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FQ3 2026 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.64	0.71	10.94	0.49	2.44	NA
Revenue (mm)	11215.83	11267.00	0.46	10665.12	43709.49	NA

Currency: USD
Consensus as of Oct-20-2026 4:47 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	(0.51)	(0.34)	NM
FQ1 2026	(0.29)	(0.14)	NM
FQ2 2026	1.28	1.44	12.50 %
FQ3 2026	0.64	0.71	10.94 %

Table of Contents

Call Participants 3
Presentation 4
Question and Answer 9

Call Participants

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Presentation

Operator

Greetings, and welcome to the Dow Third Quarter 2026 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I will now turn it over to Dow Investor Relations Vice President, Andrew Riker. Mr. Riker, you may begin.

Andrew Riker
Vice President of Investor Relations

Good morning. Thank you for joining today. The accompanying slides are provided through this webcast and posted on our website. I'm Andrew Riker, Dow's Investor Relations Vice President. Leading today's call are: Karen S. Carter, Chief Executive Officer; and Jeff Tate, Chief Financial Officer.

Please note, our comments contain forward-looking statements and are subject to the related cautionary statement contained in the earnings news release and slides. Please refer to our public filings for further information about principal risks and uncertainties. Unless otherwise specified, all financials, where applicable, exclude significant items.

We will also refer to non-GAAP measures. A reconciliation of the most directly comparable GAAP financial measure and other associated disclosures are contained in the earnings news release that is posted on our website.

On Slide 2 is our agenda for today. Karen and Jeff will begin with a review of our third quarter performance and the progress we're making to our self-help actions. We'll cover the near-term operating environment and fourth quarter outlook as well as details about how our priorities are building a more competitive Dow. Throughout the discussion, you'll hear a consistent theme. We're acting decisively on levers we control to strengthen earnings, cash generation and long-term value creation. And as always, we'll ensure ample time near the end for your questions.

With that, let me turn it over to Karen starting on Slide 3.

Karen S. Carter
Chief Executive Officer

Thank you, Andrew. Our solid third quarter performance reflects the discipline and focus of Team Dow as we build a stronger company while navigating a dynamic market environment. We continue to partner with customers in attractive growth markets while also improving productivity and strengthening cash generation. And our collective self-help measures, which include the completion of our $1 billion 2025 cost savings program, the beginning of our previously announced European asset shutdowns and our transformation are all delivering tangible results. In the third quarter, that execution translated into meaningful progress and strong performance in many areas of our portfolio. .

Net sales were up 13% year-over-year, with growth in every operating segment. Operating EBITDA was more than $1.5 billion as pricing actions and self-help measures more than offset higher raw material and logistics costs to drive year-over-year growth. Together, our actions and the results they are delivering help reinforce Dow's earnings power. They strengthen our financial position while also enabling us to build a more competitive company for the long term.

Transform to Outperform continues to deliver benefits ahead of our initial schedule, and we remain on track to achieve approximately $700 million in growth and productivity improvements this year. We also completed significant planned maintenance during the third quarter which will support stronger production and earnings performance heading into the fourth quarter and beyond. And we are optimizing our working capital and actively prioritizing debt reduction with excess cash. This reinforces our continued focus on financial discipline and operational execution.

Next, turning to the portfolio, let me highlight the greatest areas of strength. First, in the Packaging and Specialty Plastics segment, we're maintaining higher pricing for polyethylene and functional polymers in all regions, and we delivered sequential volume gains. In the Industrial Intermediates & Infrastructure segment, increased demand for energy applications and AI infrastructure is supporting improved pricing and margins. And we are seeing growth in the Performance Materials & Coatings segment, driven by consumer electronics and home care applications. This quarter, we also saw volume gains in Europe as well as in Latin America and the United States and Canada, all while the macro conditions remained dynamic. Moving forward, our focus remains on improving shareholder returns through self-help actions, better cash generation and a stronger balance sheet.

With that, Jeff will share a more granular look at the quarter and our near-term outlook.

Jeff L. Tate
Chief Financial Officer

Thank you, Karen. Starting with our Packaging and Specialty Plastics segment on Slide 4. Net sales were $5.8 billion, up 18% versus the year ago period. Operating EBIT was approximately $585 million, which represents an increase of more than $385 million compared with the same period last year. This was primarily driven by higher polyethylene prices, improved integrated margins and benefit from our self-help initiatives. The Packaging and Specialty Plastics business delivered higher net sales driven by polyethylene and functional polymer price gains in all regions.

Polyethylene prices rebounded in the second half of the quarter, supported by elevated feedstock costs and demand remained resilient as evidenced by year-over-year volume growth, excluding supply constraints related to the Middle East conflict. Polyethylene volumes were notably strong in pipe applications, led by gains in infrastructure-related applications in Europe, the Middle East, Africa and India.

