

Dow Inc. NYSE:DOW

FQ1 2026 Earnings Call Transcripts

Thursday, April 23, 2026 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.29)	(0.14)	NM	0.88	1.35	NA
Revenue (mm)	9669.16	9794.00	1.29	11281.52	45705.00	NA

Currency: USD

Consensus as of Apr-23-2026 1:04 PM GMT

- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ2 2025	(0.16)	(0.42)	NM
FQ3 2025	(0.30)	(0.19)	NM
FQ4 2025	(0.51)	(0.34)	NM
FQ1 2026	(0.29)	(0.14)	NM

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Call Participants

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Presentation

Operator

Greetings, and welcome to the Dow First Quarter 2026 Earnings Conference Call.

[Operator Instructions]

As a reminder, this conference call is being recorded. I'll 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 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's call. Jim and Karen will start with a summary of our first quarter performance, including details on each of our 3 operating segments. Karen will then provide an update on current industry dynamics, including how global supply disruptions are influencing market conditions. She will also discuss Dow's competitive advantages, particularly our purpose-built asset footprint and advantaged feedstock positions. We will then outline several actions underway to deliver a step change improvement in earnings across the cycle, including progress on Transform to Outperform and our other self-help initiatives. Jeff will close with our outlook for the second quarter and an overview of our capital allocation priorities and focus areas for disciplined financial management, both in 2026 and across the cycle. Following the prepared remarks, we'll open the call for Q&A. Now let me turn the call over to Jim.

Jim R. Fitterling

Chair & CEO

Thank you, Andrew. I'd like to first take a moment to step back and recognize our colleagues, neighbors, customers and partners in the Middle East who are facing significant turmoil and uncertainty. Our thoughts are with everyone affected by this conflict, and we wish for their safety and well-being during these difficult times.

On Slide 3, I'll now cover additional details from the first quarter. The solid results we delivered reflect our commitment to controlling what we can control. While January and February, order books were solid, we experienced a sharp positive inflection in March with the beginning of the conflict in the Middle East. We expect this supply disruption will persist throughout 2026. During this quarter, we focused on Dow's strengths of prioritizing our customers, managing costs aggressively and operating with safety, reliability and long-term value creation. We delivered 3% sequential volume growth, net sales of \$9.8 billion and operating EBITDA of \$873 million. And with our self-help actions well underway, we delivered approximately \$193 million in period cost savings. As we look ahead to the second quarter and beyond, we are taking actions to enhance Dow's agility and resilience. We're also entering a seasonally high demand period, providing additional tailwinds as we move through the next couple of quarters.

In addition, an increasingly positive margin backdrop continues to unfold, and we expect the pricing momentum that began in March to continue across every business and every region in Dow's portfolio. On the supply side, conflict in the Middle East has created constraints that are clearly evident in the near term. This includes supply chain disruption for an extended period of time. We also anticipate impact to future investments including potential delays or cancellations of planned industry capacity additions as well as increased pressure for capacity rationalization. And lastly, we expect that the higher global oil and naphtha prices will steepen the global cost curve. Against this backdrop, our in-flight actions serve to further strengthen Dow's competitiveness and position us to drive margin improvement and capture earnings upside. First, our incremental growth investments are delivering returns like our new world-scale polyethylene train in Freeport, Texas and we're making progress on our Alberta project, where the overarching merits of

this investment and the cost advantage Americas are further reinforced by the current global dynamics. In addition, the benefits from our previously announced European asset shutdowns began this year.

And lastly, we are building a Dow that is more agile and resilient through any cycle, a company that delivers through periods of volatility and one that focuses on capturing upside, improving margins and outperforming our peers to effectively reset the competitive benchmark. We'll share more details on all of this later in the call, and Karen is going to cover our first quarter operating segment performance. But before that, I'd like to briefly address our recent leadership announcement. Effective July 1, Karen will assume the role of Chief Executive Officer, and I will move to the role of Executive Chair. This announcement follows a deliberate multiyear succession process in partnership with our Board and ensures continuity as we execute our strategy.

Serving as CEO of Dow has been the privilege of a lifetime and I'm incredibly proud of what our team has accomplished together. This transition comes at the right time as we transform our company for its next phase of growth. I have full confidence in Karen's leadership, her deep operational experience and her ability to drive performance and value creation. As CEO, she will continue our efforts to transform Dow positioning us for greater agility and resiliency through any phase of the cycle. She is exactly the right leader to guide our company and deliver on our strategic priorities with the discipline and rigor.

