

Lineage, Inc. NasdaqGS:LINE

FQ1 2026 Earnings Call Transcripts

Wednesday, May 6, 2026 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.19)	(0.18)	NM	(0.17)	(0.61)	NA
Revenue (mm)	1315.35	1297.00	▼ (1.40 %)	1357.36	5411.50	NA

Currency: USD

Consensus as of May-06-2026 5:02 PM GMT

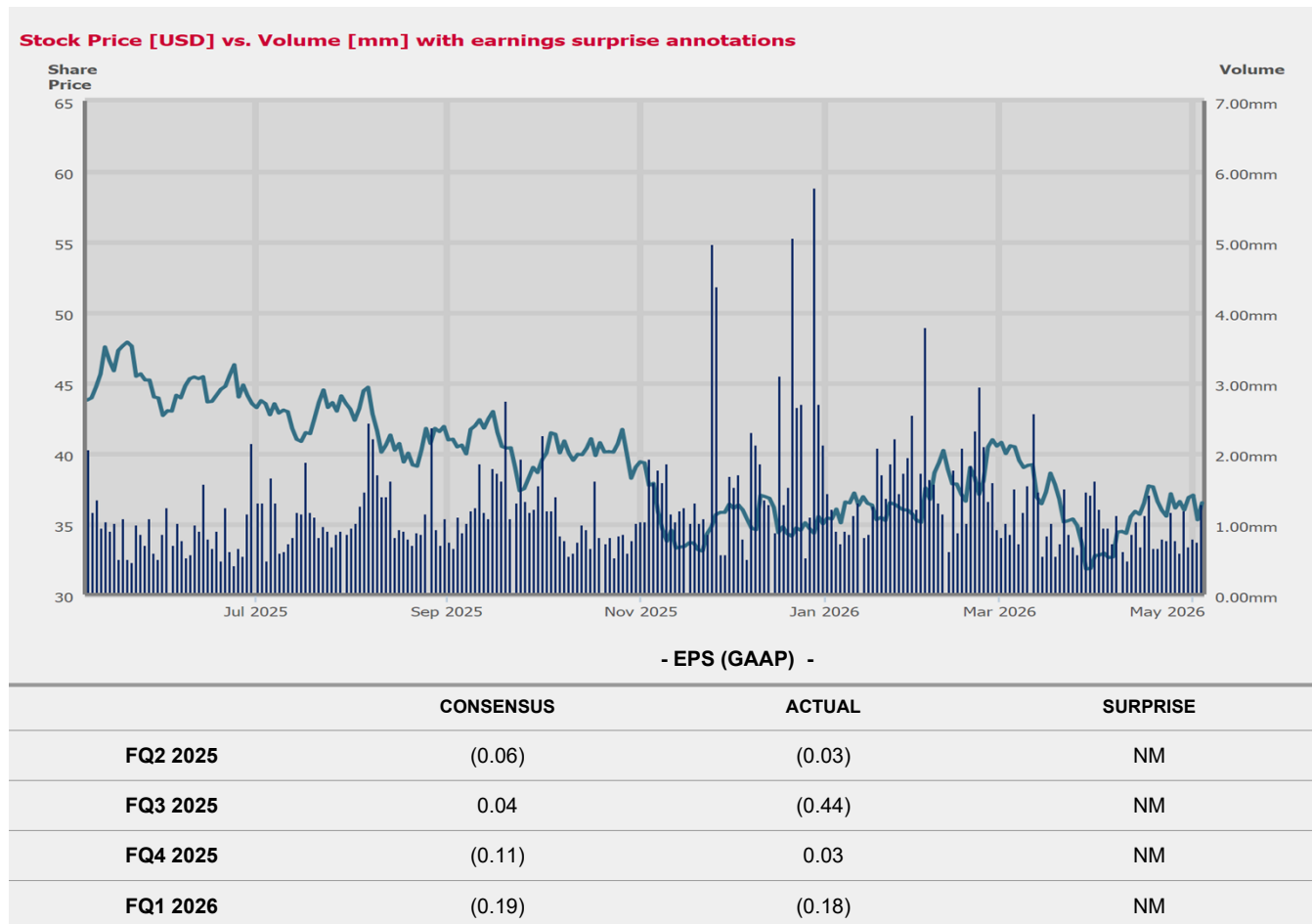


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EXECUTIVES

Ki Bin Kim

Vice President of Investor Relations

Robb A. LeMasters

Chief Financial Officer

W. Gregory Lehmkuhl

CEO, President & Director

Nicholas Patrick Thillman

*Robert W. Baird & Co. Incorporated,
Research Division*

ANALYSTS

Alexander David Goldfarb

Piper Sandler & Co., Research Division

Robert Matthew Simone

*Compass Point Research & Trading,
LLC, Research Division*

Caitlin Burrows

*Goldman Sachs Group, Inc., Research
Division*

Ronald Kamdem

Morgan Stanley, Research Division

Craig Allen Mailman

Citigroup Inc., Research Division

Samir Upadhyay Khanal

BofA Securities, Research Division

Daniel Edward Guglielmo

*Capital One Securities, Inc., Research
Division*

Todd Michael Thomas

*KeyBanc Capital Markets Inc., Research
Division*

Michael Goldsmith

*UBS Investment Bank, Research
Division*

Vikram L. Malhotra

*Mizuho Securities USA LLC, Research
Division*

Michael Albert Carroll

*RBC Capital Markets, Research
Division*

Viktor Fediv

*Scotiabank Global Banking and
Markets, Research Division*

Michael Anderson Griffin

*Evercore ISI Institutional Equities,
Research Division*

Michael William Mueller

*JPMorgan Chase & Co, Research
Division*

Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to Lineage's First Quarter 2026 Earnings Conference Call. [Operator Instructions].

I will now hand the conference 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 first quarter 2026 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 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 and supplemental package that was issued this morning. Unless otherwise noted, reported figures are rounded and comparisons of the first quarter of 2026 are to the first quarter of 2025.

