

Dow Inc. NYSE:DOW

FQ3 2025 Earnings Call Transcripts

Thursday, October 23, 2025 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.30)	(0.19)	NM	(0.43)	(1.01)	NA
Revenue (mm)	10228.13	9973.00	▼ (2.49 %)	9396.90	40769.45	NA

Currency: USD

Consensus as of Oct-23-2025 12:57 PM GMT



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Call Participants

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Presentation

Operator

Greetings, and welcome to the Dow Third Quarter 2025 Earnings Conference Call. [Operator Instructions] And 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 Jim Fitterling, Chair and Chief Executive Officer; Karen S. Carter, Chief Operating Officer; and Jeff Tate, Chief Financial Officer.

Please note, our comments contain forward-looking statements and are subject to the related cautionary statements 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's call. Jim and Karen will review our results and discuss how we are navigating current market conditions to restore our core earnings. Karen will also provide an overview of our operating segment performance. Jeff will share an update on our in-flight actions to provide near-term cash support as well as some details on the macroeconomic environment and our modeling guidance for the fourth quarter.

Jim and Karen will close the prepared remarks with Dow's view on current industry actions while demonstrating how Dow is well positioned to win in a recovery. Following that, we will take your questions.

Now let me turn the call over to Jim.

Jim R. Fitterling

Chair & CEO

Thank you, Andrew. Beginning on Slide 3. In the third quarter, we executed against Dow's strategic priorities to deliver sequential earnings and cash flow improvement despite continued pressure across the industry. These results reflect our focus on navigating the near term while positioning the company for profitable growth when our industry recovers.

In the third quarter, we delivered net sales of \$10 billion. Sequentially, gains in our Industrial Intermediates & Infrastructure segment were more than offset by declines in Packaging & Specialty Plastics and Performance Materials & Coatings. EBITDA was \$868 million, and while this is lower than the same period last year, our earnings reflect an improvement over second quarter. This was driven by volume gains stemming from our new growth investments in the U.S. Gulf Coast, lower planned maintenance activity and the progress we're making on our cost reduction actions.

Cash provided by operating activities was up \$1.6 billion sequentially, primarily driven by working capital improvements, and advanced payments for low carbon solutions and other long-term supply agreements. We also delivered \$249 million of dividends, reflecting our commitment to competitive shareholder returns over the cycle.

Next, Karen will provide some additional context around the more than \$6.5 billion in actions that we have completed or currently have in-flight.

Karen S. Carter

Chief Operating Officer

Thank you, Jim. We advanced several strategic actions in the third quarter. We announced an expansion of our strategic agreement with MEGlobal to formalize the contractual offtake of an additional 100 KT of ethylene supply at attractive economics for both parties. We closed the second and final phase of our strategic infrastructure asset partnership in the U.S. Gulf Coast delivering \$3 billion in total proceeds for Dow this year.

We completed the second of two previously announced non-core divestitures, delivering a total of approximately \$250 million at attractive EBITDA multiples of around 10x. And we issued an additional \$1.4 billion bond to take advantage of tight credit spreads, providing added financial flexibility.

We are progressing the delivery of at least \$1 billion in targeted cost savings by the end of 2026. We are on track to deliver approximately \$400 million of the cost savings this year, which was clearly visible in our third quarter performance. We have also lowered our CapEx spending in alignment with our \$1 billion reduction target this year compared to our original plan of \$3.5 billion. This reduction is largely due to our decision to delay the Alberta project until market conditions improve.

As we announced in April, this decision supports our near-term cash flow and adjusts our timing to align with the market recovery. We remain committed to the long-term strategic rationale of the Alberta project, which further improves our industry-leading cost position and the growth upside that it will enable and targeted applications like pressure pipe, wire and cable and food packaging.

However, our expectations for when this capacity will be needed have changed, given the prolonged down cycle our industry is facing. As we committed, we will provide an update on this during our fourth quarter earnings call in January. Any decisions related to the project timeline will remain centered on maximizing value.

So taken all together, these near-term strategic actions demonstrate Team Dow's continued efforts to adjust our cost structure and response to the current operating environment. These actions also support our overarching goal to build a more simplified modern Dow that consistently delivers strong performance, profitable growth and lasting competitiveness.

Next, I'll turn to our operating segment performance on Slide 4. In the third quarter, we continued to focus on margin improvement, while prioritizing volume growth in attractive end markets such as food packaging, electronics, home care and pharma. We also took decisive actions to lower our cost base and progress our cost savings actions.

So, starting with the results for our Packaging & Specialty Plastics segment. Net sales were down compared to the year ago period. Higher demand for flexible packaging applications was more than offset by lower downstream polymer prices, lower merchant olefin sales and lower licensing revenue.

Sequentially, net sales declined, driven by lower prices for downstream polymers and olefins. Volume decreased 1% year-over-year and 2% sequentially. Notably, the polyethylene volumes increased in both comparison periods, particularly in flexible packaging applications, and as a result of our new polyethylene unit in the U.S. Gulf Coast. These items were more than offset by lower Olefins volumes in Europe, following our earlier decision to idle one of our crackers in Terneuzen.

