Dow Inc. NYSE:DOW

FQ2 2026 Earnings Call Transcripts

Thursday, July 23, 2026 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.28	1.44	12.50	0.84	2.55	NA
Revenue (mm)	12026.80	12092.00	0.54	11477.01	43712.50	NA

Currency: USD
Consensus as of Jul-23-2026 12:54 PM GMT

	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	(0.30)	(0.19)	NM
FQ4 2025	(0.51)	(0.34)	NM
FQ1 2026	(0.29)	(0.14)	NM
FQ2 2026	1.28	1.44	12.50 %

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Call Participants

EXECUTIVES

Andrew Riker
Vice President of Investor Relations

Jeff L. Tate
Chief Financial Officer

Karen S. Carter
Chief Executive Officer

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Presentation

Operator

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

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

Andrew Riker
Vice President of Investor Relations

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

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

We will also refer to non-GAAP measures. A reconciliation of the 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. Karen will begin with an overview of the actions we are taking to create long-term value over the cycle as well as details on our second quarter performance. Following that, Jeff will share more about each of our operating segments as well as our outlook for the third quarter. Karen will also share some timely updates about how we're advancing our priorities while also remaining focused on our actions to improve earnings and cash flow. And Jeff will share some insights about our continued commitment to financial discipline and our balanced capital allocation approach. And as always, we'll leave plenty of time for your questions at the end.

With that, let me turn the call over to Karen.

Karen S. Carter
Chief Executive Officer

Good morning, and thank you for joining us. As I assumed the role of CEO this month, I couldn't help but reflect on the many fundamentals that have made Dow successful throughout our nearly 130-year history, many of which are still true today. We have a strong portfolio, a world-scale global asset base, deep customer relationships and exceptional talent. So before reviewing our near-term performance and outlook, I want to reiterate how we are using these strengths to continue building a more competitive company that consistently delivers long-term value.

We have laid out our top priorities on Slide 3. We will stay focused on the areas we can control while acting decisively in response to those we cannot. This means we will set our sights on these key priorities, holding ourselves accountable to deliver on our commitment, and ensuring we are consistently grounded and creating value.

First, we will drive focused growth and innovation in the high-value markets where Dow can win and create differentiated value with our customers. We will prioritize targeted innovation, technology and commercial excellence to strengthen our competitive position, deepen customer relationships and accelerate growth where we have the greatest opportunity to lead.

Second, we're enhancing our portfolio competitiveness. This means operating with a best owner mindset across our portfolio, investing in leading businesses, technologies and low-cost positions, while also taking action where we are no longer competitive.

And third, we will continue to hold ourselves accountable for taking a balanced approach to capital allocation. This includes using consistent principles to strengthen our balance sheet, driving a focus on cash flow and ensuring maximum financial flexibility. Jeff and I will share additional details later on today's call and in the coming months on each of these priorities. But first, let's turn to Slide 4.

We delivered solid results in the second quarter. This reflects our industry leadership as we translated improved market fundamentals and disciplined execution into meaningful earnings growth, margin expansion and cash generation. Net sales were $12.1 billion, reflecting a 20% increase versus the year ago period and operating EBITDA was $2.3 billion. We demonstrated meaningful progress toward ensuring lasting competitiveness, delivering [more than] $300 million of benefits in the quarter through our targeted self-help actions. This includes, first and foremost, the completion of our $1 billion 2025 cost savings program. Additionally, Transform to Outperform is beginning to deliver meaningful impact. And we shut down our upstream siloxanes unit in Barry, United Kingdom.

We also announced new product and innovation capabilities across our silicones franchise. This allows us to capitalize on higher-value downstream opportunities and grow in attractive end markets like consumer and mobility applications where Dow is providing a wide range of enhanced solutions.

The key takeaway is this: Team Dow is executing with discipline. We are doing so in an uncertain environment and taking bold actions within our control to deliver lasting competitiveness for Dow and improved value creation. We advanced meaningful self-help actions, and we have a clear path to creating long-term value with greater earnings durability and stronger cash flow through the cycle.

Now I will hand it over to Jeff to cover our operating segments and third quarter outlook.