Karen S. Carter
Chief Operating Officer

Thank you, Jim, and good morning to everyone joining today. I'm honored to step into the role of CEO of Dow. Having spent my entire career with the company, I have a deep appreciation for our people, our innovation capabilities and the critical role we play in enabling our customers' growth. As we look ahead, our priorities remain consistent. We will continue to drive operational excellence, maintain disciplined capital allocation and advanced high-value growth in our core markets. Dow is well positioned with our advantaged global portfolio, a strong balance sheet and a talented global team. My focus will be on driving execution, delivering value for our customers and ensuring consistent long-term value for our shareholders. I'm excited about the opportunities ahead and confident in our ability to continue to deliver for all stakeholders.

Turning now to our first quarter results by segment. As Jim mentioned, Team Dow remains focused on disciplined execution in every business throughout the first quarter. As the situation in the Middle East unfolded in March, we continue to manage costs and cash tightly while also prioritizing our customers. We delivered solid results in January and February and the dynamics in the Middle East quickly impacted industry supply/demand conditions. In fact, our operations outside the region experienced the largest percent sales gain from February to March that we've seen in our company's history. Our teams remain focused on balancing near-term dynamics with discipline while also progressing our long-term objectives, and this agility continues to be a key differentiator for Dow. In Packaging and Specialty Plastics on Slide 4. First quarter net sales were \$4.9 billion, reflecting price decline versus the same period last year. Polyethylene volumes increased in all regions, both versus the prior year and last quarter, supported by continued global growth and flexible food and specialty packaging applications. Polyethylene volume gains were offset by lower merchant olefin sales following a turnaround in the U.S. Gulf Coast and lower licensing revenue.

With safety and reliability at the forefront of our priorities, this turnaround is now complete. The unit is fully operational and our team is shifting their focus to completing our second cracker turnaround for the year, which is planned for the second quarter. Operating EBIT was \$208 million, driven by lower integrated margins and higher planned maintenance activity. This was partly offset by higher polyethylene volumes as well as tailwinds from the company's cost reduction efforts. Looking ahead, our significant Americas footprint, including our new [Poly-7] asset, will enable our teams to capture improved margins. Next, turning to our Industrial Intermediates & Infrastructure segment on Slide 5. Net sales were \$2.6 billion, down 8% year-over-year. This was largely due to lower prices in both businesses as well as lower volumes in polyurethanes as a result of impacts from the Middle East conflict. Our proactive cost savings actions in both businesses provided tailwinds that offset some of the decline. Volume declined in the quarter as well, primarily due to our actions to reset our competitiveness by shutting down our higher cost, upstream propylene oxide assets late last year. As a reminder, this action rationalized approximately 20% of North American PO industry capacity. And while we are experiencing a prolonged weak demand landscape across building and construction, our new alkoxylation assets are driving growth in Industrial Solutions, which serves attractive end markets such as home care, pharma and energy.

Moving to the Performance Materials & Coatings segment on Slide 6. Net sales were \$2.1 billion, which is flat compared to the same period last year, with higher volumes in both businesses. Volume increased 2% year-over-year, largely in downstream silicones, particularly in electronic and home and personal care end markets. Notably, downstream silicones continue to be a growth engine for the business, delivering high single-digit volume improvement versus last quarter. The business remains focused on advancing our multiyear asset and market strategy, which will help us grow with key customers. The strategy includes shifting our mix towards higher-value products and markets like electronics and mobility, while rightsizing higher cost upstream capacity. And this work is further advanced by our previously announced European asset actions including the shutdown of our basics siloxanes plant in Barry,

U.K. by the middle of this year. This capacity represents approximately 25% of European siloxane industry capacity. Next, on Slide 7, I'll take a step back to frame further details on the current macroeconomic environment. The headline is this. Demand across many markets in fix at the same time, supply is short and arbitrage is increasing. On the demand side, for our core polyethylene packaging markets, conditions remain resilient but we are seeing mixed signals in other key markets that Dow serve. For example, in the U.S., inflationary pressures and higher interest rates are still weighing on existing home sales. This continues to be reflected in our industrial intermediates and infrastructure and Performance Materials & Coatings segments, both of which serve the building and construction market.

Consumer spending has shown some modest improvements but the landscape and behaviors are likely to remain cautious until we see a significant inflection in macroeconomic conditions. Moving to supply dynamics. We anticipate that shutdown feedstock limitations and logistical constraints will continue to reshape polyethylene product availability across regions. These conditions are creating ripple effects well beyond the Middle East including significant impacts to logistics costs and transit times. Supply and feedstock into Asia and Europe are constrained, which is triggering price increases globally. It is also leading to increased production in the Americas and is providing Dow the opportunity to capture new business in Europe. The duration and severity of these constraints increases the likelihood of lasting industry impacts, including the potential for accelerated capacity rationalization as well as delay or cancellation of planned capacity additions. In this context, expectations for higher U.S. supply are helping to ease some of the pressure and provide stability. North American LNG markets remain well supplied and regionally insulated from these disruptions. In addition, U.S. Gulf Coast NGLs, including ethane, continue to be largely unimpacted. All of these factors underscore the benefits of Dow's cost advantaged footprint in the Americas.