Operating EBIT was \$199 million, reflecting a decrease compared to the year ago period. This was primarily driven by lower integrated margins. Operating EBIT increased sequentially due to higher integrated margins and operating rates, lower fixed costs from our cost reduction actions and the benefit of the start-up of our new polyethylene unit in the U.S. Gulf Coast, which is helping Dow to realize the full benefit of our integration.

Next, turning to our Industrial Intermediates & Infrastructure segment on Slide 5. Net sales were down 4% year-over-year driven by continued pricing pressures globally, resulting in an 8% impact on revenue. Sequentially, net sales increased, reflecting volume gains in both businesses and all regions. This was supported by lower planned maintenance activity and the start-up of one of our near-term growth projects, which partly offset lower prices. Volume increased 2% compared to the year ago period, driven by gains in the U.S. and Canada and both businesses as well as in energy applications.

Sequentially, volume increased 5% with improved supply availability following planned maintenance activities in both businesses as well as additional volumes from our new alkoxylation unit in Seadrift, Texas.

Operating EBIT for the segment increased versus the year ago period, driven by higher volumes and operating rates as well as lower fixed costs, which were partly offset by lower prices. Sequentially, operating EBIT increased by \$138 million. This was driven by lower planned maintenance activity and higher volume in both businesses. This volume growth was enabled by the startup of our new alkoxylation unit in the U.S. Gulf Coast, which serves more resilient home and personal care end markets.

Moving to the Performance Materials & Coatings segment on Slide 6. Net sales in the quarter were \$2.1 billion, down 6% versus the year ago period and 2% sequentially, driven by pricing pressures on the upstream areas of the segment. In the third quarter, architectural coatings experienced normal seasonal patterns, but downstream silicones remained a bright spot, both compared to the year ago period and prior quarter, particularly in high-value applications such as home care and electronics.

Operating EBIT decreased both year-over-year and sequentially, driven by upstream margin compression, partly offset by lower fixed costs from our cost reduction actions.

To conclude, Team Dow is focused on continuing to take actions to help navigate the challenges our industry is facing, while driving a streamlined, more modern and more simplified enterprise. We are protecting and growing our position in high-value markets while also realizing the benefits from our targeted and accelerated actions to deliver at least \$1 billion in cost savings by 2026. We also continue to optimize our global manufacturing footprint as evidenced last quarter when we announced the outcome of our strategic review in Europe, resulting in the shutdown of three upstream assets in the region.

I will now turn the call over to Jeff, who will share more on the actions we are taking to ensure Dow's financial flexibility as well as some macro-economic insights and our outlook for the fourth quarter.

Jeff L. Tate
Chief Financial Officer

Thank you, Karen. Good morning to everyone participating in today's call. Turning to Slide 7. We continue to advance several strategic priorities to support Dow's near-term cash flow, further enhance our balance sheet and deliver structural improvements. This positions the company for growth and better profitability and the recovery. For example, this quarter, we completed the second phase of our strategic partnership with Macquarie for the sale of a 49% equity stake in select U.S. Gulf Coast infrastructure assets, receiving approximately \$3 billion in total cash proceeds this year.

And we're making solid progress on several additional actions that support our near-term cash generation. This includes optimizing working capital, which we expect to be an approximately \$200 million to \$300 million release of cash in the second half of the year compared to the first half.

In addition to these items, we've completed two bond issuances at attractive spreads for a total of \$2.4 billion this year. Doing so provides added flexibility and support while maintaining our commitment to investment-grade credit profile, and it extends our material debt maturities out to 2029. As of the end of the third quarter, our cash and cash equivalents balance is above \$4.5 billion. We have an additional approximately \$10 billion of available liquidity including a revolving credit facility that we recently renewed through 2030.

With all these actions, we're building on our long history of navigating the cycles our industry faces. As we've demonstrated in the past, we will continue to take additional actions when and where warranted.

With that, I'll share some of the key indicators we're continuing to track on Slide 8. The broader macro-economic landscape remains largely unchanged since our last update. As it relates to Dow's key market verticals, while we are seeing some pockets of stability, a broader recovery has yet to take hold. Based on the visibility we have through current customer orders; we continue to see a cautious operating environment. Business investment and consumer spending are subdued due to ongoing economic uncertainty and affordability challenges. These dynamics are impacting demand across several key end markets Dow serves.

At the same time, recent monetary policy shifts and the beginning of a rate-cutting cycle could begin to more positively influence demand. And our packaging market vertical, global demand remains steady.

Industry growth in North America was supported by record September domestic and export volumes. Manufacturing activity in China continues to be modest, while Europe contracted in September. In the infrastructure sector, market conditions remain soft across the United States, Europe and China. In the U.S., 30-year mortgage rates have eased modestly, but remain above 6% this month. Demand is unlikely to increase in the near term due to limited affordability, but lower mortgage rates could spur a recovery in 2026 as conditions improve.

Consumer spending has remained resilient, but with that, confidence is low, which has been driving value-seeking behaviors. In September, U.S. consumer confidence declined to its lowest level since April and sentiment in the EU remains below historical averages. In China, retail sales grew year-over-year in August, but at its slowest pace since last November. And in mobility, we continue to see mixed demand signals across the industry and regions. In the U.S., auto sales rose in August as consumers moved ahead of the EV tax credit expiration. And in China, government incentives for EVs also continued to support higher auto sales and production.