Jeff L. Tate
Chief Financial Officer

Thank you, and good morning to everyone joining today. As Karen mentioned, and before I get into segment results, Dow's second quarter earnings reflect pricing leadership, better integrated margins, improved cash flow and the benefits of our self-help initiatives. This all showed up in the bottom line. And as a result, we adjusted our expected performance-based compensation compared to recent years.

Now turning to our Packaging & Specialty Plastics segment on Slide 5. Net sales were $6.4 billion, up 27% versus the year-ago period. Operating EBIT was approximately $1.3 billion, reflecting an increase over the same period last year. This was primarily driven by higher polyethylene pricing, which lifted local price by more than 40%. Benefits from these higher prices in the Packaging & Specialty Plastics business were seen broadly across all regions and all applications. This more than offset lower polyethylene volumes, which declined in Europe, the Middle East, Africa and India, as well as Asia Pacific, while growing in the resilient Americas.

The hydrocarbons and energy business reported higher net sales, driven by increased olefins pricing which more than offset lower volumes from planned maintenance on the U.S. Gulf Coast. Importantly, while operating rates in the hydrocarbons and energy business declined to 84% because of planned maintenance activity, we also successfully restarted our lowest-cost, most flexible European cracker in Terneuzen to match market conditions and optimize margins.

Turning to Industrial Intermediates & Infrastructure on Slide 6. The segment delivered a strong year-over-year improvement in the second quarter. Net sales were up 14% versus the year-ago period, driven by a [15%] increase in local price. This reflects gains across both businesses in all regions. Operating EBIT improved to $246 million, up from the same quarter last year, supported by higher margins, our self-help initiatives and lower plant maintenance activity.

Polyurethanes and construction chemicals benefited from local price gains. And our industrial solutions business delivered improved sales continuing to benefit from the start-up of our Constellation growth investments, which serve attractive end markets such as home care, pharma and energy.

We also generated incremental earnings this quarter from the sale of noncore land in Taiwan, where we had previously shut down production. This action aligns directly to our efforts to actively optimize our portfolio with the best owner mindset.

Moving to Performance Materials & Coatings on Slide 7. The segment delivered solid top line growth with net sales up 11% versus the year ago period. This improvement was supported by increased volume and price. Volume gains were led by continued growth in downstream silicones, as well as improvement in acrylic monomers and architectural coatings. In addition, the consumer solutions business benefited from gains in attractive end markets, including consumer, electronics and home care applications.

Operating EBIT was $133 million, which is down year-over-year. This is largely due to higher costs, including planned maintenance activity and the shutdown of our Barry siloxanes unit, which offset the price and volume gains as well as our [self-help] actions. So if we step back and look across the entire company, Dow continues to lead by remaining agile and close to our customers and capitalizing on our competitive advantages regardless of external factors.

Turning next to Slide 8. I'll share some context around the regional and macroeconomic conditions that are most impactful to Dow. First, we are benefiting from some key market-driven tailwinds. For example, packaging remains resilient globally, and data center demand is outpacing supply. In addition, our teams are winning even in areas where the market is still challenged and less [trusted].

For example, we are gaining market share through our silicones business with electronics for mobility applications as adoption for EVs grows across both Europe and Asia. This is also true in our Coatings business in North America, where we continue to earn a seat at the design table with customers serving high-value markets and applications.

And looking around the globe, in the Americas, consumers have remained steady, economic activity is constructive, and spending has held up, even as the U.S. housing market is still soft under [the weight of] affordability concerns and high mortgage rates. In the Middle East, geopolitical tensions remain elevated and logistics are still constrained. In addition to this, traffic through the Strait of Hormuz remains below historical levels, continuing to disrupt global supply chains. The geopolitical impacts on energy and feedstocks continue to support higher risk premiums, and we are seeing renewed value placed on supply security, including both reliability and logistics.

In Europe, deeper structural pressures like high operating and labor costs persist. But with that, some constructive dynamics are beginning to emerge, including government support and trade protection measures. This includes recently announced support for EU anti-dumping and anti-subsidy actions, each of which support a more balanced environment for European-produced products, including polyols that have been impacted by anticompetitive imports.