Higher net sales in the Hydrocarbons & Energy business were driven by increased pricing. We also saw increased olefins volumes after restarting our lowest cost, most flexible cracker intrnusin, following an idling due to planned maintenance. As a result of having this asset back online, we delivered record LPG consumption in Europe in the third quarter, capitalizing on feedstock dynamics.

Next, I'll turn to Slide 5, which outlines the strong year-over-year earnings improvement in our Industrial Intermediates & Infrastructure segment. Net sales were $3.1 billion, up 8% versus the year ago period, driven by a 16% increase in local price. This reflects gains across both businesses and all regions. Operating EBIT improved to $176 million, reflecting an increase of $223 million versus the same quarter last year. This was driven by higher margins and benefits from our self-help initiatives.

Polyurethanes & Construction Chemicals recorded higher sales, driven by stronger pricing in MDI and propylene oxide derivatives across Europe and the United States and Canada, reflecting constrained supply dynamics in the period. Additionally, volume and EBITDA growth in Industrial Solutions was fueled by robust demand for AI infrastructure and energy applications where favorable trends continue to support the segment's momentum.

Moving to Performance Materials & Coatings on Slide 6, we saw solid top line and EBITDA growth in the third quarter. Net sales were $2.3 billion, up 8% versus the same quarter last year. This included volume improvements in both businesses, which was led by downstream silicones. Operating EBIT was $154 million. The team delivered both price and volume gains as well as benefits from our self-help initiatives, including cost savings associated with the second quarter shutdown of our Barry siloxane unit.

Consumer Solutions had double-digit sales and EBITDA growth in the Americas. This was largely driven by downstream silicones volume gains in all regions. And the Coatings & Performance Monomers business delivered higher sales across all regions, led by price and volume gains in both acrylic monomers and architectural coatings.

So next, I'll move to Slide 7. Here, we're providing a new view of how the benefits from our intentional actions are flowing through the P&L to ultimately strengthen Dow's underlying earnings power. We delivered a sequential improvement of more than $150 million in self-help benefits in the third quarter. This includes the Barry siloxane unit shutdown, cost savings actions and the growth and productivity benefits from our transformation. And while self-help is structurally improving Dow's underlying earnings base, the benefit in the third quarter were mainly offset by margin pressures, primarily in Packaging and Specialty Plastics.

More specifically, while the situation in the Middle East drove significant second quarter price hikes and subsequent declines in July, we began to see signs of stabilization as the quarter progressed, including a price increase in September. Looking specifically at our transformation, we have already delivered approximately $450 million of year-to-date improvements, including approximately $250 million in the third quarter.

Importantly, and I want to really emphasize this, everyone at Dow owns self-help. It has become a part of our everyday mindset. And we remain focused on our commitment to implement approximately $1.3 billion in net benefits this year as well as $1.3 billion in 2027. We are holding our teams accountable for maintaining this mindset, ensuring we continue to be relentless in driving growth, productivity and efficiency, all to reinforce Dow's competitive advantages while also improving our earnings and our cash position.

Next on Slide 8, I'll walk through some details that support our overall view that underlying demand is steady, while the macroeconomic environment remains challenging. We continue to see resilience in packaging globally as well as electric vehicle growth in Asia and Europe. At the same time, higher interest rates and weaker consumer confidence continue to pressure demand for

products tied to housing. Across regions, Dow's footprint in the Americas remains advantaged, supported by our favorable feedstock position and continued high operating rates in the U.S. Gulf Coast.

In Europe, persistently high energy costs continue to challenge industry economics and broad-based petrochemical closures are accelerating. In Asia, demand remains mixed. Strength in electronics is helping offset softer consumer spending and real estate markets. Lastly, in the Middle East, while all concerns have eased from levels we saw earlier this year, risk to trade flows in energy markets remain elevated, as do freight and other transportation costs, with the increased pressure on tanker and diesel prices.

So against this backdrop, Slide 9 provides details on our fourth quarter expectations, including both our market assumptions and the contributions we expect from the actions within our control. As we look ahead, there's still quite a bit of uncertainty in the market, including the situation in the Middle East that I just mentioned. Therefore, forecast in the quarter continues to be more challenging than usual. As always, we will monitor conditions closely and provide updates if external factors change meaningfully or affect our initial guidance.

For the fourth quarter, we expect EBITDA of approximately $1.5 billion. Recent polyethylene price gains should improve our margins. This builds on the momentum we saw late in the third quarter, and we expect those higher prices to take effect before the impact of increased raw material costs. We anticipate the seasonality that we typically see in the fourth quarter will be largely offset by more than $100 million of lower sequential turnaround spending. Additionally, we expect to deliver approximately $100 million of sequential uplift from our self-help actions, including our transformation and ongoing benefits from the closure of our Barry, U.K. siloxane unit.