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

W. Gregory Lehmkuhl

CEO, President & Director

Thanks, Ki Bin, and good morning, everyone. Let me walk through our agenda for this morning. First, I'll provide key highlights from Q1, then I'll share our latest view on cold storage and industry dynamics. Following my remarks, I will turn it over to Robb LeMasters, who will walk through the details of our segment performance, capital structure and expense management initiatives. 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. Overall, the first quarter came in better than our expectations and reinforces our view that the business is stabilizing as we manage through the industry headwinds we've highlighted over the past couple of quarters, including elevated new supply and trade-related challenges. During the first quarter, total revenue was flat year-over-year and adjusted EBITDA increased by 3.3% to \$314 million. Total AFFO was \$201 million or \$0.78 per share, representing a year-over-year decline driven primarily by the expiration of prior year interest rate hedges, consistent with our 2026 guidance. On a comparable basis, excluding this impact, AFFO per share was essentially flat.

Turning to core operations. Our results were solid and better than we expected. Same-store physical occupancy sequentially declined by 290 basis points to 76.4%, in line with our expectations. Our economic occupancy of 82% also continues to track nicely at a similar spread to physical occupancy. Through a collaborative and proactive approach with customers, we've rightsized guaranteed space to appropriate levels. Stabilizing occupancy trends are consistent with our direct customer dialogue and with commentary from food producers on recent earnings calls. I will provide more color on these food industry trends in a minute.

In terms of customer rate, our same-store rent, storage and blast revenue per physical pallet increased 2.2%, the fourth consecutive quarter of year-over-year increases. As a reminder, rate per pallet is impacted by mix, seasonality and FX, resulting in normal quarter-to-quarter variability. Same-store warehouse services per throughput pallet was modestly more positive than expected, driven by mix and strong performance from our international business. As an update, we continue to feel positive about realizing net price increases of 1% to 2% this year. Finally, we continue to see some softness in same-store throughput in line with both prior trends and our expectations for the first half, primarily reflecting lower import/export container volumes across seafood and other key commodities.

Container volumes declined 17% year-over-year in Q1, following a 9% decline in the fourth quarter of 2025, underscoring the persistence of these headwinds. While exports were down significantly, this quarter's import decline was even more pronounced partly reflecting a difficult comp in Q1 '25, resulting from a pull ahead of imports prior to tariff actions last April. Overall, in spite of some of these factors, our 0.9% same-store NOI decline year-over-year was a welcome improvement from prior trends.

Turning to our outlook. We are maintaining our 2026 guidance as we continue to expect annual same-store NOI contraction of negative 4% to negative 1% and AFFO of \$2.75 to \$3 per share. While we're not changing guidance, we have increased conviction in achieving the midpoint of guidance on the heels of a solid first quarter and increased stability we are seeing across our portfolio. Robb will share further guidance details later in the call. So overall, the portfolio is showing signs of stabilization with modestly better-than-expected results across most regions. While first quarter trends were encouraging, we believe additional time and consistency are required to confirm the durability of these patterns versus normal variability in customer volumes. We remain cautiously optimistic as we build on these trends through 2026, supported by disciplined execution and productivity improvements.

Turning to capital investments, which is a compelling driver of upside to our medium-term growth model. In the quarter, we invested \$130 million in growth capital, primarily in development projects. As a reminder, we have 22 facilities that are under construction or in the process of ramping and stabilizing, and we are pleased with their continued progress. We've already invested \$1.2 billion of capital in these projects, and we expect them to deliver over \$150 million of incremental EBITDA to our current run rate once stabilized, a meaningful impact to our earnings base in the future.

As discussed last quarter, we continue to make solid progress on our strategic portfolio review and have increased confidence in the breadth of options available to enhance balance sheet capacity and drive shareholder value. Our early review indicates many attractive options. All options we are exploring would highlight the continued disconnect between private and public valuations for high-quality storage assets. We look forward to updating you in future quarters as we learn more. Our LinOS technology implementation now at 11 conventional facilities continues to gain momentum and is still expected to roll out to at least 20 facilities this year. Each quarter, we gain more confidence in our 3- to 5-year target we shared in December of generating \$110 million of OpEx savings.

Turning to Slide 5 and looking at U.S. supply and demand trends, particularly for those who are new to our story and as we've shown in past presentations, from 2021 to 2025, U.S. public refrigerated warehouse supply increased approximately 15% on a square foot basis, while consumer demand for the categories we serve grew about 5%, resulting in roughly 10% excess capacity. Despite this, Lineage delivered average physical occupancy of approximately 75% in 2025, down only 300 basis points from our 2021 level. This performance reflects the strength of our network, our commercial execution and customer preference to partner with the industry leader.

As Lineage and the industry sought to digest this new capacity, on the right, you can see how those recent supply additions impacted our markets. This analysis focuses on U.S. assets held consistently since 2021, representing over \$500 million in NOI. Importantly, what we've seen is that after new supply is delivered, market rents adjust fairly quickly, reaching a new equilibrium and tend to stabilize from those levels after a period of market digestion. And so you can see that approximately 85% of that U.S. asset NOI is located in markets with limited new supply growth or in markets that have had higher supply growth but earlier in the cycle where market rents have adjusted and stabilized.

Markets with low supply growth, shown in green, represent more than 60% of that U.S. portfolio. These high barrier markets have remained resilient and NOI is steady after COVID destocking and other headwinds. Markets with greater than 15% new supply delivered during 2021 to 2025 are split between early and late cycle. Early supply markets shown in blue had new supply delivered in '22 and '23. After seeing NOI pressure in '23 and '24, performance stabilized in '25 and is expected to remain stable this year. These markets represent 21% of that U.S. NOI. Together, low new supply and early supply markets comprise approximately 85% of the U.S. NOI and are clearly demonstrating stabilization.

Late supply markets shown in gray, saw supply delivered primarily in '24 and '25 and are experiencing near-term competitive pressure. These markets represent approximately 15% of U.S. NOI, and we expect them to show a similar pattern as early cycle markets over time. Furthermore, with new deliveries expected to decline sharply in 2026, we anticipate conditions to improve in the medium term. Looking ahead, new supply is expected to slow significantly going forward as the current environment does not support speculative development. Across the industry, we believe we will see increasing examples of asset repurposing, potential competitor exits or bankruptcies and asset obsolescence cutting into excess capacity overhang.

