

Lineage, Inc. (LINE)

Value Fit

7 / 10

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Philosophy Fit

4 / 5

Analyst: Joel Vij

Recommendation: Buy

As of:

10/07/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	1.9% vs 8.3% → Below ke
Change in performance — ΔROIC	+0.5 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase II — low expectations, improving
Valuation gap — target vs. price	+5.1% → Price below our value



BUSINESS DESCRIPTION

Lineage, Inc. engages in the provision of temperature-controlled warehouse services as a real estate investment trust (REIT). It operates through the Global Warehousing and Global Integrated Solutions segments. The Global Warehousing segment consists of industrial real estate properties to provide temperature-controlled warehousing services to its customers. The Global Integrated Solutions segment offers supply chain services to facilitate the movement of products through the food supply chain to generate cost savings. The company was founded by Adam Forste and Kevin Marchetti in

INVESTMENT THESIS

Lineage, the largest temperature-controlled warehouse REIT, looks to have hit bottom: economic occupancy reached 80.0% in Q2'26 and FY26 AFFO guidance was raised to \$2.80 to \$3.05. The shares already price in that recovery near our \$38 target, while 6.0x net debt/EBITDA, a dilutive 2H26 refinancing and a likely \$1B deleveraging sale limit upside. HOLD.

MARKET SNAPSHOT

Current Price	\$36.15	Market Cap (\$B)	\$8.2	Beta	0.83
52-Week Range	\$32 – \$45	Inst. Ownership	30.4%	Insider Own.	71.6%
Shares Out. (mm)	228.0	Short Interest (% float)	7.4%	Dividend Yield	5.9%
Consensus L-T Growth	1.8%	Payout Ratio	NM	Cost of Equity	8.3%
Price Target	\$38.00	Upside to Target	5.1%	Value Range	\$8 – \$84

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$26.72	(26.1%)	33.7x P/E
Equity DCF – terminal P/S	\$83.71	131.6%	9.6x P/S
Equity DCF – terminal P/B	\$33.99	(6.0%)	2.0x P/B
Equity DCF – constant growth	\$7.75	(78.6%)	2.0% g, 8.3% ke
Average of methods	\$38.04	5.2%	Equal-weighted
Analyst price target	\$38.00	5.1%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.5 pts; price is 0.95x our average value	Yes
2. Investing through company cycles	Phase II; EBIT margin 4.7% → 9.7%	Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry	No
4. Capital allocation discipline	Net debt/invested capital 45.0%; net debt/EBIT 31.7x	Yes
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a monitor; equal-weighted FCFE valuation	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 7 / 10

1. Catalyst / Investment Drivers							Yes
Driver 1 — Occupancy & Margin Recovery	Economic occupancy rose 10 basis points to 80.0% in Q2'26 (up 90 basis points year over year), and year-over-year comparisons ease in Q4'26. Filling empty pallet positions on a largely fixed cost base carries high incremental margins. Model EBIT margin rises from 4.7% (FY2025A) to 9.7% (FY2028E) and 16.3% by FY2032E, calibrated to Street targets and well above the 9.2% FY2023 peak.						
Driver 2 — Deleveraging & Balance Sheet	Net debt/EBITDA held at 6.0x in Q2'26 with about \$1.6B of liquidity. J.P. Morgan assumes a \$1B disposition on January 1, 2027: dilutive near term, but it gives LINE dry powder to resume industry consolidation, historically a core part of the story. The 2H26 refinancing is also dilutive, which is why J.P. Morgan cut its 2027 AFFO estimate from \$3.04 to \$2.85.						
Driver 3 — AFFO & Dividend Support	FY26 AFFO guidance rose \$0.05 at the midpoint to \$2.80 to \$3.05, helped by \$7.5MM lower G&A and \$10MM lower recurring capex guidance. The \$2.13 dividend per share yields 5.7% against a REIT average of 3.8%, which supports the shares while occupancy recovers.						
What does management say?	Operations are running better than expected, with signs of inflection led by occupancy. Headwinds remain in throughput (macro driven) and cost pressure on margins; warehouse same-store NOI was -2.9% in Q2'26. Management has also become more vocal about a deleveraging transaction.						
2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	-\$0.53	-\$3.09	-\$0.43	-\$0.65	-\$0.48	-\$0.33	
P/E at current price	-67.8x	-11.7x	-84.1x	-55.3x	-75.5x	-110.1x	
Peer median P/E (FactSet, subject excl.)	28.9x	FY2026E P/E vs. peer median		(291%)			
3. Low Price / Cash Flow							No
FCFE / share	-\$0.29	-\$19.37	\$1.81	-\$0.30	-\$0.54	-\$0.88	
Price / FCFE	NM	NM	20.0x	NM	NM	NM	
Peer median P/CF (FactSet, subject excl.)	16.1x	Price / FCFE (today) vs. peer median		+25%			
4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$22.97	\$37.85	\$36.17	\$33.35	\$31.01	\$30.01	
Price / Book	1.6x	1.0x	1.0x	1.1x	1.2x	1.2x	
ROE (EOY book)	-2.3%	-8.2%	-1.2%	-2.0%	-1.5%	1.8%	
Peer median P/B (FactSet, subject excl.)	2.1x	Price / book (today) vs. peer median		(53%)			