In Europe, we expect energy cost to remain elevated as we head into the winter months. In addition, regional supply chains and logistics are still experiencing significant disruption, including the impacts from record low water levels on the Rhine River. These supply constraints are creating additional pricing opportunities for Dow, which should help offset some of the headwinds. Looking briefly at our expectations for each segment and Packaging and Specialty Plastics, we anticipate global polyethylene integrated margins to improve by approximately $0.02 per pound compared to the third quarter. That should offset normal year-end seasonality. In addition, we expect lower turnaround spending and self-help to provide sequential tailwinds. In our two other segments, we anticipate a typical seasonal slowdown in building and construction activity to reduce earnings in the period. Taken together, our intentional actions help to support a roughly flat sequential outlook.

With that, I'll turn the call back over to Karen to talk more about our self-help and our near-term priorities.

Karen S. Carter
Chief Executive Officer

Thanks, Jeff. Above all, our focus is on building a more competitive Dow that delivers improved long-term value. That comes down to three priorities: winning with customers in attractive growth markets, strengthening our portfolio's competitiveness, and maintaining a balanced approach to capital allocation. And importantly, our self-help commitments underpin all three.

I'll start with our progress on Transform to Outperform on Slide 11, and then we'll walk through how these priorities guide our growth investments, portfolio decisions and financial discipline. Dow's transformation is contributing significant gains as part of our overall approach to continued self-help. These efforts are effectively resetting our cost structure and establishing a more targeted approach to sustained growth.

As I mentioned earlier, we expect to deliver approximately $700 million this year, which is higher than our initial projections. Let me highlight a few timely examples of where this work is having impact. As the way we work continues to evolve, so do our expectations for where and how work gets done. We are enabling faster decision-making and putting the right roles in the right areas of the company. This includes a reduction of approximately 4,500 Dow roles. To date, we have implemented approximately 70% of those reductions, and we expect to substantially complete this phase of the transformation by year-end.

At the same time, we are driving productivity improvements of approximately $150 million in benefits in the second half of this year. This includes deploying a repeatable site transformation playbook at our largest sites which remains focused on maintenance productivity, energy efficiency and asset utilization. For example, recent improvements at One U.S. Gulf Coast site helped a cracker achieve durable record high production, which ultimately adds low-cost capacity and strengthen supply reliability for downstream customers.

On the growth side, we are establishing platforms and teams that bring Dow's technologies and expertise together around attractive end markets like AI infrastructure and mobility. By pairing Dow's materials science expertise, technical service and digital tools with customers' own innovation goals, the platforms move us from supplier to partner. This helps customers innovate better and faster

while earning Dow higher value and more stable growth. And we are using data more efficiently to ensure stronger commercial pipeline discipline. As a result, our teams have earlier visibility into customer opportunities and stronger insights, allowing us to quickly prioritize the opportunities that have higher value potential.

This also helps us decide sooner which opportunities not to pursue, allowing us to focus Dow's resources where we are best positioned to win. These are just a few examples and we remain committed to advancing all of our self-help measures to deliver material improvements in the near term.

We're doing so while also executing on each of our priorities beginning with focused growth and innovation on Slide 12. Dow's downstream silicones business illustrates our approach well. We are investing in applications and projects that serve fast-growing markets. Many of the incremental growth investments we have made in silicone specifically are expected to pay back in 2 to 3 years. For example, our closed loop liquid cooling systems and advanced thermal fluids are serving markets that are growing at double-digit rates. Our technologies are helping to solve important challenges for hyperscale servers and our thermal interface materials and engineered silicones are used in semiconductor packaging and power electronics. In mobility, the opportunities for Dow are driven by a growing EV market in Europe and Asia, as well as the amount of silicone used in each vehicle.

EVs contain approximately 3x as much silicon as a traditional internal combustion model. And Dow materials are used in critical applications that protect cameras and sensors as well as support battery pack assembly and thermal management. When it comes to how we think about growth and innovation, the bottom line is this. Dow teams are advancing, from expanded customer development capabilities to new production capacity in key markets, and we are doing so with a clear focus on capital discipline and faster payback projects.

Turning to Slide 13. We're strengthening the competitiveness of Dow's portfolio by intentionally shifting our investments toward differentiated applications and advantaged production while also exiting higher-cost upstream capacity. And while this particular slide doesn't provide a completeness, I'd like to share some key examples.

First, we're improving the cost position of our manufacturing footprint. We restarted our lowest cost and most flexible cracker in Europe in the second quarter, while also completing the shutdown of our higher-cost energy-intensive Barry siloxane unit in the United Kingdom. Both actions contributed to improved third quarter earnings. At the same time, we're investing in downstream applications where our differentiation matters to customers.

More specifically, our Poly-7 polyethylene unit in the U.S. Gulf Coast support specialty packaging as well as health and hygiene applications where demand remains resilient. And our alkoxylation investments in the United States and Europe support growth in our Industrial Solutions business, which serves home care, pharmaceutical and energy markets.