We are also actively managing supply through selective idling, having idled 10 facilities in 2025 and planning another handful this year. On demand side, resolution of tariffs, normalizing food inflation, easing geopolitical uncertainty leading to a rebound in container volumes, expanding our customer base with new product categories like candy and flowers and lower interest rates, all represent potential upside that we have not baked into guidance, but could emerge as a welcome tailwind. In summary, we have

worked through much of the new supply, and while a limited portion of our portfolio is managing a near-term supply imbalance, the vast majority of our U.S. NOI is on more stable footing. As excess capacity is absorbed and the food industry normalizes, we are well positioned for sustained growth. As a reminder, demand improvement should create additional upside given the inherent operating leverage in our business that could be further compounded by productivity and cost measures.

Turning to Slide 6. To help contextualize some of the challenges we and other large food companies are navigating today, we want to share a few charts that illustrate the trends we discussed on recent calls. The chart on the left shows days of inventory outstanding across many of our key food production, distribution and retail customers in the frozen and refrigerated categories in which we participate. While the data has limitations and encompasses more than just temperature-controlled segments, it is directionally consistent with our customer dialogue that the COVID-driven inventory build and subsequent destocking cycle have largely played out. Inventory days have flattened and converged to historical norms.

The middle chart illustrates U.S. food import volumes of key agricultural commodities, which historically have been a meaningful driver of warehouse services in our network. After a multi-decade period of growth, volumes have declined recently due to tariffs and geopolitical uncertainty. This dynamic helps explain why throughput remains pressured year-over-year, but we believe that in the long run, U.S. agricultural trade will once again serve as a tailwind to our industry. Importantly, incremental volume in this category is highly margin accretive, driven by strong services attachment and the operating leverage in our network. As volumes recover, we would expect meaningful flow-through to EBITDA.

Finally, the chart on the right reinforces a simple point. Even through geopolitical shocks and recession, food demand has remained resilient, and it continues to support long-term growth. While we're not immune to disruptions, the food industry has proven to be among the most durable and steadily growing categories, delivering a roughly 2% CAGR in inflation-adjusted food sales over the past 25 years. Like many of you, we're closely monitoring the situation in the Middle East, and we've assessed the potential impact on our business. We have limited exposure to the Middle East, and we expect the near-term impact to be largely net neutral for both our warehouse and GIS segments. And specifically, with respect to energy costs, we are largely insulated in 2026 and 2027 through a combination of in-place hedges, surcharge mechanisms, regulated utility exposure and on-site solar generation. This reflects the strength of our approach to energy management and efficiency. Like all of you, we're hoping for a swift and peaceful resolution to the conflict. With that, let me turn it over to Robb LeMasters.

Robb A. LeMasters
Chief Financial Officer

Thank you, Greg, and good morning, everyone. Starting with Slide 7. In our Global Warehousing segment, first quarter total warehouse NOI increased 1.1% year-over-year to \$364 million, and same-store NOI declined 0.9% year-over-year to \$347 million, both ahead of our expectations. In Q1, same-store NOI benefited by approximately 250 basis points from favorable FX year-over-year, just as we contemplated in our previously provided 2026 outlook. Looking forward, we expect FX to be a relatively minor year-over-year factor for the balance of 2026.

In addition to the FX tailwind, year-over-year performance was driven by strong international NOI growth, including continued uptake of value-added services in multiple international geographies. Collectively, these results underscore the resilience of our diversified global platform. Within the same warehouse pool, rent, storage and blast revenue per physical pallet increased 2.2% year-over-year and utilization was 76.4%, down just 30 basis points from the prior year, reflecting a more consistent operating backdrop and strong commercial execution by our sales team. Throughput volumes were modestly softer, down 3.3%, although services revenue per throughput pallet increased 50 basis points. While occupancy has largely stabilized, throughput continues to reflect lower trade-related port volumes.

Shifting to Slide 8. Global Integrated Solutions segment's NOI was flat versus prior year at \$57 million. Our first quarter GIS NOI margin improved by 190 basis points year-over-year to 18.3%, reflecting an improved margin mix after divesting a lower-margin international transportation business last year. We are continuing to see positive momentum in our U.S. transportation and food services businesses due to the value these integrated solutions provide to our customers. This strong performance was masked by lower drayage activity associated with suppressed container volumes. As a reminder, we see solid long-term upside in the combined offerings of our GIS businesses and our Warehouse segment. Our ability to bring a global network of assets and end-to-end solutions is unique and being rewarded by our customers.

Turning to Slide 9. First quarter adjusted EBITDA increased 3.3% year-over-year to \$314 million and first quarter AFFO per share decreased 9.3% versus the prior year to \$0.78, both ahead of our expectations. Better-than-expected results were partly driven by the timing of administrative expenses, which were a key focus in Q1 and reflected tighter oversight during our cost rationalization work, influencing near-term spending patterns. A portion of these costs were deferred into Q2 and later in the year. Thus, we expect

administrative expense to normalize to approximately \$120 million to \$125 million per quarter for the balance of the year, consistent with our guidance and indicative of the progress we're making heading into 2027. I'll share more on that in a minute. We are pleased to see both our core operations NOI and EBITDA grow over the prior year despite operating in a challenging environment.

Moving to Slide 10. We ended the quarter with total net debt of \$7.9 billion and total liquidity of \$1.6 billion. We have approximately \$600 million of debt maturing in 2026, which we believe is very manageable. We have ample flexibility to address this through our revolver or other available sources of capital, supported by our strong access to both the U.S. and European public bond markets.

As Greg noted, we continue to make progress on our previously announced strategic portfolio review. We are evaluating a range of options to increase financial flexibility and build dry powder for potential market dislocations while maintaining the ability to invest in high-return growth opportunities with our customers or to return capital to our shareholders. Over the past 15 years, we've demonstrated a consistent track record of disciplined capital allocation, and we look forward to discussing these opportunities with you in the coming months. Our adjusted net debt to transaction adjusted EBITDA, the metric we introduced last quarter stands at 5.3x.