Next on Slide 8, we'll unpack some of the current regional and industry impacts in more detail. In the 2 months since the conflict began, the scale of disruption we have seen is unprecedented. Roughly 20% of global oil capacity is currently offline and approximately half of global ethylene and polyethylene supply is either offline, constrained or directly impacted. These are unparalleled numbers, reflecting a combination of physical infrastructure damage, feedstock limitations and severe logistics disruptions. Transit through the region remains significantly impaired, largely driven by the ongoing disruption in the Strait of Hormuz and the disruption has been amplified across Asia and Europe, tightening feedstock availability and pushing producers to reduce production or increase prices to cover the rapidly escalating costs occurring from the conflict. Looking across regions, a large portion of Middle East capacity remains offline with increasing risk of lasting infrastructure damage. In Asia Pacific, feedstock constraints are limiting operating rates and reducing export availability, challenging producers who are operating at uncompetitive levels. And in Europe, high costs will require continued price increases to justify additional production.

In contrast, the Americas continues to operate at high rates highlighting the importance of Dow's costs and feedstock advantages in the region. Currently, it is estimated that roughly 3/4 of announced global capacity additions would be either directly impacted by the conflict or dependent on supply chain that remain highly constrained. The longer these conditions persist, the greater the potential for further industry changes. And lastly, it is not likely that the pricing impact of these events will be temporary. We expect rising global production costs and a steepening global cost curve to continue influencing pricing and spreads. Next, I'll turn to Slide 9, where we will discuss how Dow-specific advantages drive near-term value. At the beginning of the Middle East conflict, petrochemical prices, especially polyethylene, were at multiyear unsustainable lows. Despite broader near-term market volatility, we anticipate packaging demand will remain resilient, providing meaningful pricing potential as evidenced by recent March settlements. That brings me to our advantaged global asset footprint. Dow operates a large portion of our light cracking capacity in the cost advantage Americas with assets in the U.S., Canada and Argentina, all of which continue to operate at high rates.

Our consistent focus on investing in the Americas gives us reliability, feedstock security and cost stability at a time when global supply chains are strained. In Europe, our feedstock flexibility remains a critical differentiator. With naphtha supplies impaired and Pro-Nat spreads increasing, Dow's ability to optimize across feedstocks provides a clear cost and availability advantage versus peers. This allows us to protect and expand margins through running our assets competitively even in a volatile energy and feedstock environment. And specific to our Packaging and Specialty Plastics segment, now has higher North American capacity than our closest peer, further supported by the 2025 start-up of our Poly-7, polyethylene train in Freeport, Texas. Additionally, approximately 80% of our P&SP product sales go into higher-value resilient applications, including packaging, consumer and health and hygiene. These end markets have historically demonstrated lower risk of demand destruction. The structural advantages we have deliberately built over time give us confidence in Dow's ability to manage through volatility and while capturing value at any point in the cycle. In addition to these portfolio advantages, Slide 10 outlines the key areas where we remain committed to self-help actions that will strengthen Dow's earnings power. First, we are on track to deliver the remaining cost savings from our previously announced \$1 billion program by the end of this year. We are also executing a series of strategic moves that will uniquely position Dow to Win. This includes earnings upside following the completion of our remaining incremental growth investments and cost advantage region as well as benefits this year from the beginning of our European asset shutdown.

Additionally, Transform to Outperform is expected to deliver at least \$2 billion in near-term EBITDA improvement. As a reminder, we expect approximately 2/3 of that to come from productivity gains and the remaining 1/3 from growth. Next, I'll share a few examples of early opportunities that we have identified and are taking action on. First, we have begun transformation assessment at approximately 25% of our large sites with a goal to deliver sustained improvements and returns from all of them over the next 2 years. We are evaluating and driving improvements in production yields, asset utilization, maintenance productivity, energy efficiency and third-party spending, and we expect this work will result in more than \$400 million of the \$1.3 billion and productivity improvements that we committed to. The first site transformation identified approximately \$80 million in run rate EBITDA improvement well exceeding our initial projections. We're also seeing early growth gains from expanded use of digital commercial capabilities and more disciplined opportunity management. Pilot efforts in these areas have meaningfully improved the quality, size and value capture from new opportunities. Learnings are quickly being scaled to support and accelerate targeted growth across the portfolio. And since completing comprehensive evaluation, our dedicated end-to-end process owners have shifted from assessment to execution.