In silicones, we're expanding capabilities across the U.S., China and Japan to serve electronics and mobility markets including engineered silicone and silicone rubber capacity expansions. Our asset actions include both closures and prudent growth investments. Taken together, they form one integrated portfolio strategy. We have completed a number of key actions and expect to advance more through next year.

Next, Jeff will discuss our third priority, balanced capital allocation and the actions we are taking to strengthen Dow's financial position for the long term.

Jeff L. Tate
Chief Financial Officer

Thank you, Karen. On Slide 14, our approach to financial discipline remains consistent. With a clear focus on maintaining both strength and flexibility, we are prioritizing debt reduction with excess cash while also taking actions to release working capital and maintain ample liquidity.

Let me start with the balance sheet. We have approximately $14 billion of liquidity and no substantive debt maturities until 2029, providing significant financial flexibility, and we are actively directing excess cash toward deleveraging. This year, we repurchased approximately $300 million of debt in the third quarter, with plans for an additional approximately $200 million in the fourth quarter.

Together with the March 2027, Eurobond maturity, these combined actions are expected to retire approximately $1.4 billion of debt. And as Karen mentioned at the top of the call, we are making prudent operating trade-offs to improve working capital and have already released more than $400 million of cash in the third quarter, keeping us on track for a more than $500 million cash release in the second half of this year.

As we close out the year, our focus will remain on continuing to strengthen our balance sheet. We have consistently taken decisive and prudent actions to preserve Dow's financial flexibility, and we'll continue to do so through every phase of the cycle.

With that, Karen will share some closing remarks before we open the call for questions.

Karen S. Carter
Chief Executive Officer

Thanks, Jeff. Slide 15 brings these priorities back together, to show how we are building a more competitive now that is positioned to deliver long-term value for our shareholders, our customers and our people. We continue to operate through a dynamic period. The geopolitical and macro conditions remain volatile and demand signals are mixed. This is not unique to Dow.

Through focused growth and innovation, we are directing capital and resources toward fast-growing markets and stronger commercial execution in areas where we can sharpen our competitive edge and solve more with our customers. And we are making our portfolio more competitive by investing in advantaged businesses, differentiated technologies and low-cost assets while also moving decisively where we no longer have a clear path to sustainably compete and win.

Our focus areas around capital allocation are straightforward, strengthen the balance sheet, improve cash flow and preserve financial flexibility so that we can act as conditions and opportunities evolve. These priorities, backed by the expertise and execution of Team Dow are how we will build a stronger, more competitive company today and over the long term.

So now we will use the rest of the time we have today to address your questions. Andrew, please get us started.

Andrew Riker
Vice President of Investor Relations
Thank you, Karen. Now let's move on to your questions. I would like to remind you that our forward-looking statements apply to both our prepared remarks and the following Q&A. Operator, please provide the Q&A instructions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Hassan Ahmed from Alembic Global Advisors.

Hassan Ijaz Ahmed
Alembic Global Advisors

A two-part question on polyethylene pricing. If I heard you guys correctly, you're talking about a $0.02 a pound sequential margin improvement sort of embedded in your Q4 guidance. I mean it seems there have been a series of price hikes for October as well as November. So the first part of the question is, why are you guys only factoring in a $0.02 a pound margin improvement? And then as you look at 2027, how sustainable are the current sort of higher prices, particularly sort of in a scenario where the Middle East normalizes, let's assume sort of more Chinese capacity comes online as well?

Karen S. Carter
Chief Executive Officer

Thanks, Hassan, for the question. Good to hear from you. Let me talk about the $0.02 per pound global integrated margin improvement first. So that assumes that the September price increases average throughout the quarter. And you're absolutely right. We have additional nominations on the table, and we believe that the market dynamics that we're currently facing, we'll get those into the books. I mean you think about the higher feedstocks. So I'm not just talking about oil, but naphtha, we're seeing ethane a bit on the rise as well. And so if we're able to achieve the $0.07 that you have on the table for October and the $0.05 in November, that will provide an upside to our fourth quarter guide, I mean and that's going to also depend on how far the feedstock costs rise. And so -- if we are able to get all of that get additional margin, think about that upside in the range of $200 million. So $0.01 per pound price increase is about $50 million per quarter.

Let me to the second part of your question, and then Jeff [indiscernible] if you have any other comments that you want to make. Listen, we are planning to end the year with momentum. We came out of the third quarter with momentum. We think about September getting the $0.05, but also ACC data. DDI declined by more than 5 days. Inventory declined by over 400 million pounds. China is back in the market. And so from a Dow perspective, our sales grew double digits from a polyethylene perspective as we ended third quarter, we're getting more growth in the fourth quarter as well. Spot prices are also on the rise. So we expect that we're going to end the fourth quarter with momentum going into 2027.