This metric is more comparable to our peers and accounts for intra-period acquisitions or dispositions and capital investments made into our development pipeline that have yet to stabilize. Keep in mind that our development projects have been significantly derisked given the majority of these projects are anchored by customers with long-term commitments. Additionally, maintaining our investment-grade balance sheet remains a key focus for our company, and we remain committed to bringing reported leverage, which currently stands at 6.0x into our targeted range of 5.0 to 5.5x.

Turning to Slide 11. I wanted to provide an update on a key cost initiative consistent with our focus on controlling what we can control. As outlined on our fourth quarter call, we have identified a plan to remove \$50 million or more of our administrative and indirect cost base. We have already executed several of the required actions, positioning us to realize approximately half of the savings in 2026 and the full benefit in 2027. This is not simply a cost reduction exercise. It is intended to enhance execution discipline and reinforce our culture of continuous improvement to support scalable, profitable growth.

Key actions include centralizing and optimizing indirect costs, internalizing third-party activities and leveraging AI and digital transformation. The initiative requires a modest upfront investment of approximately \$15 million, primarily related to technology and personnel transitions. These costs will be recorded below EBITDA in late 2026 and into 2027 as we execute our efficiency and digital initiatives to drive recurring savings. While SG&A is a key focus, the same discipline is being applied across procurement, CapEx and working capital. These efforts are expected to support same-store NOI and EBITDA and ultimately drive free cash flow and AFFO per share growth.

Moving on to our outlook. We are reiterating our 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 in the range of \$1.25 billion to \$1.30 billion and AFFO in the range of \$2.75 to \$3 per share. On this slide, you can also see the additional guidance detail we provided in the past. Please note that we expect a fully diluted share count of 260 million shares in Q2 and 259 million shares for the full year, which is unchanged from prior guidance.

While we are encouraged by our better-than-expected first quarter results, we are maintaining our full year guidance. The majority of the outperformance was driven by 2 favorable dynamics, and we would like to see more consistent upside performance before factoring that into our outlook for the remainder of the year. First, administrative expenses were lighter in Q1, reflecting tighter controls and the timing of our \$50 million cost rationalization planning. As we move through the year, we expect expenses to normalize toward a more typical run rate, consistent with the midpoint of our full year guidance. The pace at which savings are realized will depend on the timing and execution of these initiatives.

And second, NOI in the quarter was supported by strong international performance, driven by a particularly favorable mix and elevated services revenue. Separately, as you think about Q2 cadence, we would point to a few items. FX is expected to be less of a benefit to same-store NOI, approximately 100 basis points in Q2 versus 250 basis points in Q1. Administrative expenses should trend back toward a more typical rate of \$120 million to \$125 million per quarter following the Q1 underrun. And finally, our occupancy historically shows a modest seasonal decline from Q1 to Q2.

On the non-same-store front, our outlook reflects continued strong contributions from 2025 acquisitions and the ramp of new developments. The high teens millions of NOI generated in Q1 supports a progression towards an approximately \$20 million quarterly run rate with further upside as assets continue to mature. On profitability, we are leaning into productivity improvements and digital enablement to refine how we operate our warehouses and allocate capital more broadly. The objective is not just efficiency, but to structurally strengthen our platform and extend our competitive advantage. A stabilizing supply and demand environment and a

sharper focus on revenue growth, coupled with expense management and balance sheet optimization provide a solid foundation for 2026 and a clear path to long-term growth.

W. Gregory Lehmkuhl
CEO, President & Director

Thanks, Robb. We believe Lineage is well positioned to emerge from this period stronger than ever as we continue to invest in and extend the structural advantages that differentiate our platform. Allow me to close with highlighting our key strength and differentiators. First, we own and operate essential infrastructure in the global food supply chain, playing a key role in delivering food from farm to table for millions. Our business and the broader industry has proven resilient and capable of growth across cycles.

Second, we are the global leader in our markets with a network of modern hard-to-replace assets strategically located near population centers and key thorough layers of commerce like ports. Third, operational excellence is a structural advantage for us. We are a leader in automation, AI-enabled operations with our proprietary LinOS platform, positioning us to drive even greater efficiency as it scales across our network. Fourth, through our global integrated solutions platform, we deliver a comprehensive end-to-end suite of value-added services, including drayage, freight forwarding, rail, e-commerce and food service, enabling us to partner more deeply with customers and enhance retention.

Fifth, we have a strong track record of disciplined capital deployment, supported by a solid balance sheet. From our first acquisition in Seattle to our most recent fully automated warehouse development for Tyson, we have consistently created value through our investment decisions. And finally, our industry-leading platform is enabled by a world-class team, defined by a performance and ownership-driven culture and deep expertise in both operations and technology. While progress may not always be linear, we are seeing continued signs of stabilization in our core business. We are encouraged by our first quarter results and believe we're well positioned for long-term growth. Lastly, 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.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Michael Goldsmith with UBS.

Michael Goldsmith

UBS Investment Bank, Research Division

Can you dive a bit deeper into the factors that drove the earnings upside in the first quarter and if you see these as sustainable? And it seems like you're looking for more evidence that these factors can be sustained before you touch your outlook. So can you help us reconcile the upside from the first quarter to that full year guidance, which you reiterated?

W. Gregory Lehmkuhl

CEO, President & Director

Sure. Michael, thanks for your question. So I'll just start by saying we did deliver a strong quarter, and I'd like to just thank our global team members for servicing our customers at the highest level and doing a great job controlling expenses. The team executed exceptionally well.

And as we've discussed, mix can move results in either direction from quarter-to-quarter, and there's always puts and calls. With 500 locations and 15,000 customers in 19 countries, there's a lot of things moving around all the time. And we've worked through several periods recently where the net impact of mix was a headwind. And in Q1, it was a tailwind led by great strength in our international business. And I think this quarter just reinforces the advantage of our scale and diversification across our network.

So while we're certainly excited about Q1, it's just 1 quarter. And while we're working hard to build off that foundation and certainly seeing signs of the industry stabilizing, we're being prudent and just reiterating and holding our guidance for the full year and just simply saying that it just -- it gives us more confidence in hitting the midpoint of our range. I don't know, Robb, do you want to add more?

