could this help customers optimize their supply chains over 10 years? Sure. But we think we're very much insulated from disruption as an industry, and we see upside across the business here at Lineage.

Operator

Your next question comes from the line of Michael Carroll with RBC Capital Markets.

Michael Albert Carroll
RBC Capital Markets, Research Division

Greg, can you provide us some color on the seasonal pickup that was delivered this past quarter? I mean how would you qualify that pickup? Was it more muted than normal seasonal patterns? Or was it in line with the historical patterns? And if it's more in line, I mean, can we assume that the inventory destocking is probably behind most of these customers? Or I guess, how should we think about this occupancy being higher than expected probably in the fourth quarter, at least versus consensus estimates?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Michael, good question. I mean we kind of called the bottom of inventory destocking in the first quarter of '25, and I think history is proving us right there. And in mid-'25, we said that the seasonal pattern was very much back to a normal seasonal pattern. The uptick happened a little bit later in -- it happened in July versus June and then it hit as normal.

So I think 2 things that are really important takeaways here. We believe inventory destocking is behind us. We believe our customers' inventories are at very, very low and lean levels given all the macro factors. We believe normal seasonality has returned, and we think that's evidence -- the evidence of that is our 400 basis points pickup in physical occupancy going into the fourth quarter. And we would expect a similar seasonal pattern, and it varies a little bit each year, year-to-year, but we would expect a similar pattern in 2026, and that's what our guidance is based on.

Operator

Your next question comes from the line of Greg McGinniss with Scotiabank.

Greg Michael McGinniss
Scotiabank Global Banking and Markets, Research Division

I just want to talk on the Integrated Solutions. We saw the considerable margin improvement with the European disposition. Is there more room to run on that business? Would you get back into Europe? Can margin improve further from here?

Robb A. LeMasters
Chief Financial Officer

Yes. I'll take that. It's Robb. So we had a really good margin performance in the fourth quarter. I think that's emblematic of kind of how we see the business. Now generally, the GIS segment has a strong Q2 and Q3, so just be aware of that. But overall, the reason the margin really ticked up was just as you shedded that European business, which frankly did not have comparable margin to the overall base, you take that out, you take the revenue out.

And really, as you start looking at the fourth quarter, that's the way to start thinking of the underlying business. So we still see opportunity overall. We see good growth in that business. So of course, we'll leverage the cost there. But I think that's a good run rate to kind of be thinking about margins and the profile going forward.

Operator

Your next question comes from the line of Craig Mailman with Citi.

Craig Allen Mailman
Citigroup Inc., Research Division

I just want to circle back on the asset sales and kind of market potential pricing for assets. I know you guys said the 6 cap was on a user sale. Just curious, was that already a triple net lease? Or were you guys kind of operating that? And what do you think that would have been on a kind of a true sale to an investor rather than a user? And also, Robb, I think you said pricing may be in the mid-teens EBITDA. Correct me if I'm wrong, but you said that translates into the low 6% cap range. Could you kind of just bridge that comment and just provide as much color as you guys can?

Robb A. LeMasters
Chief Financial Officer

Yes. Overall, it was a triple net lease. So that was the property. It's always hard to say with the buyer and so forth, how would they play -- pay relative. We can't really go there. We think it was a good sale price overall. As I mentioned, we're seeing mid-teens EBITDA multiples and low to mid-6 cap rates. So ultimately, I mean, it depends on the region they're sold. It depends on the mix,

depends on the buyer, as you say. So I'm just trying to give you a general sense for what it is, but it really matters what geography you're in and so forth and who the buyer is.

Operator

Your next question comes from the line of Michael Griffin with Evercore.

Michael Anderson Griffin

Evercore ISI Institutional Equities, Research Division

I'm curious your thoughts on the feasibility of converting a lot of cold storage facilities out there to alternative uses. I know there have been some reports. I think there was a facility in L.A. that was getting converted to a sound stage. Greg, you talked about the potential for data center conversions. Is this a real catalyst to improve the supply picture? Or I realize any prospective investor would probably have to get in at a favorable basis. So is it just on the margin going to help supply? Just curious your thoughts there.

W. Gregory Lehmkuhl

CEO, President & Director

Sure, Michael. Let me take that question and broaden it a little bit just to our thoughts on overall supply. And so we think there's a bunch of reasons why supply could get absorbed over time faster than if you just take the new supply minus the 1% increase in end consumer demand. The first one is the one you highlighted there is just the alternative uses. I think we are seeing that. There was -- in the last couple of quarters, there was a facility in Atlanta that was quite large. I believe it was about 1 million square feet that was repurposed for residential.