And across Asia Pacific, we continue to see mixed signals. Regional consumer demand remains soft with weakened retail sales in May, but industrial production and manufacturing activity have recently accelerated. In the energy space, refinery operations are normalizing in China, improving energy availability across the region. So globally, a supportive but higher-cost feedstock environment paired with resilience but uneven demand leads us to expect a more measured but still solid third quarter.

So let's look at the specifics on Slide 9. Given the uncertainty across so many of our markets to date, especially with the ongoing conflict in the Middle East, projecting the quarter ahead is difficult. If we become aware of any meaningful changes as the quarter unfolds, we will provide timely updates as appropriate and as you've come to expect from us.

Our expectation for third quarter EBITDA is approximately $1.7 billion. This sequential decline accounts for anticipated margin compression from the recent North American polyethylene price settlement in June as well as the normal patterns that typically follow high seasonal demand in the second quarter. We expect $130 million in sequential tailwinds from our self-help efforts, including Transform to Outperform and the initial uplift from our Barry shutdown. These benefits across the enterprise will more than offset headwinds associated with plant maintenance and nonrepeating benefit of a land sale in the second quarter.

Turning to our operating segments. In Packaging & Specialty Plastics, we expect the averaging effect of the June price decline to work its way through the third quarter, but are not assuming any further price movement. On top of that, we expect the benefits from Transform to Outperform to more than offset higher planned maintenance activity, mostly at our U.S. Gulf Coast assets.

For Industrial Intermediates & Infrastructure, we expect to see normal seasonal declines in building and construction, along with some expected margin pressure in Europe. With that, our continued implementation of self-help actions should provide a partial offset.

And in Performance Materials & Coatings, we anticipate that declines will be driven by typical seasonal slowdown in coatings demand as well as the planned PDH turnaround [in the quarter]. Self-help actions including the benefit from the Barry shutdown are expected to help offset some of the pressure in the quarter.

Overall, Dow's third quarter outlook demonstrates that even as we navigate a dynamic macro environment, our disciplined execution continues to build, supporting improved earnings over time. With that, I will turn the call back over to Karen to share some details about each of our near-term priorities, which aim to ensure long-term value creation.

Karen S. Carter
Chief Executive Officer

Thank you, Jeff. As I outlined at the top of the call, our priorities are helping to enable a stronger and more resilient Dow with an enhanced ability to outperform across market cycles. Slide 10 outlines our first priority: focused growth and innovation, where we will prioritize our resources in attractive end markets and win with our customers.

For example, rapid data center growth is creating new demand for solutions that address thermal management, water usage, energy demand and noise abatement needs. Dow is partnering with hyperscalers and leaders in this industry, leveraging our closed-loop liquid cooling solutions, advanced thermal fluids carbon mitigation technologies and acoustic materials. Last quarter, we launched the Dow Coolant Care Network, expanding our offering to support this fast-growing market. Our new integrated service model helps customers improve cooling system reliability, reduce operational risk and maximize uptime, all of which are critical to data center growth.

Separately, we progressed long-term agreements with both [P&G and Univar], locking in durable, high-quality demands for low carbon products across key markets like beauty and personal care, health care, food, pharmaceutical and a variety of industrial performance market. This is another example of how we are translating innovation into commercial value, while securing growth in attractive end markets.

And lastly, in the second quarter, we announced that we are expanding our product and innovation capabilities in specialty silicones that allow us to meet growing global demand in mobility, electronics and health care applications. By expanding these capabilities, we are better able to meet increasing consumer demand, strengthen global supply chain capabilities and enable customers to move faster from innovation to commercialization.

Next, on Slide 11. Our second priority focuses on enhancing the competitiveness of our portfolio. To start, aligned to our previously announced European asset actions, we shut down our upstream, higher-cost siloxane unit in Barry, United Kingdom. As a reminder, this represents approximately 25% of European siloxane industry capacity. Doing this further reshapes our Performance Materials & Coatings portfolio. It increases our focus on downstream differentiated product offering, while, importantly, maintaining integration in our silicones value chain. We expect this action to deliver $60 million of EBITDA uplift in the second half of this year.

Additionally, in our Packaging & Specialty Plastics operating segment, we restarted our lowest-cost and most flexible European cracker in Terneuzen in the Netherlands that has been idled since mid-2025. Relatedly, the shutdown of our Bohlen cracker remains on track for completion in 2027. At the same time, the Alberta project is progressing as planned, where our focus remains on disciplined completion and maximizing returns.