Robb A. LeMasters

Chief Financial Officer

Yes. I mean I think that's right, Greg. As we outlined on the call, there's really a couple of things that we benefited from one on sort of the cost side and timing related there. And then the second one really being around international, the customer side there. So those are really the 2 impacts. And just to dive into them, Michael, as we talked about on the admin side, I would say about 1/3 of the beat came there. You know that certain expenses in that line can be uneven. Quarterly timing can move different items such as training or T&E. And so I think all the scrutiny that we expose the teams to in terms of reviewing and pacing investments ultimately probably led to some pause. And so we see those expenses coming back in Q2 and into the second half. So that's about 1/3, Greg, when I kind of did the math myself.

And then the other 2/3 really comes from those issues around international. And we delved into that. And those items also can kind of come quarter-to-quarter. Really, we saw a couple of factors that are, frankly, just customer programs that materialized in the quarter in certain geographies. For instance, in Canada, we saw a short-term lift related to exports. There were some things that happened with Canada and China trade tensions that eased. So that helped a little bit there in Canada.

In APAC, I saw a little bit of a handful of customers that had specific events that drove higher case pick. And then finally, in EMEA, we all know that trade flows can be disrupted. That actually led to some extra handling activity. So all these were items that we saw as discrete customer items. And so we'll evaluate. I think, Greg, you're exactly right. Those have moved in the opposite direction. So we're pleased and encouraged, but I just think that we need consistency before we kind of make any adjustments.

Operator

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

Caitlin Burrows

Goldman Sachs Group, Inc., Research Division

Maybe switching gears to the lockup and a few shorter questions. So could you go through what portion of the share count is the free float today? And then for the rest, what portion is company management versus other investors who may look to exit within the next, call it, 3 years? And do you expect any of that selling to start in 2026? Or has it been allowed or happened already?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Thanks, Caitlin. So as you know, as we went public, we floated about 30% of the company. So 70% of the company is still managed under the purview of Bay Grove. And I just want to clarify something. While that's managed under the purview of Bay Grove and often people per your question, talk about a sell-down of that. They're really managing the ultimate distribution of that. And frankly, as we discussed with them and they discussed with their investors, there's no impetus that caused them to need to sell down that 70%. The lion's share, as you mentioned, are very long-term holders, not the least of which is Bay Grove, which sits in our Board. They're extremely long term. They're a significant amount of that 70%.

And then other holders in their base, frankly, are really looking to sell in the near term or even potentially in the long term. So this is not something that keeps me up at night. We're not looking for some immediate sell-down. I think that -- if I was in Bay Grove's shoes, I think they're just evaluating how share price appreciates from here. I'm sure they're focused on the public float. I'm sure they're focused on expanding for index funds and so forth. So all those factors go in, but there is no pressure to sell. And so I do not see this as a pending issue that's sort of looming over the company.

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 some context on how Lineage is looking to reshape its portfolio? I know you probably can't say much about the potential APAC sale, but I know in your prepared remarks, you highlighted that the company is pursuing several different opportunities. I mean, should we expect a potential larger scale deal on the horizon to kind of help you get back down to those longer-term leverage targets in the low 5s?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Michael, thanks for the question. So as we said in the prepared remarks, we continue to advance our strategic portfolio review. The opportunities we're looking at are broad and flexible, ranging from the potential sale of individual assets to larger portfolio transactions, as you allude to, as well as joint venture capital solutions. And proceeds from any potential transactions would just enhance our financial flexibility and create optionality across several priorities, including deleveraging the balance sheet, funding our development pipeline, which we have a very deep pipeline for and a lot of demand for, pursuing targeted acquisitions should market dislocations arise and returning capital to shareholders.

So all I'll say at this point is we're encouraged by the progress to date, and we would expect to share more in coming quarters.

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 appreciate the commentary around new supply growth and the updates there. And you talked, Greg, about the lower level of new starts, but it looks like the estimate of excess capacity increased slightly to 10% from 9.5% last quarter. I'm just curious, when do you think the industry achieves peak supply growth or I guess, peak impact from new supply growth. When will the pressures start to abate? Have you seen that yet? Or do you think that, that is soon to come?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Todd, the 10% was just rounding effectively, we didn't see any meaningful change. As we mentioned, we expect the new supply deliveries to meaningfully slow in '26 and '27, declining below 2%. And given the current supply-demand dynamics and elevated construction costs, the incremental speculative development is just no longer economically compelling.

And so I think we're past the biggest impact as we described in this quarter's prepared slides and last quarter's prepared slides, 85% of our U.S. network is on stable ground or growing even after that new supply has been delivered. And so I think it's also important to point out that we think a lot of these new operators are under pressure due to high basis of their assets. And a subset of them will continue to struggle or ultimately fail, and we're going to assess those consolidation opportunities thoughtfully as they arise.

That said, we'll remain disciplined and selective, focused on only acquisitions that enhance our network and certainly meet our return thresholds. At the same time, we believe some of the new inventory that's been delivered is just structurally disadvantaged, whether that's because of local oversupply in certain markets, construction quality, location, design limitations. And ultimately, some of that new supply will become -- will be used for things other than long-term cold storage. So long story short, we think we're past the worst of the pain. We see pricing more rational than it was a couple of years ago, and the number of markets we're concerned about continues to go down every quarter.

Operator

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

Michael William Mueller
JPMorgan Chase & Co, Research Division

I guess if you strip out what you saw as abnormal port activity in the quarter, where do you think the year-over-year throughput volume comp would have been compared to the down 3.3% that you reported? And I guess, how negative would that number have been still?

W. Gregory Lehmkuhl
CEO, President & Director

And so I'll just start by talking container volume. And if Robb, do you want to dig into throughput, that's fine. So from an import/export perspective, container volumes, as we stated, were down 17% year-over-year in the quarter, following a 9% decline in Q4, but that was largely in line with our expectations because we knew the first quarter of this year was the toughest comp from last year. And so it's always -- with so many moving pieces in the network, it's hard to take one impact out and say what would have happened without that.