We are days away from signing our second small data center installation, and we continue to pursue those types of opportunities as we have excess power in the network already. And we believe we have the ability to dial up power with the utilities over time. So I think this is a really real opportunity. It's not going to dramatically change the supply picture in itself in 2026. But we're evaluating our global portfolio. We've calculated how much excess power we have in a number of buildings already, and we're looking to see how much more power we can get in areas that would be attracted to data center partners.

Other things that could impact the supply picture are we believe that some of the new entrants into our industry over the last 4 years based on our channel checks and direct conversations with some of these companies, we think that they'll exit the industry. And we think some of those assets, especially in kind of the most oversupply markets will not continue to be cold storage, and that will take out some supply. And where they're in good markets, if a competitor that is failing has 4 buildings, we want to be in the position to absorb 2 in the markets where we're full, and it would make sense to add those buildings to our network.

The other thing I'd like to highlight is obsolescence. And so over the last couple of years, especially coming out of COVID or during COVID, when every single pallet position basically in the U.S. and around the world was full because our customers were overstocking, if you will, it didn't make sense to retire old assets because they could still cash flow them. And despite the kind of structural advantages of a little less productivity, a little more higher ongoing maintenance, it made sense to keep those open.

But the average age of cold storage facilities here in the U.S. is 42 years. And given that there is oversupply that we think we'll start to see some of these buildings being shuttered and repurposed to residential or various other applications. And we don't have perfect estimates here, but we think that number could approach up to 1% a year in the coming years. Also, we talked about this already, but the large operators have the advantage, [Houston Cold] basically have the advantage to idle facilities and take supply out that way.

Between us and [Houston] Cold, we took out 20 buildings last year. I think they said they're going to take out another, I don't know, what it was, 9 or 10 last week, and we'll do more this year as well. So that will lead to some supply being absorbed. And I think maybe most importantly, as I've already discussed, even in the current environment, we think the best capitalized operators with the best service, with the best long-term reputation with the best technology, with the best scope of services with the highest level of customer relationships are going to win. And even in this environment, we can be successful.

Operator

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

Samir Upadhyay Khanal

BofA Securities, Research Division

I guess, Greg, I'm sorry if I missed this, but when I look at the GIS segment and your guidance for the year, 0% to 2%. I mean it is a decel. You did, I think, 8% last year, double digit in 4Q. Is it just sort of tougher comps? Or is there something I'm missing?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. It's -- I mean we had a great year this year. So there are tougher comps, but there's a couple of things I'd highlight that are weighing on our guidance there. The first one is fuel. Fuel is down, and we actually -- we mark up fuel like we do everything else. So when fuel declines, especially as it's happening right now and is forecast to happen in the first half year, that weighs on our results. Also, as trucks -- as fuel is down and trucking continues to be relatively inexpensive, our rail business doesn't do as well. Modal shifting happens for economic reasons. And when truck is strong, rail is weak. And for those 2 reasons, we're a little bit more cautious on our guide in GIS for 2026.

Operator

Your next question comes from the line of Daniel Guglielmo with Capital One Securities.

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

Can you just give us a quick update on the Lean journey? How many facilities have been done there to date? And as you roll out to additional warehouses, have there been any changes to that program or how you implement it?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I mean we're up to, call it, 1/3 of our revenue base being directly supported by a Lean manager. We are taking those resources now and elevating them from a single building or 2 buildings to regional support. And we're also kind of joining their efforts with our LinOS deployment team. So we're deploying technology and process at the same time and seeing good results there even since the Nareit conference in December.

And so we're committed to Lean as a philosophy, as a way to remove waste from our business, and we continue down the same path we've been on and continue to see good results. And I think that's why you'll see year-over-year, we expect to offset inflation through those efforts and other productivity initiatives even before LinOS gets meaningful to our financial results.

Operator

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

Todd Michael Thomas
KeyBanc Capital Markets Inc., Research Division

I wanted to see if you're able to share in end of January or year-to-date occupancy update. And then I think you commented that the 600 basis point spread between physical and economic occupancy is expected to be stable throughout the year and that you are through a good portion of the volume-based guarantees and resets this year. Last year, there was a little bit of volatility moving from 4Q to 1Q. So I was just wondering if you can provide a little bit more detail on where you're at in that process.

W. Gregory Lehmkuhl
CEO, President & Director

Sure. So January has come in line with our forecast. For modeling purposes, keep in mind that the first quarter is a seasonally soft quarter. Historically, if you just look at kind of pre-COVID USDA data, the first quarter would be down 3-ish percent in occupancy from Q4. And again, we think the seasonal pattern this year will reflect more normal times. And so we would expect a step down from Q4 to Q1.

Also weighing on our Q1 is the ongoing reduction in the trend in import/export container volume. If you look at Q4, import/export volume was down 9% year-over-year, and that trend has continued into the first quarter, which we expect to be a headwind for us. With regard to the volume guarantees and the spread between physical and economic occupancy, 400 to 600 basis points is our normal. We would expect to hold that trend through the year. And I think as we've discussed in prior calls, we effectively mark-to-market the majority of our business each year.