For example, in our plan to fulfill work process, we defined a clear end state from demand planning to manufacturing operations all the way through to customer delivery. We are now redesigning work and leveraging technology to simplify workflow. This enables increased efficiency for Dow and service reliability to our customers. Additionally, in the first quarter, we announced a series of senior leadership changes that delivered an approximately 20% reduction in both headcount and cost at that level. We remain confident that our collective efforts and Transform to Outperform will ramp sharply to \$400 million in the second half of the year, creating a down that is more resilient across the cycle while consistently delivering growth, customer success and improved shareholder value. And as an important reminder, all of our self-help actions and the upside they provide are additive to the potential upside we anticipate going into the second quarter.

Next, I'll turn the call over to Jeff, who will cover our second quarter modeling guidance and Dow's key financial strengths.

Jeffrey L. Tate
Chief Financial Officer

Thank you, Karen. As we look ahead, I'd like to provide some context around our earnings expectations for the second quarter and for the remainder of the year. As we've noted throughout today's prepared remarks, the situation in the Middle East has introduced volatility and uncertainty into the broader market environment, including how customers secure product. We remain committed to taking actions to position Dow for success amidst this ongoing turmoil. Karen shared the ways in which we are quickly pivoting to several of the areas that are directly within our control. This includes leveraging our advantaged manufacturing footprint and activating pricing levers across all businesses and all geographies, including our largest operating segment, Packaging and Specialty Plastics. These levers give down significant near-term advantages.

Our expectation for second quarter are approximately \$12 billion of revenue and EBITDA of \$2 billion. This sequential improvement is driven by pricing gains, expanding margins, increased asset utilization, typical seasonal demand improvement and our continued focus on reducing costs all of which are expected to more than offset rising feedstock and energy costs, planned maintenance activity and expected sequential decreases in licensing revenue. In Packaging and Specialty Plastics our global pricing strategies, especially for polyethylene are designed to capture value in key markets, helping to mitigate external pressures. We expect this to drive significant sequential improvement versus the first quarter. For Industrial Intermediates & Infrastructure, we expect normal seasonality and improve margins to provide sequential gains. With that, higher planned maintenance and lower licensing activity in the second quarter are expected to mute these tailwinds. And in the Performance Materials & Coatings segment, we anticipate a modest impact from the Middle East conflict. However, rising propylene costs are likely to delay seasonal demand uplift that we would normally see across building and construction end markets.

On equity earnings, several factors will impact Dow sequential earnings expectations. First, we anticipate a headwind from the safe proactive shutdown of our facilities in Kuwait as a result of the Middle East conflict. Lower feedstock availability at our Thailand joint ventures will also be a headwind. Additionally, beginning this quarter, we suspended the Sadara equity loss recognition in accordance with U.S. GAAP. The carrying value of all liabilities on the balance sheet reached a total of Dow's existing relevant obligations and commitments. This is also reflected in our updated full year equity earnings expectations which can be found in the appendix of today's presentation. In summary, predicting global macroeconomic and end market dynamics in this period will continue to be difficult. But we expect more potential upside to these projections than downside. All of this represents our best assessment during a period of rapid change. We will provide updates later in the quarter if there are any significant developments compared to our current expectations.

Next, on Slide 12. I'll spend a few minutes on our consistent approach to disciplined financial management, which remains another core differentiator for Dow, especially in environments like we faced over the past few years. First and foremost, our capital allocation framework remains consistent. Everything starts with safe and reliable operations. In addition, we continue to maintain a solid balance

sheet as well as our long-standing commitment to an investment-grade credit profile. On capital deployment, we remain focused on high-quality organic investments with capital expenditures expected to be at or below depreciation and amortization across the cycle. This includes prioritizing advantaged assets, regions, high-return projects and investments that strengthen our cost position and earnings durability. With our near-term growth investments behind us, Path2Zero remains our only planned major project. Returning cash to shareholders through dividends and share repurchases and also remains a clear priority across the cycle. Looking ahead to the balance of the year, our cash priorities are clear.

In March, we received a cash payment from the NOVA litigation and we expect to receive the remaining tax withholdings of approximately \$300 million later this year. At the same time, we remain focused on delivering the full benefits of our self-help actions which we expect to total approximately \$1.1 billion this year. This includes the remaining \$600 million from our 2025 program, as well as \$500 million in growth and productivity improvements from Transform to Outperform. As we mobilize the teams and complete several assessments in the immediate term, we expect to demonstrate a significant portion of the end year value in the second half of this year. We will also continue to take a disciplined approach to working capital, making prudent trade-offs to support customers and operations while protecting our cash position as earnings improve. This was evident in the first quarter as we saw a year-over-year improvement in working capital of greater than \$300 million. Importantly, all of this is underpinned by our strong liquidity position and well-laddered debt profile with no substantive maturities until 2029. We have approximately \$14 billion of total liquidity and inclusive of cash on hand and committed bilateral credit lines.