But stepping back and just talking about container volumes and import/export activity from a macro standpoint, global trade volumes have grown at a 5.7% annual rate for the past 25 years, well ahead of inflation. And that growth has been broad-based across our categories as supply chains have become increasingly global. And so we think this reduction in import/export activity is transitory. And as that trade volume normalizes, we would expect to benefit from both positive operating leverage and the high service revenue tied to this part of the business.

So it was an impact on throughput. It wasn't all the impact. We also saw some customers with greater inventory turns have lower volumes this quarter and customers with lower inventory turns have higher volumes. And that's why occupancy stayed about the same and throughput was under a little bit of pressure.

Robb A. LeMasters
Chief Financial Officer

Yes, I think that's right. On the lower returning side, Greg, and as people on the call know, I've dug into that issue. Really, there can be a positive there, right? As you have lower returning customers, that's not always a negative thing. You can actually support a lower labor. So you have a commensurate ability to reduce your labor. So as you think about throughput volumes, Greg talked about the import/export side and also talked about low turning customers. On the second one, right, you can navigate through that. So that's not always a bad thing.

Operator

Your next question comes from the line of Nick Thillman with Baird.

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

Maybe, Robb, you've talked about some of the strength you've seen on the international side. And Greg, I appreciate the commentary on just the power side. But with geopolitical disruptions, and I know the U.S. is a little bit more insulated from an energy cost standpoint. But I just wanted to dig in on what you're seeing from the customer side, maybe on the last 2 months or so on the international side, if there's been any material impact on flows, or just overall activity on that side of the business?

Robb A. LeMasters
Chief Financial Officer

Yes. On the international side, I mean, I think I picked up a couple of examples where you don't exactly know why you pick up a little bit of services. I think there's positives and negatives from the conflict. And ultimately, this is fed into kind of the trade situation. In the U.S., that probably resulted in maybe a touch lower container volumes than even we thought. In other markets, right, you can pick up a little bit. So it's really in the noise as we evaluate that situation. The trade lanes have largely seemed to reset. Sometimes you pick up a little handling as volumes turn back around and so forth. These are small things in the grand scheme of things. So I think it's a set of positives and negatives, and we're just kind of watching the situation.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I mean if anything, I think we have more future upside as container volumes normalize as we spoke about because of the high service revenue associated with that volume.

Operator

Your next question comes from the line of Rob Simone with Compass Point.

Robert Matthew Simone
Compass Point Research & Trading, LLC, Research Division

I have kind of a somewhat granular question on your development schedule on Page 22. So if I -- sorry, excuse me, Page 20, 22 was the last quarter. So Page 20, am I right in assuming that the change in in-process developments basically shifted into the 1 through 12 and then the 13- to 24-month bucket. Is that right?

Robb A. LeMasters
Chief Financial Officer

Yes, that's exactly right. This is Robb. I'll take that. Yes. So basically, stuff from in-process, that moves up into the 1 to 12. And then, of course, the 1 to 12 moves up to 13 to 24. And we're seeing really good trends. Of course, you can see we're quite proud of the 25 to 36 class. The stabilized ROIC bumped up a hair there since I think the last you saw it. So that class is doing great, and all the other ones are just going to age really nicely.

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, can you provide a bit more color on the GIS segment? I know NOI was flat, but revenue growth was down, I think it was like 10% year-over-year, which is more than we expected. I guess how are you thinking about that business going forward?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. So it's a critical part of our offerings to customers. I mean we think we have a distinct advantage by being able to offer truly farm-to-fork solutions for customers. So we love the business. We love the leadership. We love the team. We love what they're doing worldwide. The revenue impact is simply because of a divestiture in Europe last year that was real low margin. And if you want to provide...

Robb A. LeMasters
Chief Financial Officer

Yes. No, I think it's even in the queue if we haven't broken it out, but just to help you, if you actually back out that Spanish acquisition, the business grew just a little bit on the revenue side. And then I think we've said it's been neutral to actually even in Q4, it was a hair to the negative. So when you back that out, you see that the revenue growth is coming right in line with how we think about that business growing on an organic basis. And then margins are, again, if you back it out from last year, are flat ex that factor.

W. Gregory Lehmkuhl
CEO, President & Director

And there was a couple of factors that impacted their performance in the quarter. The first one was the transportation and food service business is extremely strong. We have a lot of demand for specifically our consolidation business, which makes our customers' deliveries to retail distribution centers more efficient, especially with the price of fuel going up, the demand for that is even being pushed higher. The downside of the quarter, the tough part of the quarter was container volumes being down 17%. And we have a robust drayage business across most of the ports in the U.S. and many around the world. And so those kind of offset to a relatively flat quarter.

Operator

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

Ronald Kamdem
Morgan Stanley, Research Division

Greg. Just a quick 2-parter. I think in the past, you've talked about sort of maintaining inflation plus type pricing in this environment as well as occupancy starting the year may be on the lower end in building. I just -- I'd love to hear some updated thoughts on sort of pricing and the occupancy trajectory. And the second part is just a clarification on the FX impact to the same-store NOI. It sounds like 250 basis points in 1Q, 100 basis points in 2Q, if I have that correctly. Maybe can you just dimensionalize what the FX impact is? And how do you guys sort of calculate it? Are you using spot and so forth?

W. Gregory Lehmkuhl
CEO, President & Director

Sure. Thanks for your question. I'll take the first one and then I'll pass it to Robb. And so as we sit here today, we've secured 70% of our rate increases for the year, which gives us confidence in delivering the net full year increase of 1% to 2% across the warehousing portfolio. And while there's certainly competitive pressure, still, we are seeing more rational pricing in the marketplace than we have in the last couple of years. And our commercial team is also delivering very strong new business wins and a robust new business pipeline. And so what we're seeing is customers are gravitating or gravitating back depending on the customer towards the more established operators with larger networks, more secure businesses, sophisticated technology, automation and just broader service offerings. And so we feel really good about pricing, and we wish it was higher, of course, but it is net positive even with some excess supply in some markets.