Taken all together, these actions will further improve our position on the cracker while maintaining important flexibility across our global asset base. Next, I'll turn the call back over to Jeff to share some details on our third priority: balanced capital allocation, and how strengthening our financial position remains a critical priority for Dow's management team now and well into the future.

Jeff L. Tate
Chief Financial Officer

Thank you, Karen. On Slide 12, our approach to financial discipline is consistent, and our outlook for the year puts us in a stronger position than when we entered 2026. We continue to take actions that enhance Dow's balance sheet and financial performance. This includes meaningful improvement in our leverage metrics and overall credit profile. In addition, we are maintaining approximately $14 billion of total available liquidity, giving us the flexibility to invest through the cycle while protecting our balance sheet.

And importantly, our approach to balanced capital allocation remains consistent with the framework we've shared over the last several years. With improved earnings and cash conversion, we will prioritize any excess cash towards deleveraging. In addition to that, we have no substantive debt maturities due until 2029, and we recently extended our revolving credit facility out to 2031. Throughout this year, we will also continue to implement [smart trade-off] decisions to improve working capital. We currently expect a minimum release of more than $500 million in the second half of the year.

Furthermore, on the cash front, we received approximately $1 billion in compensation from the [Nova] litigation in the first quarter and the remaining approximately $300 million early in the third quarter. We also continue to make progress with our partner, Aramco, related to Sadara, all aimed at ensuring long-term success that optimizes each shareholders' value.

So before I turn the call back to Karen, I want to reiterate that each of the 3 priorities she and I covered over the past several minutes outline a clear path to enhance competitiveness. We'll get there through focused growth and innovation and decisive portfolio execution. And our commitment to a balanced capital allocation approach remains consistent.

Next, Karen will share more about how our near-term self-help actions are underpinning each of these priorities.

Karen S. Carter
Chief Executive Officer

Turning to Slide 13. The actions outlined here demonstrate the tangible progress we are making against our self-help commitment, which we expect will generate a total of more than $1.3 billion in benefits this year, reflecting an increase of $200 million from our prior target.

First, we have materially completed the remaining cost savings associated with the $1 billion program that we announced in January 2025. In addition, we continue to execute several strategic moves that will uniquely position Dow to win, including capitalizing on our recently completed incremental growth investments and advancing our previously announced European asset shutdowns, as I mentioned earlier on the call.

And moving to Transform to Outperform. We expect this work will deliver an upsized benefit of approximately $700 million this year, clearly demonstrating the early value we are capturing. Importantly, we remain confident in the $2 billion total opportunity that these efforts will deliver by the end of next year. We are seeing significant early results from the productivity work aligned to Transform to Outperform, which, as a reminder, represents 2/3 of the total expected benefits. For example, we have implemented approximately 55% of the total Dow role reduction which are expected to contribute more than $200 million of EBITDA uplift in the second half of this year.

Additionally, we have completed our site transformation playbook at 6 of our largest sites, which is expected to deliver approximately $50 million alone in the second half of this year. The actions we are taking include improving production yields, driving maintenance productivity and energy efficiency, and optimizing third-party spending.

On the growth side, which represents 1/3 of the expected benefits from Transform to Outperform, we are seeing initial results from accelerated commercial and market-focused strategy. Targeted growth platforms delivered increased profitability during the quarter, supported by strategic opportunity management, strong commercial execution and the deployment of digital pricing and demand planning capability. We remain encouraged by these early wins and the value they are generating for Dow. These examples give us confidence in the magnitude of the opportunities and in our ability to deliver against them.

Next, I'll close on Slide 14, which highlights what this quarter really demonstrates about Dow. This is a dynamic period. The geopolitical and macro backdrops remain volatile and demand signals are mixed. We are not waiting for conditions to turn in our favor. We are leading with deliberate actions and controlling what we can control, and that rigor is clear in our second quarter results. Our self-help is delivering. Teams across the company are redesigning how work gets done, modernizing how we serve our customers and improving decision-making to drive both growth and productivity.