Lineage, Inc. (LINE) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	11,115	7,031	8,058	8,110	8,328	8,769	
Net debt (\$mm)	11,045	6,856	7,992	8,042	8,255	8,684	
Total debt / equity (gross)	220.1%	81.4%	97.7%	97.7%	97.7%	97.7%	
Total debt / assets (gross)	58.9%	37.7%	42.0%	42.0%	42.1%	42.3%	
Net debt / invested capital	62.5%	39.3%	45.0%	45.0%	45.1%	45.2%	
Net debt / EBIT	22.5x	19.8x	31.7x	23.5x	18.7x	15.5x	
Tax rate	1.7%	Book equity (\$mm)	8,246				
6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	8.4%	(0.0%)	0.3%	0.6%	2.5%	4.8%	
EBIT margin	9.2%	6.5%	4.7%	6.4%	8.0%	9.7%	
EPS growth	51.9%	480.0%	(86.1%)	52.0%	(26.7%)	(31.4%)	
7. Business Strategy & Segment Mix							Yes
Strategy	Tiered pricing (ad-supported / standard / premium) with content spend growing slower than revenue — the mechanism behind Drivers 1 and 3.						
Segment / geography mix	Global Warehousing 86% of FY2025 NOI, Global Integrated Solutions 14%. Warehousing revenue of \$3,950M by region: North America \$2,898M (73%), Europe \$687M (17%), Asia-Pacific \$365M (9%), across 482 warehouses.						
8. Capable Management & Insider Ownership							Yes
Insider ownership	71.6%	Inst. ownership	30.4%	Buybacks, % of NOPAT (FY1E)		(63.9%)	
Insider activity / governance	Recent net insider selling; insider ownership is only 71.6%, so alignment rests on comp design.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	1.9%	Cost of equity (ke)	8.3%	EVA spread (ROIC – ke)		(6.4%)	
Price target / upside	\$38.00	5.1%		Value / share range (low–high)		\$8 – \$84	
10. Uses of Capital — allocation discipline							Yes
Reinvestment 31% of NOPAT, dividends + buybacks -64% in FY2026E; no dividend and no large M&A — full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							7 / 10
FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	5,342	5,340	5,355	5,386	5,518	5,784	1.6%
Gross margin	18.6%	16.6%	15.4%	15.4%	15.4%	15.4%	
EBIT	490	347	252	343	442	560	2.7%
Net income	-117	-706	-98	-163	-132	-101	(2.9%)
EPS (basic)	-\$0.53	-\$3.09	-\$0.43	-\$0.65	-\$0.48	-\$0.33	(9.2%)
Dividend / share	–	\$1.03	\$2.36	\$2.16	\$2.13	\$2.10	
FCFE / share	-\$0.29	-\$19.37	\$1.81	-\$0.30	-\$0.54	-\$0.88	24.7%
Invested capital	17,666	17,439	17,773	17,877	18,320	19,210	1.7%
ROIC	2.4%	1.8%	1.4%	1.9%	2.4%	2.9%	
NOPAT margin	8.0%	5.8%	4.6%	6.3%	7.9%	9.5%	
Sales / NWC	-271.14x	-47.68x	-22.41x	-22.41x	-22.41x	-22.41x	
Sales / NFA	0.30x	0.31x	0.30x	0.30x	0.30x	0.30x	
Sales / invested capital (ex cash)	0.30x	0.31x	0.30x	0.30x	0.30x	0.30x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	428	310	248	337	435	550	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	106.7%	(77.1%)	230.2%	31.0%	101.7%	162.0%	92.4%