Robb A. LeMasters
Chief Financial Officer

Yes, that's right. And on FX, let me just address that. Yes, you're exactly right that it was 250 basis points to the positive on the NOI line. That also bleeds into revenue and expenses. So as you just think about all our metrics, right, back that out of both revenue and your expenses as you think about pricing metrics and so forth, revenue per throughput, right, that would be affected by that same factor. That was fully contemplated, as you know, we announced guidance sort of in late February. And if you look at the FX curves, right, you actually had seen the move up all through 2025. And so basically, it was just sitting there, a little move up into guidance. And so we actually included all that in the guidance, which again will be 250 basis points that we saw in the first quarter, and then it steps down to that 100 basis points in the second quarter and then a flatter result in Q3 and Q4 to ultimately blend 1% for the year.

As it relates to how we think about that forward trajectory, yes, we take our commentary today is basically looking at the existing spot rates and then also looking at the forward curves just to make sure that if anything is actually forecasted to happen over the subsequent part of the year, we haven't seen huge moves in that. So our guidance is intact, no change.

Operator

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

Alexander David Goldfarb
Piper Sandler & Co., Research Division

Greg, as you guys do this strategic review, clearly, you guys were a pretty rapid growth company over the past 15 years and you expanded Europe, Asia, et cetera. Now it looks like you're reassessing how the portfolio is structured and where you own assets. Is this all driven because of the oversupply in the U.S. and how the pandemic disrupted inventories? Or when you guys laid out your plan and then executed, what you found is, yes, there was the oversupply and the COVID disruption, but things didn't pan out the way you guys thought.

And where I'm going with this is we hear that the international is stronger, the U.S. is the market with the issues, but yet you guys have built this massive infrastructure to support a large platform. So I'm just trying to understand if the market changed or if as you guys have grown up in the industry, you kind of realize that actually you can be a smaller company and be more profitable rather than being a global company. I'm just trying to understand.

Robb A. LeMasters
Chief Financial Officer

Yes, I'll start and maybe hand it over to Greg in case he doesn't have anything. I mean, again, we're early in the portfolio review. So to be clear, it's not like we've decided to sell international at the expense of North America, right? We're evaluating that. We're seeing where there's value in the portfolio. So please don't assume anything has been determined by any stretch, right? What we're doing in the review is to look at where we believe that there is opportunity to magnify what we see as an upcoming opportunity that we could see on the dislocation of various markets, frankly, or just to be more opportunistic. We ultimately want to build balance sheet capacity.

We look at our credit ratios, which I outlined, and we ultimately want to get those into a zone that maintains the strength that we've always displayed. We want to maintain our investment-grade credit rating. So the first thing we do is to say where can we build that capacity and then see ultimately if opportunities manifest. We could see opportunities with customers. We could see M&A opportunities, as you said, in North America. So we just want to get ready for that, and you'd obviously go to places that you think that you can actually magnify that value. So that's what the portfolio review. No decisions have been made. And so please don't assume that we've strategically changed our position.

W. Gregory Lehmkuhl
CEO, President & Director

Yes, I think that's a great commentary. And I think whatever we do, we'll highlight the large discrepancy between the private and public market valuations. And I think we want to build a fortress balance sheet to continue to grow the company. And that means investing in AI and technology, and we have customers knocking down our door for us to build around the world at really good returns. And we want to make sure that we're positioned to be the best partner to do that for them.

Operator

Your next question comes from the line of Vikram Malhotra with Mizuho.

Vikram L. Malhotra
Mizuho Securities USA LLC, Research Division

I wanted to just clarify 2 things on the call. So I guess, one, just the pricing commentary, you sort of said the 1% to 2% benefit. I want to clarify, does that essentially mean based on your prior comment, I guess, last quarter, would we see pricing come in for the rest of the year? Because I think you had mentioned overall, it will be flat. So what was the mix shift, mix change impact? And what do you anticipate for pricing for the balance of the year?

And then just given the, I guess, better-than-expected trends, do we -- does this suggest that you're being conservative on the guide? Or is the rest of the year just going to be towards the lower end to get you back to that midpoint?

Robb A. LeMasters
Chief Financial Officer

Yes. Maybe I'll start with just how we frame up guidance in terms of our same-store NOI, what was included. So to be clear, there's a couple of different components of that same-store NOI. There's a volumetric component. There's, if you will, revenue/price component and then there's the margin component. You've asked about the second one, which is the revenue component. To be clear, we see a price to the market of the same storage, the same services, the same geography. We see that price up, and we continue to realize that as we move deeper into the year. We're about 70% of the way through that exercise. So we're getting deeper into that. We have very good conviction that we'll ultimately see a 1% to 2% price that we'll put out in the market. Now that blends lower because

of the factors we've talked about around mix and so forth to ultimately blend to a negative revenue per whatever volume you want to think about.

So yes, we had a good result in the first quarter, but we ultimately see that playing out. I would remind you that in the first quarter, we did see that FX impact. So if you just lop off that 2.5% that we saw at the NOI line from the revenue metrics, you can see that those are blending, right, ex FX, and we lose that FX impact a little bit as we move through the year. So there's no change in guidance that ultimately we see the revenue per pallet, the revenue per throughput, if you will, on the services and storage side that's ultimately blending slightly negative, which is one component of our same-store NOI.

Operator

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

Craig Allen Mailman
Citigroup Inc., Research Division

I know there have been a few questions here on guidance. Maybe I'll ask it another way. If you looked at today's guidance range that's maintained versus when you gave it back in February, could you give your conviction levels at the low, mid and high point today versus maybe back in February, given the stronger performance in first quarter. And now that we're almost halfway through the second quarter, maybe roll in, are you seeing a lot of these trends sustained into the second quarter?

And then I guess just the last part, I know you guys are doing the strategic review here. Future asset sales acquisitions are not included in guidance. I mean, how much of -- if you guys do execute on some of this later this year, how much of it impacts '26 versus kind of the '27 run rate? And how should we think about accretion dilution given the mix of options you guys are thinking about?

Robb A. LeMasters
Chief Financial Officer

Yes. I'll start on the guidance point. Look, I think I'm new to seat, I'm looking at all the numbers, and this is early in the year. We have had some impacts in the first quarter that ultimately you have to sort of review and watch as we move through. As we move into Q2, Q3, Q4, I think we highlighted that there are some factors that we benefited from. We're going to lose a little bit of FX. I'll just remind everybody that we do have wage increases that we implement on April 1. So that becomes an incremental headwind as we move through the year as you just think about our kind of 1% that we did this quarter and then we're still guiding to the minus 4% to minus 1%. So you lose a little bit of the FX, which was contemplated in the guidance. You have a little bit of more headwind from inflation.