This mindset will guide where we go from here, and it comes down to the 3 priorities we outlined today. On focused growth and innovation, we are putting our capital and our talent behind attractive end markets where we can win with our customers. We are driving actions across our global portfolio to strengthen Dow's world-scale, low-cost footprint in every region and across each of our operating segments. And lastly, we are enhancing our balance sheet and financial flexibility. This includes a consistent and unwavering approach to balanced capital allocation, while also maintaining ample liquidity and prioritizing deleveraging with any excess cash. Taken together, these priorities are designed to enhance Dow's lasting competitive advantage.

And importantly, our self-help is not simply a onetime event. It is a mindset and a discipline fundamentally resetting how we run our company, how we serve our customers and how we deliver lasting value. This discipline, combined with the strength of our portfolio and our people, is exactly why Dow is a compelling investment opportunity.

Now I'll turn the call back to Andrew to get us started with the Q&A.

Andrew Riker
Vice President of Investor Relations

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

Question and Answer

Operator

[Operator Instructions] Your first question comes from Hassan Ahmed with Alembic Global.

Hassan Ijaz Ahmed
Alembic Global Advisors

Look, a 2-part question, primarily on polyethylene. So the first part of it is that you guys obviously talked about flat polyethylene pricing for your Q3 guidance. So the first part of the question is, how are you sort of factoring in the recent rally that we've seen in crude oil prices and obviously the continued sort of blockage of the Strait of Hormuz and the like, how that factors into the pricing assumption?

And then the second part just around inventories. A lot of the energy industry executives are talking about sort of energy inventories being at critical levels. As I take a look at China, it seems China through the -- through Q2 at least, produced less, call it, polyethylene and other commodity chemical products, yet exported more. So it means, at least to me, that there's been a fairly substantial destock over there. So how should that be factored in? Could we expect maybe potentially a restock going forward?

Karen S. Carter
Chief Executive Officer

Yes. Just a couple of things on that. Let's start with kind of the guide and what we have in the guide and then I'll talk about where we go from here in terms of the current conditions. And so we try to take a pretty balanced view on the $1.7 billion guide. And just to be clear, what's in that in relation to polyethylene margins, that guide assumes $0.10 per pound decline in global integrated margins compared to the second quarter. So what that includes is the $0.15 down June settlement, and then that works its way through the third quarter. And as Jeff articulated earlier on the call, that also assumes no additional quarterly price movement.

Now to your point, a lot of things have changed. If you look at this week, oil is up $10 just the beginning of the week to now. Key feedstocks are also on the rise. Polyethylene prices are also up, particularly in China, and you mentioned this, their inventories are declining. And so that is reflected also in our order books. Just the last few days, we've released an increase in our order loading. And so when we saw those market dynamics changing, we announced our $0.05 per pound in North America. If you look at the oil dynamics from now the Strait of Hormuz basically being blocked again, we saw yesterday [indiscernible] in the Red Sea, those dynamics, plus resilient demand in polyethylene and all the other things I've mentioned, really do set the ground for our price increases going up from here.

So if they do occur, that would be an upside to the $1.7 billion guide. But what I would say is that things continue to be volatile. We're going to work on maximizing the quarter, as we always do. And if things change materially, we'll be sort of back to you and update you on that.

Operator

Your next question comes from Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews
Morgan Stanley, Research Division

Karen, thank you for the capital allocation discussion. Just wanted to follow up a little bit on that, particularly as it relates to Alberta. Do you have any just sort of site level update on that project's progression?

And then secondarily, given obviously, there's been a change in the global landscape, and clearly, North America is more attractive today, it's always attractive, it's probably more attractive today than it was prior to the conflict, is there any incremental opportunity to bring a partner on that project or to do anything creative with it?

Karen S. Carter
Chief Executive Officer

So our focus right now on Alberta is really disciplined execution and finishing the project, and then also maintaining our accountability on the returns that we've committed to. So where we sit today is that about 60% of the CapEx has been met. The project is progressing as planned. We have about 40% less to spend. Most of that is on labor.

The other thing I would just reiterate is that the incentives remain intact, and most of the critical labor contracts have been awarded. And so again, we're squarely focused on giving that project over the goal line. We've looked at potential partners before, I think we talked about it on this call and we remain open to that. But they must be financially accretive and meet our return threshold. So in summary, what we're really focused on now is getting the project over the goal line, of course, safely, but also on the revised time line so that we can get both the growth and the returns on investment.