This strength has helped offset weakness in internal combustion vehicles, including in Europe, where new car registrations are down year-to-date. Given this backdrop, we will continue to focus on the actions within our control. Doing so helps Dow to navigate the complexities of this down cycle while strategically positioning the company to capitalize when the market conditions do improve.

Next, I'll turn to our outlook for the fourth quarter on Slide 9. The macro-economic dynamics that I described continue to limit visibility into customer buying patterns, making projections challenging. As always, we're committed to maintaining transparency and

will provide timely updates if they become available. Based on current indicators and normal seasonality, we anticipate our fourth quarter EBITDA to be approximately \$725 million. Our disciplined and targeted cost actions and lower planned maintenance activities are expected to provide sequential tailwinds.

Normal seasonality, especially in building and construction end markets, should be a headwind for our Performance Materials & Coatings and Industrial Intermediates & Infrastructure segments.

Additionally, we anticipate some margin compression from our feedstock costs in the fourth quarter. In Packaging & Specialty Plastics, lower planned maintenance in the U.S. Gulf Coast and Europe will provide a \$25 million sequential tailwind, along with another approximately \$25 million in support from our cost reduction actions. Higher feedstock and energy costs are expected to be a headwind for the fourth quarter despite anticipating higher downstream volumes. Globally, we expect approximately \$0.01 per pound of margin contraction in the quarter. This will be partly offset by higher equity earnings following an unplanned outage at Sadara in July as the impacted asset is now back up and running.

Additionally, following a fire at our Poly-6, polyethylene unit in Texas this month, we anticipate a \$25 million unfavorable impact for the fourth quarter. Initially, the event required us to bring down three polyethylene units at the site. Two of those units have already resumed operations. However, we expect that Poly-6 will remain offline for the remainder of the year. We are leveraging our global flexible asset footprint to mitigate impact and meet our customers' needs.

In Industrial Intermediates & Infrastructure, we expect fourth quarter EBITDA to be approximately \$20 million lower than the third quarter. This is largely driven by seasonally lower demand in building and construction. Additionally, we anticipate margin compression from higher energy costs and pricing pressures. We'll see this primarily in Europe, the Middle East, Africa and India as Asian exporters redirect volumes into the region from prior U.S. locations where those volumes would now be subject to dumping duties.

Sequential tailwinds are expected to be provided by higher demand for deicing fluids, lower turnaround spending and our cost reduction actions.

And in Performance Materials & Coatings, we expect lower sequential EBITDA of approximately \$100 million. Normal seasonally driven decreases in demand for building and construction and infrastructure end markets reflect an approximately \$100 million headwind in the quarter. We expect this to be partly offset by continued strength for downstream silicones applications in electronics and home care.

Finally, the incremental tailwinds from our cost reduction actions will be partly offset by planned maintenance at our Deer Park, Texas site.

So, in summary, as we look ahead, Dow remains committed to delivering accelerated cost savings actions across the enterprise as we've demonstrated throughout the year. Doing so will help offset the impact of higher feedstock costs and normal seasonality. Now I'll turn the call back to Jim.

Jim R. Fitterling
Chair & CEO

Thank you, Jeff. Turning to Slide 10. The prolonged down cycle continues to weigh on our entire industry, but we're starting to see some encouraging actions in response, most notably around addressing industry oversupply. Specifically, announcements to date include significant rationalization of global ethylene, propylene oxide and siloxane capacities, each of which will benefit Dow's diversified portfolio.

The vast majority are occurring in Asia and Europe, targeting assets that sit high on the global cost curve. This includes Dow's decision to shut down three European assets across each of our operating segments in order to right size upstream regional capacity, reduced merchant sale exposure and remove higher cost energy-intensive parts of our portfolio.

Dow's rationalization announcements and those from industry peers have exceeded the majority of consultant projections, paving the way for improved operating rates, which will also be supported by anticipated polyethylene demand growth remaining above GDP for the foreseeable future.

As we have experienced through prior down cycles, we expect to see additional announcements and actions until more visible signs of recovery begin to materialize. As it relates to anti-competitive oversupply activities, our teams continue to be actively engaged in conversations with governments around the world to mitigate impact, aggressively defend local production and to ensure a fair-trade

environment remains. These discussions have led to various actions and duties to protect local industries, including MDI in the United States, polyols in Brazil and more.

Dow's global asset footprint and product portfolio position us well to win in the key markets that we serve, particularly as purchasing patterns trend for buying local products and materials to mitigate any potential tariff headwinds.

Next, Karen is going to unpack some of these advantages in more detail.

Karen S. Carter
Chief Operating Officer

Thank you, Jim. We are pleased to see several of the industry actions that you described beginning to unfold. We continue to monitor both supply and demand signals, and we're staying close to our customers and key external stakeholders to understand their unique challenges while identifying opportunities to drive profitable growth. At the same time, our teams are working to lower Dow's cost structure, enhance our cash position and strengthen our manufacturing footprint through the shutdown of higher cost assets and the start-up of our advantaged growth investments serving high-value end markets.