Our revolving credit facility was recently renewed through 2030 and our committed accounts receivable securitization includes the recent renewal of our European facility through 2029. We also ended first quarter with over \$4 billion of cash on hand. This liquidity positions us well to manage through macro or industry volatility without compromising our near-term priorities or Dow's long-term strategy. Our intentional actions give us confidence that Dow can continue to navigate the current environment, invest in the right opportunities and deliver sustained value to shareholders across the cycle. Next, I'll turn the call back to Jim to provide closing remarks on Slide 13.

Jim R. Fitterling
Chair & CEO

Thank you, Jeff. As I look at Slide 13, it really captures how we position Dow not just for this quarter or this year, but for long-term value creation through the cycle. First, even in a disrupted industry environment, we are well positioned to navigate market dynamics which was apparent in our first quarter results. Our order books were solid in January and February, and we saw a sharp positive inflection in March, and we expect that to continue throughout 2026. As a result, the positive momentum from announced pricing actions across every business and every region is taking hold and building. At the same time, our mix continues to shift toward higher-value sales, including functional polymers, where Dow's differentiation clearly shows up in our pound for polyolefins benchmarking.

We published this peer benchmarking today on our Investor Relations website. This annual process provides important insights into our performance and that of the broader industry and it is what ultimately led to Dow's actions to effectively reset the competitive benchmark through Transform to Outperform, which is underway. This year's results demonstrate that Dow is delivering consistent outperformance in many areas. This includes superior performance in our advantaged polyolefins portfolio as well as outperforming the peer median on EBITDA growth for downstream silicones across all markets. That's not accidental. It's the result of disciplined execution and a focus on value. Our teams understand Dow's strengths and have aligned our R&D and innovation to the areas of our portfolio where Dow wins and our customers value at the most. Second, we focused relentlessly on building long-term agility and resilience. We are acting thoughtfully but decisively to improve the quality of our portfolio and improve our long-term earnings, and we are not backing off. Transform to Outperform is already driving new value that is additive to near-term market upside.

We are leveraging our strengths to enable faster, more efficient operations, improve innovation and modernize how we serve our customers in high-value markets. At the same time, we're seeing tangible benefits from decisive portfolio actions, including the completion of our incremental investments in high-growth areas of our portfolio as well as the shutdown of higher cost upstream assets in Europe that will begin later this year. And with the revised timeline, our Alberta project will enable growth in resilient high-value applications like pressure pipe, wire and cable, and food packaging. We remain confident that Dow can capture outsized growth in these markets for years to come, which will create additional value for shareholders. And lastly, foundational to everything we do is the financial discipline and flexibility that we have built. That discipline matters. It's what allows us to be steady when others are reactive and to keep investing when it counts. So when we say Dow remains a compelling investment opportunity, we say it with confidence grounded in actions.

We entered 2026 in a strong position and we remain on solid footing. Our long-term vision, our strategic priorities and the steps we've taken to navigate a challenging down cycle inflected in a way that positions our company for stronger more resilient growth for years to come. I am incredibly proud of how Team Dow has navigated all the challenges that we've encountered over the years. They've

adapted quickly to changing market signals while staying focused on cash generation and improving margins. Thank you for your continued interest and support of Dow. Now I'll turn the call back to Andrew to get us started with the Q&A.

Question and Answer

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.

Operator

[Operator Instructions]

Your first question comes from the line of Hassan Ahmed from Alembic Global.

Hassan Ijaz Ahmed

Alembic Global Advisors

First of all, congratulations to both of you on your new roles. A question around just the timelines associated with the normalization of supply chains in a let's hypothesize sort of post piece declaration sort of an environment and also the sustainability of some of these pricing initiatives, particularly for polyethylene that you guys have announced. I mean just to me, it seems that in a no damage to facilities environment, it would take at least probably 3 quarters, maybe for supply chains to normalize. And then there's obviously the questions around how much damage 2 facilities has actually been done, what impact that may have on the availability of supply.

And obviously, then there's numerous questions around availability of feedstocks as well and what rationalization sort of may happen? Would it be accelerated in a sort of higher oil, higher naphtha sort of pricing environment. So would love to sort of hear your views about the sustainability of pricing time lines associated with this normalization, particularly as I sit there and see consensus estimates for you guys, some of your competitors and the like, they seem to be just factoring in a V-shaped sort of normalization of the supply chain. So I would love to hear your thoughts around that.

Jim R. Fitterling

Chair & CEO

Good morning Hassan, I'll take a shot, and then I'll ask Karen to talk about the pricing. Look, when I was at CERA week really at the very beginning of the conflict early March, I mentioned that we did some modeling at that time that it would be 275 days or longer for the supply chain disruption to unwind. And a lot's changed since then. There's been more attacks in the Middle East. There's been more assets have to be shut down. this week, the last cargoes of accrued to go to refiners landed at refiners. So the way I look at that is the first ripple effects of the shutdown of the straits hits the shores this month, 2 months later. And we don't have any sign in place that the straights are going to reopen.