Operator

Your next question comes from Frank Mitsch with Fermium Research.

Frank Joseph Mitsch
Fermium Research, LLC

Congrats on posting $2-plus billion. I'm a little bit puzzled with respect to P&SP. When you offered the guide back on April 23, you offered $1.75 billion EBITDA. Jeff gave an update in raising the total EBITDA from $2 billion to $2.2 billion. So I assume that that increased the P&SP. So can you talk about why P&SP came in below the expectations that you had laid out back in April and then upgraded back in June?

Karen S. Carter
Chief Executive Officer

So I'll make a couple of comments, and then, Jeff, if you have something else that you want to add here. There's a couple of things. First, the $0.15 price decline in June was not incorporated and to the numbers that Jeff was talking about, particularly on second quarter, but also going into the third quarter. The other thing is that we not only have planned maintenance, but we also had a couple of UPE that impacted the actual numbers in the second quarter.

But Jeff, anything else you want to add to that?

Jeff L. Tate
Chief Financial Officer

Yes. The only thing I would add, Frank, is that you're spot-on in terms of P&SP, but the offset that we saw occurred in II&I that brought us in pretty close to our overall updated guide number that I updated in June, where we saw margin increases there due to some of the supply disruptions that occurred as well as some of the feedstock constraints. And we also had a land sale that I mentioned in my prepared remarks in second quarter, that was approximately $50 million.

So with the lower than expected on P&SP, which was offset by the better-than-expected II&I, we still came in very close to the updated guide number that we have for the second quarter.

Karen S. Carter
Chief Executive Officer

Just maybe one other thing before we go to the next question, I think it's important to mention is also that our self-help continues to over-deliver. So if you look through the first half, we committed to $100 million, we've delivered $190 million, and that's why we're really confident in upsizing, particularly the Transform to Outperform portion of our self-help actions, which as we articulated before, will now deliver $700 million versus the $500 million guide. So that's the other thing, Jeff, that I would just mention, that's helping us to not only achieve in the second quarter, but will also help to maximize EBITDA for the rest of the year.

Operator

Your next question is from Jeff Zekauskas with JPMorgan.

Jeff John Zekauskas
JPMorgan Chase & Co, Research Division

Your Transform to Outperform program is in full swing. But when I look at your SG&A expenses, they're up about $200 million year-over-year and $100 million sequentially. And as a percentage of sales, they've lifted about 1 percentage point. Is the 535 number that you reported a normal number or an abnormal number?

And second, for Jeff on the prioritization of where cash flows are going, does it make any sense to take some amount of cash flow and offset dilution from share issuance because of the high cost of equity and your share price is low relative to its history and so the cash flow outflow is not really that much?

Jeff L. Tate
Chief Financial Officer

Jeff, this is Jeff. I'll take both parts of those questions here. First, starting with the SAR component. First of all, our SAR continues to be top quartile if we look across our peer group. We're close to 6%, which is best-in-class.

But we had a couple of things that occurred in the second quarter related specifically to SAR, [got our] onetime significant items associated with some costs related to Transform to Outperform which you will see reflect in SAR area, as well as our increased performance-based compensation, which I mentioned in the prepared remarks. So those were 2 sizable items that we had in the quarter that overshadow the continued improvement that we see through our self-help actions, not only from Transform to Outperform, but also from the 2025 cost-out program that we materially completed during the course of second quarter.

So as we ramp those self-help actions into the second half of the year, you will continue to see those SAR numbers come down from what you saw and the second quarter's results.

Moving to your comments around capital allocation and the uses of cash. A couple of comments I would make there. One of the things that we are going to continue to stay committed to, Jeff, is our investment-grade credit profile. So as we look at our prioritization here, our intent is to continue to pay down some of the debt that especially we've accumulated over the past 12 months ago, which is a little over $1 billion. And so that will be the first priority, which will give us the opportunity to increase our financial flexibility, manage our liability profile and obviously strengthen our balance sheet as we work our way through the economic cycle.

And we actually paid off approximately $80 million of debt during the course of second quarter. So we're continuing to make progress with the excess cash that we have to continue to delever. And we'll continue to look at opportunities for share buybacks in the future, but the expectation is that we would not have those during the course of 2026.