Working capital (Δ NWC)	(36.7%)	(29.8%)	(51.3%)	(0.4%)	(1.4%)	(2.2%)	(20.3%)
Dividends	–	75.4%	216.9%	159.5%	134.8%	117.7%	117.4%
Share buybacks	(0.2%)	(1459.6%)	(98.1%)	(223.4%)	(216.5%)	(218.0%)	(369.3%)
Debt repaid (neg. = borrowing)	(70.0%)	1316.5%	(414.8%)	(15.3%)	(50.3%)	(80.1%)	114.3%
Cash & securities build	(30.6%)	33.6%	(44.0%)	0.4%	1.4%	2.2%	(6.2%)
Interest & other (residual)	130.9%	240.9%	261.1%	148.3%	130.3%	118.4%	171.6%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	69.9%	(106.9%)	178.9%	30.6%	100.4%	159.8%	72.1%
Dividends + buybacks, % of NOPAT	(0.2%)	(1384.1%)	118.7%	(63.9%)	(81.7%)	(100.2%)	(251.9%)
Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.							
COMPS OVERVIEW (current multiples, FactSet)							
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT	
COLD	Americold Realty Trust, Inc.		1.6x	1.7x	12.1x	42.6x	
PLD	Prologis, Inc.	29.6x	13.9x	2.3x	24.3x	49.0x	
EGP	EastGroup Properties, Inc.	35.4x	14.4x	3.0x	21.4x	38.6x	
REXR	Rexford Industrial Realty, Inc.		8.5x	1.1x	16.5x	33.2x	
FR	First Industrial Realty Trust, Inc.	22.3x	10.7x	2.9x	15.7x	33.0x	
STAG	STAG Industrial, Inc.	28.2x	8.0x	2.0x	14.8x	31.8x	
Median	Peer median (subject excluded)	28.9x	9.6x	2.1x	16.1x	35.9x	
LINE	Subject, at current price	-84.1x	1.5x	1.0x	20.0x	64.4x	
Premium / (discount) to peer median			(391%)	(84%)	(53%)	+25%	+80%
Peer set from AutoTearSheet-5PageID14:DI9. Median is of peers only and excludes blanks.							
KEY RISKS							
1. Leverage and refinancing: net debt/EBITDA is 6.0x, and J.P. Morgan cut its 2027 AFFO estimate to \$2.85 on a dilutive 2H26 refinancing. If the assumed \$1B disposition slips or prices poorly, deleveraging stalls. Watch refinancing spreads and asset sale timing.							
2. Recovery stalls: throughput faces macro headwinds and warehouse same-store NOI was -2.9% in Q2'26. Our \$38 target needs EBIT margin to rise from 4.7% to 16.3%; capped at the 9.2% FY2023 peak, the model average falls to about \$26. Watch economic occupancy (80.0%) and SS NOI.							
3. Dilution and dividend coverage: GAAP earnings are negative, so the model funds the \$2.13 dividend partly with new stock and shares rise from 228M to 449M by FY2032E. A dividend cut would hit a stock owned for its 5.7% yield.							
4. Upside risk to HOLD: new business wins, food producers returning to growth, stronger consumer health or a return to industry consolidation could lift the shares above our target. Exit discipline: move to SELL if FY26 AFFO guidance is cut below the \$2.80 low end, if net debt/EBITDA rises above 6.0x, or if the position breaches the fund's drawdown limit.							
Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.							