And as the macro-economic environment improves, our actions will ensure Dow is best positioned to beat our competition, capitalizing on our key advantages.

First and foremost, we are committed to being a low-cost producer. Currently, more than 75% of our global cracking capacity is in a top quartile cost position. This number will increase to approximately 80% once we complete the announced shutdown of our Böhlen cracker.

In addition, we continue to upgrade our world-class asset footprint by right sizing higher cost capacity across a variety of value chain, including the shutdowns of 500 KT of PO capacity in North America, 150 KT of upstream siloxanes production in the U.K. and one of our CAV units in Germany.

Our downstream specialties capacity helps to differentiate and improve Dow's performance across the economic cycle, which will become more evident when our previously announced shutdowns are completed. And our innovation capabilities also enable strong earnings compared to our peers over the cycle as evidenced in this year's annual benchmarking report.

So, to summarize, with the addition of our U.S. Gulf Coast investments, broad product range, leading cost efficiency and global scale, Dow is set to gain share in premiums in markets that traditionally grow above GDP like packaging, electronics, mobility and consumer goods. And we are confident that Dow's differentiated portfolio paired with our team's strong execution will position us to outperform as the industry recovers.

Jim R. Fitterling
Chair & CEO

In closing, on Slide 11, our priorities are clear, and our teams remain focused on restoring core earnings, enhancing our long-term competitiveness and delivering more than \$6.5 billion in strategic actions and cash support items to position Dow well for profitable growth and value creation in the recovery.

As a reminder, this includes the \$3 billion we received for our strategic partnership with Macquarie as well as accelerating our in-year savings from the \$1 billion in cost actions that we announced in January. In addition, our diverse product portfolio, strategically advantaged asset footprint and global scale will help Dow to capture demand in attractive end markets growing above GDP. And our new alkoxylation and polyethylene units in the U.S. Gulf Coast are already delivering returns, providing further evidence of the value of our integration and low-cost asset footprint in the Americas.

Importantly, we continue to engage in positive and productive conversations with several governments around the world as it relates to anti-competitive behaviors as well as changing trade and tariff policies. We remain confident that we're in a strong position to mitigate the impact of tariff costs.

In summary, we're focused, and we're taking strong actions to navigate the current environment while advancing our long-term strategic priorities. We remain committed to delivering strong performance, profitable growth and lasting competitiveness in key value chains. And as we have demonstrated in the past, we will continue to identify and implement the right actions that help us stay closer to our customers while outperforming the competition.

With that, I'll turn it back to Andrew to get us started with the Q&A.

Andrew Riker

Vice President of Investor Relations

Thank you, Jim. 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 Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews

Morgan Stanley, Research Division

Wondering if we could just get a bit of a reconciliation about the third quarter. Ultimately, the results came in nicely ahead of what you expected when you gave the original guidance at 2Q. Obviously, about a month ago, you were anticipating things were going to fall short of that, particularly in Packaging & Specialty Plastics, but you wound up being able to exceed your original estimate there, likewise in II&I. So just wondering what happened. Was it just that September came in better than expected? Were you better on costs? Or just what allowed this outcome to take shape?

Jim R. Fitterling

Chair & CEO

Vincent, let me ask Karen to walk through the business results, and then maybe Jeff to comment on how things came in on cost and cash.

Karen S. Carter

Chief Operating Officer

Yes. Thank you for the question. There were really two areas that I would like to highlight in terms of the sequential improvement. Higher integrated margins in both P&SP and II&I, and that was, in part, driven by our new growth assets. So, volume did come in better than we expected.

And then the second thing is really around our cost efforts. And of course, we committed to those earlier in the year, the \$1 billion. Originally, we thought that \$300 million would be the number in 2025. We've since accelerated that to \$400 million and have clear line of sight to that. And that actually showed up in the bottom line in third quarter in a visible way.

So, I would say that those two things were really the difference in terms of how we not only exceeded expectations from the last guide, but also sequential improvements quarter-over-quarter.

Jeff L. Tate

Chief Financial Officer

Vincent, this is Jeff. I'll just make a couple of additional comments here related to cash flow. And even on the cost reductions that Karen was just mentioning, initially in our guide for 3Q, we expect it to be approximately \$50 million tailwind for us, and it was actually better than that as September came in a little bit stronger on the cost reduction side at about \$75 million. So, about a \$25 million improvement there. I do want to spend a second on the cash flow as well, though, because you'll notice that our cash from operations came in at \$1.1 billion in third quarter, which was an improvement sequentially of \$1.6 billion.

And that was really driven by three different areas here. Sizable improvement in our working capital. The team has done a phenomenal job of continuing to really double down on the working capital improvement going into the second half of the year. In fact, as you heard in my prepared remarks, we're expecting in the second half of the year, our working capital to deliver a release of cash of \$200 million to \$300 million, and we saw \$80 million of that working capital improvement in terms of a source of cash during the third quarter. We also had the two long-term strategic supply agreements that Karen mentioned in her prepared remarks, as well as the improved earnings that we have sequentially from second quarter to third quarter.

Operator

Your next question comes from the line of Hassan Ahmed with Alembic Global Advisors.