So there's no big resetting coming here in January. We've already worked through 65% of our revenue base as we sit here today on our contract negotiations. And that just gives us more confidence that the volume guarantee spread will be or the economic physical spread will be consistent, and we'll be able to achieve that net new pricing increases of 1% to 2%.

Robb A. LeMasters
Chief Financial Officer

Yes. I might just comment that it's one of the lowest levels we've seen, if you look at our supplemental, we go back over several quarters, you look at our same-store data, that 6% really represents. So Greg had made comments earlier last year about working through sort of that disparity that we had in economic and physical.

So we sort of try to address that as early as we could. As we look at other players having to address that, that is a painful factor, just trying to work through your economic versus physical. And so I think the team has done a great job as I come in here of working that through and not having that as a headwind that others maybe have to contend with in the future.

Operator

Your next question comes from the line of Brendan Lynch with Barclays.

Brendan James Lynch
Barclays Bank PLC, Research Division

I wanted to ask on the evolving tariff situation and how it's going to impact your business. I think post Liberation Day, there were some concerns around seafood in particular. So is the current 10% or I guess it's now 15% blanket tariff better or worse than the tariff policies that have been in place since April?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Great question. I mean our seafood customers are very opportunistic, I would say, in when they order and the tariffs drive that, the ocean rates drive that, the sales prices here in the U.S. drive that. And we'll see what happens with the Supreme Court hearing. Obviously, it's being challenged multiple ways. I think the bear or the bull case there is that tariffs could be lowered on China and Brazil, which could be meaningfully increasing trading partners with us given where they've sat in the last couple of years and the tariff rates they've been experiencing.

But it's just really hard -- it's really hard to know as all these are still being challenged in the state and federal courts. I think we're -- if we look at import/export, we're in -- if you look at multiple years of both the import and export side, we are at a historic low right now, and that's hurting us. It hurt us in the fourth quarter. We expect to hurt us in the first quarter. But we would expect that to normalize at some point, and that could be a meaningful upside to our business as so much of our real estate is in high-value, hard-to-replace port markets around the world.

Operator

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

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

The \$10 million of savings that was discussed, just wanted to kind of get some clarification around that. Is that mostly G&A type expenses? Is it more of a focus on kind of cost of operations in terms of labor and power? And also, hello...

Robb A. LeMasters
Chief Financial Officer

Go ahead, Omotayo. We can hear you.

Omotayo Tejumade Okusanya
Deutsche Bank AG, Research Division

Okay. Perfect. And I also want to kind of get a sense of in terms of timing as well, I think you kind of mentioned half of it kind of coming on in '26, but how do we kind of think of beyond 2026?

Robb A. LeMasters
Chief Financial Officer

Yes. Thanks for the question. Yes. So the \$50 million of annualized savings that we hope to essentially get our hands around during 2026 to see the full impact of that in 2027 is both an admin thing as well as indirect, if you will. We are seeing opportunities at the

indirect side at the sites. These are exercises that we've frankly been looking at for a while. We've been growing quite rapidly as a company. I came into the middle of an exercise that was being done to really look across the company and say, where can we sort of centralize, where can we optimize, where we bring some productivity? Are there overlapping functions that are frankly happening at the sites versus an admin.

We're also looking to deploy different technologies and AI and just frankly, figure out how to make -- do more with less. And so these are never easy decisions. So the timing of how we actually see that playing out in 2026, we're roughly think about half of that, but we'll see how the year goes, and we need to progress through all those initiatives. But again, it's about \$50 million. Just to touch on how the site level expenditures happen versus the admin. We talked about that 100 basis points.

So we went out to the sites and at corporate and sort of tried to do an inventory, and we saw some opportunity at the sites to essentially bring some of those costs in. We would have optimized them anyways, frankly, at the sites. And so as we combine those and actually bring those into corporate, we're sort of saying that, that's going to be a net impact.

If we had not sort of brought that into corporate, that would have been a net impact of about 100 basis points. I wouldn't be surprised if we actually figure out how to optimize that even more and bring that at a lower impact, if you will on a pro forma basis to something like 75 basis points, but that gives you a sense for both the \$50 million as well as how we see that playing in admin.

Operator

There are no further questions at this time. I will now turn the call back to Ki Bin Kim, Head of Investor Relations, for closing remarks.

Ki Bin Kim

Vice President of Investor Relations

Thank you, everyone, for joining the fourth quarter conference call. Have a good week, and we're around if you have any questions.

W. Gregory Lehmkuhl

CEO, President & Director

Thanks, everybody.

Operator

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

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