And that's also why our guide in fourth quarter is flat with the first quarter. So it's not just about how the ethylene price and dynamics, but the story is also about our self-help. So the reason that we have a guide of flat to third quarter is because lower turnarounds but also our self-help is going to offset the typical seasonality that we see. So we should go into 2027 with that momentum. And we expect from an oil-to-gas ratio that it will remain constructive. And of course, we're going to continue to double down on our advantaged feed capacity here in North America. Jeff, anything else you want to say about 2027?

Jeff L. Tate
Chief Financial Officer

Yes. Hassan, the only other thing that I would add to 2027 is the fact that our self-help actions will be a key tailwind going into the new year. You heard in my prepared remarks, our expectation is that our tailwind purely on self-help will deliver about $1.3 billion in 2027. So that will be something that we can control as Team Dow that will be part of our bottom line value generation going from 2026 to 2027.

Operator

Your next question comes from the line of Vincent Andrews from Morgan Stanley.

Vincent Stephen Andrews
Morgan Stanley, Research Division

I wanted to follow up on the feedstock cost side of the equation. Karen, you did mention ethane's had a bit of a move to propane and butane in the U.S. I wonder if you could just sort of some characterization around that move, what you think is causing it? And how durable is it versus slightly lower move up in natural gas prices? And just what in particular do you have baked in for the fourth quarter?

Karen S. Carter
Chief Executive Officer

Vincent, thanks for the question. So you're right, U.S. ethane prices have moved higher in recent weeks, and it's actually outpacing natural gas. That's driven by a few factors. First of all, growing exports. You've got that new cracker capacity on the U.S. Gulf Coast preparing to start up. That's another reason. But also, you're seeing that international crackers are leaning more heavily on ethane in their mix given elevated oil prices.

But I do want to highlight that even with that current levels really do remain materially below the peaks that we saw back in 2022, and also it's roughly in line with 5-year averages. So the market here remains really well supplied. You're seeing U.S. production of 3.3 million barrels per day, and that's a record, and inventories also still remain above historical norms. So our guide -- our fourth quarter guide contemplates that ethane will be in the mid- to high $0.20 per gallon range. So that's marginally lower than where we sit today.

Maybe just a rule of thumb, every $0.03 per gallon of ethane translates to about $0.01 per pound of polyethylene price needed to cover that cost. And as you heard on my last answer, we have much larger price increases on the table for fourth quarter. So that's the $0.07 per pound in October and the $0.05 per pound in November.

Maybe just another important point is global polyethylene prices, of course, are set by at-base production. And so with oil and naphtha still elevated, that oil-to-gas spread is going to remain constructive, and it continues to sit well above prior year averages. So that makes, of course, ethane, the lowest in the world. and that's where the majority of our capacity sits. So it's an advantage for Dow.

Operator

Your next question comes from the line of Patrick Cunningham from Citi.

Patrick David Cunningham
Citigroup Inc., Research Division

Just on free cash flow, very strong results in 3Q. But can you help us with expectations for conversion into 2027, particularly if we have expectations for higher or longer PE margins? I'm trying to get a sense of some of the trade-offs you've made on working capital this year. And any incremental restructuring expense you expect to incur next year?

Jeff L. Tate
Chief Financial Officer

Patrick, this is Jeff. I appreciate the question. So a couple of comments I would make there. First of all, the third quarter free cash flow performance, $1.1 billion was I think that the team did an excellent job of really focusing on working capital discipline for one. And this is one of the things that we did signal even coming out of our second quarter call that our anticipation around working capital is going to see a significant swing. So the sequential improvement that we saw from second quarter to third quarter, purely on working capital was about $1.3 billion. So a really strong tailwind there from quarter-to-quarter.

One of the things that we did make the commitment on in the second half of the year was at least a $500 million release of working capital and so to deliver over $400 million of that in the third quarter puts us in a really good position to be able to meet that target by year-end.

As we go into 2027, as I mentioned earlier, one of the things that we're definitely looking forward to in planning is around the self-help, delivering the $1.3 billion. As we think about our cash conversion going into the next year, going to maintain that discipline around working capital, which should continue to give us a cash conversion rate that's going to be in the range of anywhere from, let's say, 70% to 80% as we go through next year, which will position us well to be able to support our capital allocation framework.

Operator

Your next question comes from the line of Abigail Eberts from Wells Fargo.

Abigail Jean Eberts
Wells Fargo Securities, LLC, Research Division

Another one on polyethylene price increases. There had been talks of a split settlement because of outsized tightness for low density. Has that changed? It sounds like you're not going for that anymore.