Hassan Ijaz Ahmed

Alembic Global Advisors

Jim, really appreciate the industry sort of outlook you guys provided in Slide 10. So just a broader question around rationalization and new project cancellations. On the rationalization side of things, obviously, the South Korean side, the Japanese side and the European

side, you can assign projects. You can see which capacity is being shut down. What's less clear is the anti-involution side. China, in particular, what cancellations may transpire over there. So, I'd really appreciate if you could sort of provide your thoughts around that.

And part and parcel with that, I keep hearing that, look, I mean, once China announces new facilities, they never cancel those projects. I mean they have a long track record of that. So, is that also changing?

Jim R. Fitterling
Chair & CEO

Hassan, thanks for the question. I would say a couple of things on the ethylene supply outlook, and I think most of your questions were geared toward that. We've got right now line of sight to about 9,300 kilotons of global capacity, which is being rationalized. You've got about 4,400 kilotons in Europe, Middle East and Africa. And those have been announced, and I think are well documented, and that includes our Böhlen asset. You've got 4,900 kilotons in Asia Pacific. That includes China, obviously, about Japan, China, Singapore and about 1,000 tons -- kilotons across the rest of Asia. We've got speculation on the closures of about 13 million metric tons from a combination of additional capacity in Asia, Japan and Korea to the tune of about 5 million tons and China from the anti-involution policies to the tune of about 7 million tons. So that's what's out there.

Obviously, the 9,300 kilotons that I mentioned, I would say, much more confirmed than the 13 million. But all of that together starts to bring you toward 10% of the global capacity. And when you get into Europe, it's probably bringing you more into the 20% of European capacity range. And I think that's right in line with what the industry is seeing.

Your comment on China in terms of once announced completed, I don't have any data to counter that. I would say, I think you might see some delays in some announced capacity in China just from a standpoint that the market in China is slow. And for certain grades of product, we're not as big and something like high-density polyethylene, for example. But for certain grades, they've reached self-sufficiently -- self-sufficiency, and they really don't have the cost position to export them. And as the world pushes back with antidumping duties and other measures to keep trade fair, that's going to put pressure on them. And so I think they'll look at the timing on those.

Operator

Your next question comes from the line of Michael Sison with Wells Fargo.

Michael Joseph Sison
Wells Fargo Securities, LLC, Research Division

Nice quarter. In terms of P&SP, I think you noted global integrated margins could be down \$0.01 in the fourth quarter. Can you bifurcate that from whether pricing or cost in the U.S., Europe and export? And then just a quick follow-up. Slide 8, the pretty colors really haven't changed, well, they're not that pretty. But if those -- if the global demand backdrop stays similar in the first half of '26, does EBITDA improve? And I know you have more cost savings next year. Can you maybe just talk about what happens in the event that we have these same colors heading into next year?

Jim R. Fitterling
Chair & CEO

Thanks, Michael. Karen, do you want to hit P&SP and I'll try to cover Slide 8.

Karen S. Carter
Chief Operating Officer

Yes. So, it's important to note that, first of all, in third quarter, take a look at how we ended the quarter from an industry perspective. So when we came in the third quarter, we expected that prices would move up. And of course, as you know, they settled flat even though we thought the market fundamentals were there. And so if you look at the ACC data in September, both domestic and export demand set record for the month, but then also industry inventories drew down. It was the second largest draw of the year.

And so that's why we expect, and we anticipate that prices should go up in October. We have \$0.05 on the table, and that should continue to occur even though it's a challenging market environment.

So, when you look at why our integrated margins are predicted to be down by \$0.01, it's really because of the higher feedstock cost that are expected based on weather, frankly. So natural gas and ethane are both expected to go up. At the beginning of the month, there was a spike on ethane. It has since come down. And so we could get some relief on that. But right now, our view is that integrated

margins will decline by about \$0.01 globally. But that also should provide some support for prices going up in October. And again, we've got \$0.05 per pound on the table.

Jim R. Fitterling
Chair & CEO

And Michael, if I could touch on Slide 8. I think the main reason for the no change that you see there is there's just a lot of uncertainty in the marketplace right now. And we don't have settlement yet on all of the trade deals that have been announced. And you see in the market, and I think everybody feels that every time there's a swing in an announcement from either side on one of the trade deals, there's usually a bit of a pullback and everybody is trying to figure out what the impact is going to be. We've seen throughout the year, our own supply chain team who's been doing a phenomenal job, really shifting gears to try to make sure we don't get caught out and product keeps moving. So that's the hardest part to project going forward.

The industries that are driving the demand are still good. If you look at electronics, if you look at data centers, tech, AI and really in the construction side of things, that is what's driving the construction markets today. There's government spending on infrastructure. We've seen more government support for infrastructure projects that's helping to drive demand than we have seen, for example, in China, you see really no support for the housing industry there. So that's having a pretty heavy weight on the Chinese market.

And here, we've got, I would say, some interest rate declines in housing, like Jeff mentioned, but nothing yet that has caused an uptick in new mortgages or existing home sales or anything that would drive demand. So we're optimistic that things are moving in the right direction. And I think if we can see some completion of some of these trade deals by the end of the year, that should bode well for next year. If this lingers into next year, then obviously, we need some of that certainty to be able to have people make decisions, stop sitting on the sidelines and move forward with investment plans.