And then we've just been talking through this call that the international factors really that helped us in the first quarter, right? We're not really ready to bank that. And then finally, as you just translate that through to guidance down on EBITDA, we talked about the admin factor, which ultimately I actually see as sort of building a higher run rate going forward. So that all goes into my thinking to say it's early in the year. These are factors we still need to contend with. We feel increasing conviction as we talked about on the call that the midpoint is there, which is a good place to be. But give us time. We've seen it in the opposite direction. We've been through a challenging environment. And the world is still an uncertain place, right? So we're sitting here amid day-by-day headlines that we think we can traffic through, but we want to get deeper into the year before we make any kind of change.

W. Gregory Lehmkuhl
CEO, President & Director

Yes. I wouldn't say anything different on that point. On your last question on potential -- our portfolio review, we're not ready to announce the scale or timing on any of any portfolio actions, but we will say that we're not going to do anything that's dilutive period.

Operator

Your next question comes from the line of Viktor Fediv with Scotiabank.

Viktor Fediv
Scotiabank Global Banking and Markets, Research Division

So following up on the topic of macro headwinds. So rising fertilizer and diesel costs driving the shift of crop mix. Just one example of soybeans increasingly replacing corn, which is around 7% of total cold storage inventory in the U.S. per USDA. So there is clearly a potential risk that frozen vegetable production volumes can be lower this year versus last year. So what are you hearing from customers on this front? And does this mean that we once again can see seasonally weaker inventory build in Q3 this year?

W. Gregory Lehmkuhl
CEO, President & Director

Yes. Good question. So on energy and diesel, we're largely insulated through everything we talked about in the prepared remarks and surcharges. On fertilizer, in general, fertilizer costs for our customers, what we're hearing from them is they're locked in from a pricing perspective for most of this year at least. And so if there is an increase that impacts their production, it's going to be a next year impact. And if those prices persist into next year, the U.S. is better from a relative cost of production perspective than the rest of the world.

And given that our core business is in the U.S. and that frozen food overall is a better relative value versus other non-frozen products as prices increase, we think we're in a pretty good position. And the bottom line is people are going to eat. There's been these inflationary factors for years now. And if you look at the consumption of fresh and frozen food, it's been stable or growing for the last 5 years, and we would expect that to continue for the last multiple decades, right.

Operator

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

Michael Anderson Griffin
Evercore ISI Institutional Equities, Research Division

Greg, I appreciated your comments in the prepared remarks just around inventory levels in the industry and in your portfolio writ large and as we're kind of reaching this bottoming of a bleed down from a customer perspective. But as you kind of see it right now, are we hitting the nadir in terms of that inventory bleed down this year? Can you maybe give us some insights into maybe the next 12 to 18 months if that's going to rebound? Just trying to get a sense of if this is the bottom or if we could be sitting here 6, 12 months from now and there's another shoe to drop. And I realize it's hard to forecast this business over a longer-term timeframe, but just give us a sense of sort of where we stand from a bottoming perspective as it relates to inventories.

W. Gregory Lehmkuhl
CEO, President & Director

Sure, sure. Great question. So I'll broaden that question a little bit and just say, over the last couple of years, the industry has been working through 3 meaningful headwinds. The first one is the one you talked about, inventory destocking. And we do believe this is largely in the rearview mirror as inventory levels have returned to normal levels and are at kind of a lean level, if you will, at this point. And that's what we're hearing from customers. And so we don't think there's another shoe to drop on the inventory side. We think our customers are being prudent with their inventories at these interest rates at these demand levels, which are fairly flat. And we think we've kind of reached the bottom from that perspective. And that is, again, what our customers are telling us.

The second major impact to this industry is the new supply deliveries. And as we've noted, 85% of our U.S. business in those markets are stable or growing and our international markets are strong. And so while we -- and that said, we still face pressure in about 15% of the U.S. markets where the supply came online more recently. And the last major impact is the trade volatility driven originally by Ukraine and then tariffs now at the Iran. And we continue to navigate that. And as we said in a couple of the different questions here today, we do believe that is transitory, and it will revert back to the long-term growth we've seen over the last 2+ decades.

That will just be a nice tailwind for us, given our port infrastructure and the relatively high margins of that import/export business. So put all that in the soup, take it together, we believe we're moving beyond the most challenging period in our industry's history. I think occupancy being flat year-over-year just reinforces our conviction that the industry is stabilizing and that occupancy trend is trending as expected so far this year and did in the second half of last year.

Operator

This will be our last question. 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 give us an update on the 2 automated Tyson facility developments? Do you expect a step-up in CapEx over the next 1.5 years or so before those properties open? And how is the construction environment right now around cost timelines? Anything would be helpful.

W. Gregory Lehmkuhl

CEO, President & Director

Sure. The Tyson developments are going as planned. We've already launched in our Northeast distribution center, and we're performing exceptionally well and working in close partnership with Tyson. On the other developments that we'll be deploying for Tyson, those are obviously in our CapEx plan, and we've already locked in the construction agreements. And so we feel our returns are secure there, and we won't see -- it won't be pressured by incremental inflation.

Robb A. LeMasters
Chief Financial Officer

Yes. And that's exactly right. Nothing to add other than to say those projects will ultimately not affect maintenance CapEx, of course, because they're new. Those will run through the growth CapEx line and have been contemplated as you think about our supplemental. We outlined those in our greenfield and expansion projects. So those are in the process bucket.

W. Gregory Lehmkuhl
CEO, President & Director

All right. Appreciate everybody's time today, and we'll talk to you next quarter. Thank you.

Operator

There are no further questions at this time. Apologies if we didn't get to everyone's question. I will now turn the call back to Ki Bin Kim for closing remarks.

Ki Bin Kim
Vice President of Investor Relations

Well, thank you, everyone, again for joining our first quarter conference call. Have a good week.

Operator

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

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