In fact, any ships that have attempted have been turned back. The strait moved over 130, probably close to 150 cargoes a day and very different cargoes, very large crude carriers, LNG cargoes, marine pack cargo for moving plastics, bulk chemical shipments, refined fuel shipments, all that stopped and all that tankage is full and sitting in the Arabian Gulf. And so we have to clear that and I just gave you a pretty good estimate of what it takes to clear it and get it out to markets and then you've got to get vessels back in and get them offloaded. You're going to have to get a lot of empty vessels back in the Gulf before you can restart plans because the plants are at tank tops. So when we looked at it, we said shipments that go out of the straits are going to be prioritized, I don't think it's very likely that petrochemical and plastic shipments will be prioritized first. I think it's more likely that crude oil, fuel fertilizers would be prioritized first because those affect national security, those effect food security for a lot of countries. You've got repairs that have to be made.

In some cases, the repairs may be made because of the duration of this before the straits reopen. So I think if there's anything good here, you've got some time to get repairs made before the straights reopen. But you have to have human capital and you have to be able to get the equipment in that you need to repair some things. The logistics, the 275 days I mentioned was the logistics unwind from talking to our logistics providers. And I just turn it to Karen, we were going into this in March, at the end of February, low inventories, pricing momentum, good order books. We had 3% volume growth sequentially in the first quarter. and now we're seeing a tick up. So I think everything is poised for strong demand and really tight supply, and I think that bodes off our pricing outlook.

Karen S. Carter

Chief Operating Officer

Yes, exactly, Jim. And on the pricing side, thanks for the question. I mean, I think we should go back to January. And remember that you would at \$0.05 in January. And then in March in relation to the Middle East crisis, there was another \$0.10 settlement. If you look at ACC data over the month of March, the way I would [indiscernible] it is that it was a record month. Demand has remained steady, but both exports and domestic sales the second highest month ever record. And then if you look at overall total sales, it was also a record as well. Industry operating rates surged to 97%, while DDI decline.

So all of that sets us up for strong price momentum. If you look at the announcements for the month of April, we have \$0.30 per pound on the table, and then we have another price increase out there for the month of May of \$0.20. So when you look at the \$2 billion guide that we have for second quarter, there's \$0.26 per pound of margin improvement. Globally that's baked in of that, and that's also aligned with SMA. So based on Jim's comment around the duration, we believe that there's more room for prices to move up and as we do that, that will present upside to the \$2 billion guide.

Operator

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

Michael Joseph Sison

Wells Fargo Securities, LLC, Research Division

Congrats on as well to Karen and Jim. When you think about the \$1.75 billion for P&SP in 2Q. Can you sort of frame -- I mean, do you think that's kind of a mid-cycle EBITDA? Is it a peak EBITDA? And then when you think about the sustainability of these integrated margins into '27 as supply chains come back, where do you think we could sort of end up post all this?

Jim R. Fitterling

Chair & CEO

Karen, do you want to take it?

Karen S. Carter

Chief Operating Officer

Sure. So I'll go back to the \$26 per pound integrated margin improvement that we expect to get here in the second quarter. That's mid-cycle perhaps a bit above mid-cycle. I think it's important to go back to the impact of this, which is really 3x what we saw in 2021 from Winter Storm Yuri. And there, you really did see us move over about a 6-month period to mid-cycle and above prices. And so my response to that is it is mid-cycle moving to peak levels. But with the supply shock overnight, that is why you're seeing the ramp in price increases go faster than even what we saw in 2021. And again, as I indicated, in my last answer, we expect that this environment is going to continue in alignment with the duration of the recovery that we believe it's going to take 6 months, anywhere to 18 months to resolve.

Operator

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

Vincent Stephen Andrews

Morgan Stanley, Research Division

And I echo the sentiment on the leadership transition. Could I ask, Jim, if you think if we get to the other side of the conflict, do you think there could be any changes in the cost curve on a sustainable basis? And in particular, do you think Europe is positioned can improve at all on the other side? And then within that, and then more near term, how are you thinking about the profitability of your own European assets over the course of the next couple of quarters? Do you think prices will improve enough to really reset profitability there? Or how are you thinking about it?

Jim R. Fitterling

Chair & CEO

Good morning, Vince. I think on Europe, a couple of things that are having an impact on Europe right now. the tightness in the marketplace from the shutdown of the straits is not just the inability to move the product, but it's the magnitude of the impact. So we talk about 20% of U.S. oil production being shut in, in the straits. About 40% of Asian naphtha production was shut in, in the straits. And so you saw that effect of that being for sure in Asia of the high-cost producers because they couldn't get feedstock. On top of that, we're seeing in China right now, restrictions on the refiners, they're being forced to produce fuel and jet fuel at the expense of something like naphtha. And so that's going to continue to keep pressure on the availability of naphtha there.