I think tech, AI and data centers, that utility construction for power, I think that's all going to continue because that's new capacity that's needed. Those are decisions that can be made right now, and people are ready to move fast in that space and there's liquidity. And so there's good money to chase those projects. But I think when it comes to rebounds in some of the existing long-established global supply chains, we need to see some certainty.

Operator

Your next question comes from the line of Josh Spector with UBS.

Joshua David Spector
UBS Investment Bank, Research Division

I was wondering if you could talk a little bit more about kind of the range of CapEx as you think about 2026. I mean, I think you made the comment that you're not going to make a decision on Alberta or at least you're not going to announce it until the January or February call. But can you help us think about maybe a low-end range if you decide that you're not going to do it and bring basically everything down versus the high-end range if you say we are going to kind of continue what that ramp-up would look like?

Jim R. Fitterling
Chair & CEO

Yes. I think the simple answer, Josh, is if we continue the way we are, you could see another \$2.5 billion next year, and we can manage that. And within that, you've got about \$1 billion of maintenance CapEx. We've obviously got less, we just started up a unit down in Texas and alkoxylation unit as well. So those come off the docket going into next year. We have some downstream silicones projects that are very good, that will be on the docket. But we're not starting anything else right now until we get a little bit better line of sight to demand and the question that Michael raised just previously.

So, I think we could land it in that range. And we will come back in January. I think we've got teams working really hard on the triggers and what would cause us to declare when the start of construction would be on Path2Zero.

Operator

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

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

One of the things that Dow hasn't really talked about is joint venturing, the Alberta cracker. Why wouldn't that make sense and take pressure off the cash flows of the company? And then is that something that you're considering? Or why wouldn't you consider it? And then secondly, what's polyethylene demand been like for you in the third quarter and year-to-date?

Jim R. Fitterling
Chair & CEO

Jeff, let me ask Karen to talk about polyethylene demand, and then I'll come back and talk about Alberta.

Karen S. Carter
Chief Operating Officer

For us, polyethylene demand has been stable. I mean if you look at the market segments that we play into packaging, has remained relatively stable. I know there's been discussion around the consumer and although consumer sentiment is weaker. What we are hearing from both brands and our customers is that they are actually shifting down. So, shifting from, of course, the consumer branded labels down to private labels, but that's still good for us. We sell into all of those segments. So packaging has been stable.

Personal care for us is another space that's been stable for us in packaging as well. You heard me say earlier that the industry set a quarter -- a record in September, both for domestic sales as well as exports. And so we continue to see those exports flow, and we grew in the third quarter. So we expect that packaging demand for us will continue to be stable to relatively strong depending on the segment.

The other thing I would just highlight again is Poly-7. So, we brought up Poly-7 early in the quarter and third quarter, and it's already sold out, and we expect that to continue to occur.

Jim R. Fitterling
Chair & CEO

And on Alberta, Jeff, I don't have anything specific to say, and I don't have a pushback on your question on joint venturing. If you look back at Texas-9 at the time when we did it, our partners from Kuwait, MEGlobal came in and made an investment to consume up to 30% of that cracker, and that's worked extremely well. In fact, we just contractualized the last increment of that in the third quarter. So that's worked extremely well. So we have experience to do something like that.

I think a couple of things I would say about Alberta, still a delay, not a cancellation. It's still an asset from an investor standpoint that you want in the fleet longer term. It has the scale, it has the cost position, and you're bringing an additional asset cracker and derivatives up into that pocket in Alberta, which has really a cost advantage on ethane over a long period of time, decades that you can lock in where the Gulf Coast is a little more exposed to market swings. And so I think that's a big advantage.

So, we're looking at how to time it. We're looking at, obviously, the best value creation for it. We don't want to bring it on well ahead of demand. We want to bring it on with the market. Those are some of the things that we're factoring in. And don't have anything to talk about in terms of the JV, but certainly, all possibilities are things that we would consider.

Operator

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

Matthew Robert Lovseth Blair
Tudor, Pickering, Holt & Co. Securities, LLC, Research Division

I was hoping you could talk a little bit more about some of the moving parts in your polyurethanes business. Are you seeing any benefits to U.S. MDI margins from tariff impacts that have reduced imports from places like China. Also on the -- just on the construction end market side, I think you mentioned that rates are coming lower but is it fair to say that's not really coming through in the market yet.

And then finally, do you have any sort of commentary you can provide on the relative strength with your polyols business versus your isocyanates business. Is one holding up a little bit better than the other?

Jim R. Fitterling
Chair & CEO

Thanks, Matthew. Karen, do you want to tackle that?

Karen S. Carter
Chief Operating Officer

Sure. So let me start just with the building and construction market because you're right. We did see rates come down, but we definitely believe that they need to come down further for us to see really a recovery in that space. They're currently sitting in the mid-6% range. We believe they'll probably need to have a 5 handle on them before we see any reasonable recovery in that segment. And of course, as we said before, about 40% of our products are aligned to infrastructure across our entire portfolio. So, it's a good start, but it's not good enough for us to see a recovery.