Karen S. Carter
Chief Executive Officer

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No. Thanks, Abigail. It's good to hear you on the call this morning. No, we're moving forward with all of the polymers at the same time. So again, $0.07 per pound and over and then another $0.05 in November. Again, we're seeing spot prices go up around the world. We're also seeing spot prices go up on all of the polymers. And so that is our plan in terms of executing those price increases as we get into the fourth quarter.

Operator

Your next question comes from the line of Jeff Zekauskas from JPMorgan.

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

You're earning at a rate of about $1.5 billion a quarter, so call it $6 billion a year. So is the meaning of the incremental cost savings of $1.3 billion for next year, is that a business conditions remain the same, your EBITDA would go from $6 billion to $7.3 billion, or do you mean something else?

Karen S. Carter
Chief Executive Officer

Thanks, Jeff, for the question. Listen, I do want to highlight that when we enter -- as we enter 2027 to your point, $1.3 billion of earnings tailwinds are going to be firmly in our control, and that's largely driven by the self-help actions, as you mentioned. So that's $1.2 billion of incremental Transform to Outperform uplift in 2027. And then about another $100 million of incremental gains from our asset actions. And that includes both the shutdown of Barry siloxane in Europe, so the additional uplift from that but then also the growing impact of our recent incremental growth investments. So that's how constellation capacity here in the U.S. as well as in Europe and Poly-7.

Maybe to your point, global pricing dynamics are obviously not completely in our control. But we do see factors that could provide some support in 2027. So polyethylene market dynamics have momentum going into fourth quarter, as I mentioned, higher oil baseline. Our view is that there's going to continue to be a risk premium on the price of oil going forward. And so I'm not going to call a 2027 number here. But what I can tell you is that we're going to continue to navigate the market with disciplined execution, and double down on our self-help that we're committed to delivering next year as an additional EBITDA uplift.

Operator

Your next question comes from the line of David Begleiter from Deutsche Bank.

David L. Begleiter
Deutsche Bank AG, Research Division

Karen, you just on the $1.3 billion for '27. Can you just break down the benefit by segment? And any other tailwinds or headwinds that you would call out either maintenance higher or lower or other costs that could be impacting '27 that you know about today?

Jeff L. Tate
Chief Financial Officer

Dave, this is Jeff. For us, right now, we're continuing to work through the $1.3 billion as we go through the Transform to Outperform again, which is the key driver of that tailwind that we anticipate from '26 to '27. One of the things that we're really, really pleased about is that it is impacting every function, every business in every geography across the enterprise. And as I mentioned in my prepared remarks, the self-help ownership and accountability is something that we have from a cultural perspective. So we have a great level of confidence in the $1.3 billion for 2027. As we get into the early part of next year, we'll have more details to share around the breakdown of that as we move forward here. But at an enterprise level, the $1.3 billion is a tailwind.

Karen S. Carter
Chief Executive Officer

And David, maybe just to add on that. You should think about it probably in 50% in and 25% and the other two is how I would categorize it today.

Operator

Your next question comes from the line of Matthew DeYoe from Bank of America.

Matthew Porter DeYoe
BofA Securities, Research Division

Corporate overhead looks better quarter-over-quarter, but quite somewhat in line year-over-year. One, I'm assuming some compensation accruals came back in 3Q given the big 2Q move. But I -- why isn't there more evidence of like the dramatic cost cuts moving through overhead like R&D and SG&A? And I appreciate that Dow has heritage in material science, but like -- what do you think the right absolute dollar spend is for R&D at Dow because it kind of feels like 700 is too high?

Jeff L. Tate
Chief Financial Officer

Matt, this is Jeff. I'll take that question. For us, first of all, on the overall SARD, we continue to be very pleased with the progress we're making on our start as percent of revenue versus best-in-class peers. Right now we're at 5% of revenue versus best-in-class peer median of 12%. So we're top quartile overall on our cost structure from that perspective. If you look at quarter-over-quarter, so sequentially, our SARD was actually down $130 million, excluding onetime significant items. A lot of that is reflected in our transformation savings as well as, to your point, the performance-based compensation adjustment as well.

We expect our cost savings to continue to build through the remainder of this year as well as through 2027 as we continue to change how we're working across the operating model, that spending will be lower, not only in our SARD line items, but also in our cost of goods sold. Obviously, being a manufacturing company, over 80% of the headcount savings that we expect to get from our transformation will come from not only manufacturing but those support functions such as supply chain, procurement, and about 15% of those headcount savings will actually come out of SARD, which we're starting to see reflected net-net.

Operator

Your next question comes from the line of Frank Mitsch from Fermium Research.

Frank Joseph Mitsch
Fermium Research, LLC

I was curious if you could update us on Sadara. There were obviously press reports early last month that suggested you were looking to exit the partnership. So I was wondering if you could comment on what the future is of Sadara within Dow's portfolio? And also, if you could provide any update in terms of how those assets are given the Iran War.