So that has helped in Europe. I mean Europe has a little bit closer access to some naphtha and they have some refining capacity. I'd say the biggest help on margins right now has been the tightness in byproducts. So you're starting to see positive byproduct credits in the crackers. And as you know, a naphtha cracker makes the third ethylene and 2/3 byproducts. So byproduct credits can be a big contribution to improve margins there. I think it will hold obviously through second quarter and third quarter. I think longer term, a lot is going to depend on decisions like countries and people make. I talked about 40% of Asian naphtha, 90% of Japan's LNG through the strait. So I think it's logical to expect that countries are going to step in and make some changes like we saw after Russia, Ukraine when the Germans worked hard to diversify and get 5 LNG facilities going to diversify their natural gas supplies. I think you're going to see some things like that.

Those will take obviously time to shake out. You can't get any of that in place in a 1- to 2-year period. But there will be decisions that will be made that don't have a longer-lasting impact on that. Europe, we returned to profitability, Karen, maybe a little bit on margins there and demand there?

Karen S. Carter
Chief Operating Officer

Yes. So demand for our assets definitely has moved up. The Pro-Nat spread has widened, and we have more flexibility from a cracking perspective than any of our peers in the region. So we've increased our operating rates and we are helping to fill the gap from a supply perspective that you just referenced him. So we anticipate that margins in the second quarter are also going to go up in Europe for us.

Jim R. Fitterling
Chair & CEO

I think Europe will be under pressure when the Middle East supply comes back because with that being shut in now, obviously, it has to be supplied from domestic Europe. So when that comes back, I think, obviously, the cost position in Europe will move back. So I don't think it changes our long-term outlook on Europe. I think it gives us a little breathing room in the short term and some time to do things wisely and get a shut down in a really smooth fashion. Thanks, Vince.

Operator

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

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

A 2-part question. the export price of polyethylene from Houston today is about \$1,775 a tonne FOB, but the delivered price to Asia for polyethylene is less than \$1,300 a tonne. Can you describe what's going on in terms of why our general export price is so high, but Asia seems to be a weaker region for pricing in the scheme of things. And for Jeff, could you let us know what the relationship that you expect between operating cash flow and EBITDA is in 2026. what the real cash commitments are to Sadara?

Jim R. Fitterling
Chair & CEO

Yes, do you want to touch on what's going on with us prices of polyethylene?

Karen S. Carter
Chief Operating Officer

Yes, Jeff, thanks for the question. What I can say is that our prices around the world are going up. The excellent price is the indication of real demand on not local price. And as Jim just indicated, in China, in particular, they are starting to restrict the feedstock that is going to pet chem production. So we continue to expect prices there to go up as well.

Jeffrey L. Tate
Chief Financial Officer

Yes, Jeff, on the cash side of things in terms of operating EBITDA relationship, a couple of things I would mention there, we entered and exited first quarter with a very strong cash position at slightly over \$4 billion. And as we look at outlook for not only second quarter, but for the full year, we continue to see not only the self-help actions, but also all the activities related to our pricing momentum building as we work our way through the year and through the quarter. So with that, we would expect our cash conversion rate to steadily improve as we go from 1 quarter to the next year. So we're in a really good position to see that to cash flow and free cash flow increase from a cash conversion perspective.

In terms of your second or third question around the Sadara cash commitments, I'd like to make a couple of comments there. You will notice that in first quarter, total cumulative equity losses for Sadara reached \$1.4 billion. This matches our existing relevant obligations and commitments and so accordingly, under U.S. GAAP, we're in a position to suspend further recognition of the Sadara equity losses. Now the \$1.4 billion of commitments that we have from a relevant obligation perspective, is comprised of \$1.2 billion of debt. We have approximately \$100 million related to our revolving credit facility and then approximately another \$100 million related to our net of credit. Specific to your question around the cash commitments for 2026 and also through 2038, that would be approximately \$100 million per year.

Operator

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

Kevin William McCarthy
Vertical Research Partners, LLC

Jim, one of the most common questions that we field from investors is along the lines of assessing the durable supply side impacts from the conflict. So would love your thoughts on that subject in terms of physical damage to assets in the Middle East new plants that we thought might be starting up that are, in fact, unable to do so. And I think you also made a comment that you would expect increased rationalization of assets because of the conflict. So how would you frame out the lasting impact as opposed to the impacts related to feedstock and traffic through the strait?