Karen S. Carter
Chief Executive Officer

Yes. Maybe just to add on to that, I do want to just address the head count directly because, to Jeff's point, you can't yet see it in the SAR number. But we committed as part of this that we would have 4,500 Dow role reductions as part of the program. 55% those have been implemented. And so you will see a $200 million EBITDA uplift in the second half based on that action.

So to your point, it is in full swing. It's not just about Dow role reductions. There's a number of actions that are in flight pertaining to both growth and productivity. The other one I just mentioned is that we are executing our site transformation playbook. We've done so across 6 of our largest sites. We plan to do it across 18. And that effort will also deliver about a $50 million EBITDA uplift in the second half as well.

Operator

Your next question is from John McNulty with BMO Capital Markets.

John Patrick McNulty
BMO Capital Markets Equity Research

Just wanted to unpack II&I a bit more because it certainly seemed like you had a really chunky jump, and I understand some of it is on the asset sale, but it does seem still a bit stronger than what we were expecting. So I guess, can you help us to think about what drove some of the strength there and the sustainability of that?

And then also, I mean, I think you spoke to some of the data center growth and opportunities. I guess can you help us scale that in terms of how big that is now, the type of growth that you're seeing and how we should be thinking about that going forward?

Karen S. Carter
Chief Executive Officer

Sure. So on II&I, the jump in second quarter was driven primarily by higher margins, and that was resulting from supply reductions that we saw in the Americas impacting our peers, so MDI and PO specifically.

You asked about the durability. The fundamentals, and particularly in building and construction, are still pretty weak overall. And so I would say that as we expect, particularly going into the third quarter, and this is part of our 3Q guide, that those supply disruptions start to dissipate, so you'll start to see normalization on those margins.

But to your point around data centers, I mean, this is a great new story for our DIS business, which, of course, is part of II&I. And they also helped deliver that sequential jump in earnings. I mean we are seeing higher integrated margins across all product lines in DIS. Data centers remains a really strong source of growth for our thermal cooling solutions in particular. We're also seeing growth in home care solutions, in cleaning, laundry detergent. Of course, we announced investments last year in our Constellations capacity, that's directly impacting that. We're also seeing growth in [pegs] and surfactants, which also impact cleaning and laundry detergent applications.

The other thing I'd say about data centers is not just products that we're selling into it, but one of the things that we launched in second quarter is something called our Dow Coolant Care Network, that's servicing data centers in terms of their thermal management needs. These data centers are pretty hot, so managing the heat is one of the critical issues that they have. And so we're pretty excited about what this new integrated service model is going to bring to us in terms of additional margins but also additional revenue.

Operator

Your next question comes from David Begleiter with Deutsche Bank.

David L. Begleiter
Deutsche Bank AG, Research Division

Karen, Jeff, just on your U.S. polyethylene exports, can you talk to how much your production was exported in Q2? What do you expect for Q3? And how the decline in U.S. polyethylene export prices [indiscernible] [themselves] in your Q3 guide of down, I think, $0.10 for global integrated margins?

Karen S. Carter
Chief Executive Officer

Go back to, again, just what we have in the guide for the quarter because I just want to be really clear on what's happening there. So this $0.10 decline in integrated margin is a [global] number. That does incorporate the $0.15 per pound down in North America in June. And again, that works its way through. And so there's no further price movement that we have as far as that $1.7 billion guide for third quarter.

So let me just talk a little bit about industry inventories and our view on what happened at the end of second quarter and how that's going to impact third quarter. So you did see another slight build in June on the back of the [build] that happened in May. But a really important point is that [DDI] actually declined in June following the May spike. And so that actually reflected recovering sales volume in the period. You saw both exports as well as domestic sales rise. I mentioned earlier on the call that our order books already here in July have picked up. We are starting to see more orders coming in from China. And so we fully expect to sell the products that we were able to produce.

We also have -- we're continuing to have a big cracker outage -- not outage, but cracker turnaround that's happening in the third quarter. So some of that inventory that we built was also in advance of that turnaround. That started in the second quarter, but will end here in third quarter. So we are pretty optimistic about our ability to sell the demand that we have and inventory. And the $0.05 per pound, as I indicated before, the dynamics are there for us to get that. And so that's where we're squarely focused.