Karen S. Carter
Chief Executive Officer

Yes. Thanks, Frank, for the question. I think our message is the same as we shared on the call last quarter, we remain really engaged with Aramco. Jim is leading that negotiation team and his new role as except Chair. We've been really clear, I think, on the last call that we've established a financial boundary around Sadara, and we're working [indiscernible] diligently to identify the best -- about the assets there is that they are running, not all of them. Some of them are running at reduced rates, as you can imagine, for the obvious reasons.

Operator

Your next question comes from the line of Kevin McCarthy from Vertical Research Partners.

Kevin William McCarthy
Vertical Research Partners, LLC

Maybe a two-part question on your path to zero project in Canada. Can you maybe provide an update on the execution and the next mileposts we should be looking for? And then secondly, at one time, I think there was interest on the part of Dow to explore the notion of bringing in a partner for that project. Is that still the case today? Or perhaps as the sense of urgency diminish given the improvements in the markets that we've seen in recent quarters as well as your balance sheet?

Karen S. Carter
Chief Executive Officer

So on I mean, we are squarely in the middle of execution. Our focus remains on completing that project, not only on time but also on budget. So we are about 45% of the way through. There's a lot of long time -- long lead time equipment that's already on the site and most of the rest has been order. We're going to move into the -- really the peak of construction as we get into 2027. So we're moving from about 3,000 that are on-site today to about 6,000 that will be on site next year. And so we're maintaining that really sharp

emphasis on execution discipline. Holding ourselves accountable to the time line with that first phase slated to come up at the end of 2029, and then the second phase coming up in 2030.

We're really confident at this point in the project on both the time line and the budget because it's really grounded in tangible progress that we've already made. And of course, we're leveraging the learnings from other projects. tha we completed in recent history.

In terms of a partner, listen, we are very open to all value-creating options as we go forward. I think I've mentioned that before. But what's really important is that it clears the hurdle on returns and that it clears the hurdle on value creation. And so what I would say is that right now, what the team is working on doing and is prepared to do is to move the project over the goal line as ourselves, but we remain open to any options that are available.

Operator

Your next question comes from the line of Matthew Blair from TPH.

Matthew Robert Lovseth Blair
TPH Research

Karen, thanks for the update on the Sadara operations. Could you share an operational update on the rest of your Middle East and Asia crackers which ones are fully running and which ones are still constrained?

Karen S. Carter
Chief Executive Officer

Sure. Thanks for the question. So I'll start with equate. So of course, that's our JV that is in Kuwait. And so we do have assets that are up and running there, but they remain constrained. So there we have one cracker running at full rates and several derivative units are idled due to storage limitations.

You asked about the JV that's in Thailand. So one cracker was restarted and it's recovering a feedstock -- due to feedstock availability before. And then we have a planned turnaround for the second cracker that is there. And I already mentioned from a Sadara perspective, it's partially restarted with a cracker and polyethylene plastic trains that are online, but the liquids remain down, and that's really in part due to the logistics constraints that persists.

Operator

Your next question comes from the line of John Roberts from Mizuho.

John Ezekiel E. Roberts
Mizuho Financial Group, Inc.

Yes. Maybe if we could kind of roll that answer into kind of a quantitative, could you have sold a lot more volume in the quarter if your JVs have been running normally you export from many of the JVs? Or is it such that the markets just aren't strong enough that even if the JVs were running normal, you've kind of made up for that from your other operations and you couldn't have sold much more?

Karen S. Carter
Chief Executive Officer

Yes, we could have. And even if you look at our third quarter results, I know that the press release said that we were down 1% volume year-over-year. That is in part because we were constrained on the capacity and the product that was coming out of the Middle East. But if you take that out, just in P&SP alone, that business grew 2%. And so yes, there was more demand out there to be had, and we were constrained by the amount of capacity.

And I think that one of the proof points was in the September ACC data, and you see where we landed at the end of third quarter. Again, inventories declined delivering the largest draw in over a year, but total sales. So domestic plus exports rose in September. They increased over 3% month-over-month, and that was the second highest month of the year, but also the third highest month on record. So I think that those are important proof points that there's more demand to be had. And if we have more capacity, we would have solved it.

Operator

Your next question comes from the line of Christopher Parkinson from Wolfe Research.

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Unknown Analyst

This is Harris on for Chris. Just a quick one on II&I. Just thinking about the outlook for MDI and some of the polyolefin oxide derivatives now that we've we're moving past some of your competitors' outages. I guess, ignoring normal building and construction seasonality. Has anything changed in terms of your price expectations? And I know there was a little bit of a restocking story because of the outages. Are you seeing that your customers are fully restocked or is that still ongoing?