Jim R. Fitterling
Chair & CEO

Good morning Kevin, look, and I don't have all of the insight to what has happened there. I can go based on the incidents that I'm aware of and the things that have been shared that are public I think most of the attacks were relatively -- we saw information about like the East West Pipeline in Saudi, which is a pump station was attacked. We saw some situations in Kuwait, where some upstream assets were attacked. And I think in most of those cases, they have the capabilities, the people and the wherewithal to get that repaired and back up. So if you look at what I said about 275 days plus to reopen the straits and get things back to normal. I think a lot of that is going to be able to be repaired within that time frame. You had the situation with Qatar with the LNG plant. What got hit there was a very critical piece of equipment that takes 2.5 to 3 years to build. And then, of course, it's got to get installed.

And so that's the most significant attack that I've heard of, and there's not a lot that I think they're going to be able to do to fix that. But that doesn't have as much impact on the petrochemical side of things. And just talking with our partners, I think they are actively working on repairs, and I don't hear anything from them that leads me to believe it's going to extend longer than this duration of this logistics constraint.

Operator

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

Patrick David Cunningham
Citigroup Inc., Research Division

Could you perhaps walk through any impact of the conflict on maybe the 10% to 15% of non-polyolefin derivatives that are exposed to some of these tightening market dynamics and where you might see the biggest potential for additional export opportunities or advantaged footprint, taking advantage of some of the higher margins?

Jim R. Fitterling
Chair & CEO

Well, ethylene, polyethylene, ethylene glycol has probably been the biggest impact of all of it. And so you see that already showing up in the market response and what's happening. And those should be able to repair quickly. It's also one of the things you see in the results Kuwait's earnings in the first quarter was. Remember, Kuwait has operations in Canada and Texas. And so they have a global footprint on MEG. So they're able to supply their customers and also take advantage of the price increases and that more than offsets the situation that they have to deal with locally. But they'll be able to get that back up and moving once the road block clears.

I would say on propylene derivatives, there are some. Obviously, we have some in the polyurethanes business that will be impacted. There's some polypropylene that will be impacted. I think in polypro, you had a little bit different situation in downstream demand

dynamics, auto being slow appliance takes a little demand pressure off of polypro. So we haven't seen same kind of dynamics there, MDI similar other things you want to bring in, Karen?

Karen S. Carter
Chief Operating Officer

No, I think you're absolutely right. I mean, on the EO side in particular, MDI working to get those prices up above the cost increases and MEG, as you referenced, those prices are moving up as well. I'd say on the siloxane side or on the silicon side, for sure, less impact. But there, I would just highlight, particularly on selecting, prices are moving up there as an early indication of what we're seeing on [indiscernible] in China, which we believe is a positive sign. And so we are working to move prices up across the board. Most of it is because of the Middle East crisis within in the silicones and select an side. It's a bit of a different story, but their prices are moving up as well.

Operator

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

Frank Joseph Mitsch
Fermium Research, LLC

And also let me offer my congratulations to Jim and Karen. Coming back to Sadara, I was just curious if you could speak to the future of what your expectations are. for Sadara over the next couple of years. Can you speak to whatever damage may have been sustained so far to that facility? And also, Jeff, when you were speaking to the changes on a GAAP basis for Sadara, that unit had been running at a negative \$120 million or so per quarter equity earnings to Dow. I would imagine that, that might have been higher had you not made the adjustment to GAAP. Can you comment on that?

Jim R. Fitterling
Chair & CEO

Frank, I'll take the first part. I mean, one of the things I will continue to do, as Karen takes over a CEO role is finish up these negotiations with Saudi Aramco on the restructuring of Sadara and trying to address some of the challenges that we face there. I think the asset itself, we've sustained a little bit of damage. I think most of it is pretty straightforward. We're able to manage it. A lot of what was fired at that coast was intercepted and protected very well. A few stray things that got through, but we have a good team on the ground, and they've gone through all the damage assessments and they'll be able to get things back up and running.

I would say that our focus is going to be on getting the restructuring right, getting the participation in Sadara, right? And it's not really an operating problem. It's more of a leverage issue and a balance sheet issue that we've got to get right. And that's what we're working through with Aramco. And as I promised, I'll have more of an update for you midyear when we come back to earnings then. Jeff, do you want to comment on that last part?

Jeffrey L. Tate
Chief Financial Officer

Yes, Frank, in terms of looking at first quarter, specifically, you're spot on the equity loss impact, there was \$115 million. And if you look at it on a full year basis, we would estimate that to be in the talking \$400 million range from a Sadara impact perspective for Dow.

Operator

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

David L. Begleiter
Deutsche Bank AG, Research Division

And again to Jim Karen, congrats on the new roles. Karen, just back to Q1 guidance, what is that \$0.26 of global margin expansion imply for the \$0.30 you have announced for May, sort of for April and the \$0.20 for May. Does that include a portion of those or all those, that would be helpful.

Karen S. Carter
Chief Operating Officer

So it includes our April price increase that's on the table, but it does not include May. So May would present upside to the guide that we have in second quarter.

Operator

This concludes our question-and-answer session. I'll 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. This concludes our call.

Operator

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

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