Let me answer your second question, maybe it was your first on MDI because we are encouraged by some of the recent rulings that we've seen around antidumping. And so in September, the U.S. Department of Commerce made a preliminary finding concluding that MDI dumping was occurring by Chinese producers in the United States. Chinese imports account for about 20% of the MDI market here.

And so industry imports are reporting that on top of the preexisting duties that were already there, that the market for Chinese imports is dissipating quite quickly. And so we are seeing some starts of additional volume, not yet a lot of pricing there, but we are seeing some additional volume. And again, I have been encouraged by those initial findings.

Operator

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

Kevin William McCarthy
Vertical Research Partners, LLC

Jim, I was wondering if you could comment or elaborate a little bit more on the here and now in terms of the demand function. How are your October and November order book shaping up relative to normal seasonal patterns? Just trying to get a sense for your fourth quarter guide of \$9.4 billion in sales, \$725 million on EBITDA. How conservative or not, you think those levels are relative to the normal seasonal year-end movements?

Jim R. Fitterling
Chair & CEO

Kevin, I'd say a couple of things and then I'll get into the order pattern stuff here in a second. GDP, there was a report out, I think Harvard put a report out recently that if you looked at the U.S. economy and you backed out growth from data centers and all of the related investments that are going into that space, the rest of the economy grew at about 0.1% GDP for the year. So, I think that tells you that in some manufacturing sectors, what you're up against, and we know China's domestic -- gross domestic product has been under pressure as well because their domestic economy hasn't shown the kind of resilience that they saw.

Karen just mentioned what's going on with MDI, antidumping duties here. And while that means that MDI coming into the U.S. is down about 80%, that product is going somewhere, right? It's showing up in Europe, it's showing up in other areas, and it's probably more than likely being dumped there. And so we have to pursue those same kind of cases around the world. And so that's the thing that we've got to look at is how does the rest of the GDP recover? When do we start to see durable goods move? When do we see automobiles move again, appliances move again. Some of the other things that are really going to drive some of this economy.

September was a strong month, and I think October order books look good. A little bit early to call November. Usually, when we get to the beginning of the month, we have a really good line of sight to the order books and way too early to call December. But so far, so good on the order books. I don't think -- I wouldn't lean in too conservative or too optimistic, I'd say, kind of right down the middle with our experience year-to-date.

Operator

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

Christopher S. Parkinson
Wolfe Research, LLC

Jim, on Slide 10, we can all see that the cost curve is pretty steep when it gets to the third and the fourth quartiles. And we continue to see some of the rationalization of the asset footprint, presumably in the fourth quartile on an ongoing basis. But at the same time, that means certain third quartile assets become the operational fourth quartile assets. And the cost curve, the perceived cost curve could actually be a little bit flatter than previous estimates.

How -- if any way, whatsoever, does that filter in to your return assumptions, your longer-term return assumptions on Alberta? And how does that help you triangulate your decision-making process over the next 6 to 12 months? Or is it simply just too early to tell?

Jim R. Fitterling
Chair & CEO

Yes, Chris, it's a good question. I mean you know these curves change over time. They get steep and they flatten out in different periods of time. I'd say it's been pretty steady in this kind of range. Just recently, I think you've seen some moves in naphtha that have brought some things down. But at the same time, propane has come down as well. And so that gives us a little bit of pro-nap advantage in Europe. So things move around. What I would say is that in any scenario, that Canadian asset will be a low-cost asset and will be a first quartile assets. So I think we look at it that way.

And then we look at the rest of the footprint and through the cycle, peak-to-peak, trough-to-trough, you want to try to make sure you're in a position to maximize the next peak for the shareholders. And when you get to the next trough, you've got your high-cost assets out of there. And at the next trough, you've got more assets to the left of the center point of that line. And so that's our decision-making right now.

The focus in Europe has been right sizing it to the European market. And I think the big question mark is going to be how long will the European market continue to stay at that size, will it continue to -- will it stop or continue to shrink. And then China, I think the other factor that comes in is the trade and how trade is going to be regulated because a lot of capacity that's been built there is not low-cost. And if countries around the world are trying to keep their manufacturing industries, they're going to have to put up some protection barriers to keep product from being dumped. And we're starting to see that happen now as a result. Those are the big factors. And I think we try to factor in that. And then the timing of the demand to come back.

So, if you think about what we were talking about on supply-demand rationalization before, you've got 10% of global capacity, either announced or talked about in terms of coming out, that would be a significant bump up in ethylene operating rate.

Karen mentioned polyethylene demand, which has been for a low -- slow growth economy has been pretty good volume. We haven't seen the pricing power yet. But I do think the world is not going to sit at the slow growth place forever. So that capacity comes out, that demand rate kicks up pretty quickly, you get yourself into that 85-plus percent operating rate, and then you start to see price power and you start to see move up that's going to really benefit the investors.

Operator

Your next question comes from the line of Duffy Fischer with Goldman Sachs.