Karen S. Carter
Chief Executive Officer

Yes. It's a good question, Chris. Thank you for it. I mean overall markets, to your point, do remain soft. As you know, 40% of the MDI end market is around building and construction, and that continues to be the weakest end market for us across the company. And so our expectation is in fourth quarter. We do expect to move back to a longer market with the resolution of industry supply disruptions but also the recent start-up of new capacity here in North America. So the bottom line on MDI is that the market still remains challenging, mainly driven by the weak demand in building and construction. And just a low demand environment overall for that segment which is exacerbated by the new capacity additions. And so Longer term, we expect gradual operating rate improvement through 2030, but that's our view on fourth quarter right now.

Operator

Your next question comes from the line of Arun Viswanathan from RBC Capital Markets.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

I guess I just wanted to get your thoughts on maybe global utilization rates across your three main chains, polyethylene, polyurethanes and silicones. It appears that we're maybe in the mid-80s. And there hasn't really been any material closures. Would you agree with that? And would you also agree with the statement that China has increased their production pretty significantly in most of those chains, and that's also impacting pricing negatively?

Karen S. Carter
Chief Executive Officer

So let me start with ethylene and polyethylene. We do feel like and believe that operating rates today are in the low 80s. And so -and I think I've said this before, we believe that we could get back to mid-cycle rates by the end of the decade. And there's a couple of reasons for that. Based on even where we were before the conflict, you needed about 10% of capacity to come out in order to materially get back to mid-cycle operating rates. 5% to 6% of that has already been announced and that includes our cracker in Europe. There's another about 8% that's being speculated. Most of all of that are in high-cost regions. And so Asia as well as Europe. Recently heard in the last couple of months that there's another 1 million tons that's been confirmed come out from Korea. And so you're seeing the rationalizations. And of course, we know that there's capacity that's coming online. But the other part of the story is that polyethylene continues to grow as at a factor above GDP.

So I would call industry operating rates on the ethylene side today in the low 80s. And again, we believe that we can get back to mid-cycle operating rates by the end of the decade, which also aligns by the way, with the timing of our Alberta asset that, again, the first phase will come up in 2029.

On the siloxanes and the silicone side, it's a bit of a tale of two cities. So upstream, you're absolutely right. China has added a significant amount of capacity. It's one of the reasons why we took out our high-cost siloxane capacity in Barry U.K. in the second quarter of this year. Just as a reminder, that's going to add $60 million of EBITDA in the second half of the year alone. But it's really important to emphasize that downstream silicones continues to grow significantly.

Directly aligned with the number of mega trends, whether you're talking about electrification, but also obviously, AI infrastructure. So we are seeing that. Most of our end markets in silicones are growing double digits, and that's showing up not only on our order books, but also on the bottom line. And I think I just talked about MTI, one of the -- of course, one of the key value chains where you're seeing over for sure, being built in Europe. We've taken out both in PO -- in particular, we've taken out assets there as well. But again, working to rightsize our capacity across the entire portfolio with the profitable demand on -- particularly on the downstream. But we continue to see strength in ethylene and polyethylene in particular, and in downstream silicones and a number of other ethylene derivatives.

Operator

Your next question comes from the line of Aleksey Yefremov from Barclays.

Unknown Analyst

U.S. polyethylene export prices seem to have been lagging strength in Asia recently. So related to that, could you discuss if there are any logistics for UFP exports or any dynamics with freight rates that are relevant?

Karen S. Carter
Chief Executive Officer

No. We aren't seeing any logistics constraints coming out of the U.S. Gulf Coast. As a matter of fact, operating rates there remain above 90%. I've highlighted the ACC data a couple of times on this call. And again, I think I think that's yet another proof point of both the feedstock advantage that we have here in North America and the fact that we are not seeing any constraints there.

Again, our order books are strong. We are seeing China has come back. You've seen that about $0.06 week-over-week spot prices go up. But spot prices are going up around the world, and that's why we have price increases on the table and believe that the current market dynamics will support us achieving those.

Operator

This concludes our Q&A session. I will now turn the conference back over to the Dow team for closing remarks.

Karen S. Carter
Chief Executive Officer

Thank you very much. And listen, Jeff and I both really appreciate all the questions that we got this morning. I just wanted to end the call with one key message for you to take away, and it's this. We are not standing still. The Dow team is not standing still. Obviously, the market remains incredibly volatile, but we have the right priorities, and we have the momentum to see it through. Our collective actions are delivering really solid results. We saw them in the third quarter, and we firmly believe we're going to deliver that again in the fourth quarter. And at the same time, we're focused on creating long-term value for our customers, for our shareholders and for all of Team Dow. So thank you for your continued interest in our company, and we appreciate you joining us today.

Operator

This concludes today's -- sorry, apologies. Go ahead.

Andrew Riker
Vice President of Investor Relations

All right, Jade. Thank you, everyone, for joining, for your reference. A copy of our transcript will be posted on Dow's website within 48 hours. This concludes our call.

Operator
Thank you, Dow team. You may now disconnect.

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