Patrick Duffy Fischer
Goldman Sachs Group, Inc., Research Division

Well, two questions maybe. So one, just to be explicit, your guide for Q4, what are you baking in for ethane pricing doing in the U.S.? How much of that \$0.05 do you have baked in? And then your sequential operating rates, do they stay flat, would be question one, just around the fourth quarter. And then second question is, have you guys done work or do you have a view on what you think happens with natural gas pricing in the U.S. as we start to export more natural gas. So a view on where '26 natural gas price goes?

Jim R. Fitterling
Chair & CEO

Duffy, on ethane, we got \$0.04 in -- on the ethane in the quarter. Everything is moving as you see. But I mean, natural gas production is good. The U.S. has plenty of natural gas liquids. So, it's all going to be a function of operating rates. Our view on operating rates is the assets are going to run hard in the Americas. So I think that will come through.

Natural gas, weather is going to be a big factor, always is this time of year. And you've seen it, it has come off where the strip was for the beginning of the quarter. It's come off because we're still producing products still going into inventory. There hasn't been as much demand for heating. And so we've had this kind of warmer September, October, I think, which has helped into the strip starting to cool off a little bit now. So, we'll watch the inventory levels. That will be the biggest factor there.

But the near-term moves on gas have been positive. And as gas moves down, you'll probably see the frac spreads will stay about the same, so that may bring ethane down.

The other wildcard to watch is, does ethane get in the middle of a trade negotiation between U.S. and China? It did in the previous round. And so what happens with ethane exports, I'm not advocating for anything here. I'm just saying that China is a big receiver of ethane exports. And so it got treated a little bit like rare earths in the last discussion and we have to watch that.

Operator

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

Patrick David Cunningham
Citigroup Inc., Research Division

You talked quite a bit about volume gains from new investments in the U.S. Gulf Coast and reference picking up share in better markets. I guess, first, can you help quantify the run rate earnings contribution from some of these growth investments? And are there any other incremental investments or tailwinds we should be aware of that gives additional uplift next year?

Jim R. Fitterling
Chair & CEO

Maybe I'll ask Karen to make a few comments on the run rate investments.

Karen S. Carter
Chief Operating Officer

Yes, absolutely. Thanks for the question. So just to clarify, the two growth assets that are now up and running are the Poly-7 unit down in the U.S. Gulf Coast, and then the alkoxylation capacity that's also down in the U.S. Gulf Coast. So, we expect that from a full run rate perspective on an annualized basis that, that will deliver \$100 million to \$200 million. And so far this year, and so I'll talk about third quarter in particular, it's around \$40 million in the quarter, and we expect that to continue into fourth quarter.

Jim R. Fitterling
Chair & CEO

And it's -- the other factor, Patrick, that I would just add in is we're balanced now on ethylene in the marketplace. And so what that allows us to do is capture the full integrated margin on that ethylene versus selling merchant ethylene.

Karen S. Carter
Chief Operating Officer

Yes.

Operator

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

Matthew Porter DeYoe
BofA Securities, Research Division

I appreciate the view that PE demand is going to grow in excess of GDP. But as we look across -- a lot of the chemical chain and trends you're seeing in China. Is it possible that multiplier has been diluted? Because domestic sales year-to-date are up 1%, which is below expectations -- GDP, but I know there's a lot of noise and just to put in context, I guess, at a higher level, right, inventories are down in September for polyethylene, but that's because the industry took rates down.

But how do I rationalize -- is the plan or the expectation for that to keep going at lower rates? Because I know there's also the view that the U.S. will run harder.

And I guess I ask this because it reflects a larger question that we have. It's like if we're still going to be adding capacity in things like MDI and polyethylene, is it possible that U.S. assets just have to de-rate if we can't take capacity out in Europe anymore?

Jim R. Fitterling
Chair & CEO

Yes, there's a lot there, Matthew. Let me take a couple of stabs at it. So domestic sales and production are two different things. And I think, as I mentioned before, the U.S. GDP ex data centers and that has been relatively low. So, I think the multiplier is still there. It's

been in around the 1.4x GDP multiplier. It feels like it's still there. I mean at the heyday of the big ramp-up in plastics, it was probably in the 1.5 range. I've seen estimates from third parties that could go as low as 1.2. That wouldn't be surprising as the industry matures.

And then I think product mix is the other thing that factors in. We're geared more towards elastomers, about 30% of the capacity being in functional polymers. And then obviously, a lot in flexible packaging, linear low density is a big part of what we do, low-density is a big part of what we do.

I think we're pushing for a lot of capacity adds and isocyanates here. I think the world has enough isocyanates capacity. So, I don't think you're seeing that coming on. I think it's more a question of rebalancing of the trade and then taking people off the sidelines because there's a lot of people on the sidelines right now. I'd say the supply chain is more hand-to-mouth. There's not a lot of inventory build anywhere.

Maybe in the year, we've seen a little bit of early moves on imports and exports because people are trying to get ahead of tariff dates like the 1st of October, you see that drive certain shifts we saw it in China with their production rates and exports. But those are the things. But at the high level, I don't think the GDP multiplier has shifted.

Operator

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

Andrew Riker

Vice President of Investor Relations

Thank you, everyone, for joining our call, and we appreciate your interest in Dow. For your reference, a copy of our transcript will be posted on Dow's website within 48 hours, which concludes our call.

Operator

This concludes today's conference call. You may now disconnect.

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