Operator

Your next question is from Patrick Cunningham with Citi.

Unknown Analyst

This is Alex on for Patrick. Just a couple of questions on silicones maybe. Can you just help us understand what prompted the additional round of investments globally on the specialty side? And what sort of return should we expect on some of those investments in U.S. and Asia?

Karen S. Carter
Chief Executive Officer

So we continue to see really strong downstream demand on silicones. It's one of the reasons we took the action in Europe, to rightsize our high-cost upstream siloxanes capacity to really liberate more investment for the downstream silicon. I mean we are seeing double-digit growth in EVs, also in consumer electronics and industrial electronics. Data centers, of course, is also a really bright spot for us in siloxanes -- and so -- in silicones. So as we continue to focus on those downstream markets, which, by the way, are growing above GDP, we expect to see 20% or higher returns on that volume that we are selling.

So the other point I just want to make is on the siloxanes capacity that we shut down in Europe, about 25% of the regional capacity, which is going to deliver $60 million in EBITDA uplift in the second half. But again, I just want to reiterate that that was an action for us to further reshape that business so that we can continue to focus more on high-value markets downstream that are not only growing above GDP, but where we are also taking share. So think about it in the context of about 20% or higher returns.

Operator

Your next question is from Matthew DeYoe with Bank of America.

Matthew Porter DeYoe
BofA Securities, Research Division

So I wanted to just ask a little bit on Transform to Outperform and kind of the aggregate cost initiatives in general. So to Jeff's point earlier, I kind of would have expected a little bit more traction on SG&A and R&D. And this isn't necessarily a 2Q question. But as we grade your progress, like where do we see it? Are any of these line items going to drop on absolute terms?

And as a follow-up, say, Slide 13. If I choose 2025 EBITDA, just like $3.2 billion as a base, are you basically saying that by '28, EBITDA should be greater than $6 billion, all else equal, if we assume 2025 economics? Or are there other headwinds there? Is there inflation? Do you need volume growth to hit some of that, or just a better macro, which is kind of often the case when we hear about cost cuts and ability to capture stuff? So can you expand on that?

Karen S. Carter
Chief Executive Officer

Absolutely. Let me walk through the $3 billion in self-help actions that we committed to, and then I'll ask Jeff to maybe talk a little bit about where you'll see it show up. So as you indicated, we ended last year around $3.3 billion. Our commitment is another $3 billion in self-help actions. We should -- these are largely independent of the macro. And so $1 billion from our -- from the cost-out program that we announced in 2025, that's materially complete. So that's the $1 billion.

The second thing we announced were active actions both from a growth perspective, which we're largely seeing the benefit of that, that's both in polyethylene and then our Constellation capacity, those projects are complete. The other part of the asset actions were the 3 European asset shutdowns that we announced in the middle of last year. The siloxanes capacity that I talked about that we just shut down in the second quarter in Barry U.K. is the first of those 3 actions. The other 2 actions, [CAV] off of the cracker in Bohlen, we are on track to continue to shut those down at the end of next year.

And then the third one is Transform to Outperform. And just as a reminder, 2/3 of that is coming from productivity, 1/3 of that is coming from growth, and that's the $2 billion that we're committed to delivering by 2028. So as I indicated before, we're actually outpacing the original time line that we anticipated, delivered $190 million in the first half. We will deliver $700 million of benefit by the end of this year, which is $200 million better than we originally anticipated in-year benefit.

So overall, self-help, largely independent from the market macro, all to deliver by 2029 if you include the European asset actions. So that's 3 plus 3, which is 6, a little north of 6, which gets us in this free cash flow breakeven range, which I will tell you that the Dow management team is squarely focused on. But Jeff, do you want to talk a little bit about where we should start to see it?

Jeff L. Tate
Chief Financial Officer

Yes. One of the things, Matthew, that we will be reporting each and every quarter in our Qs as well as 8-K at year-end will be the headcount movement that we're seeing through our transformation efforts. And that's one of the things we have not done previously, but we will start to provide that level of transparency so you can start to see at least on the productivity side specific to the headcount progress that we're making each and every quarter, how that is progressing. And then that will start to reflect itself not only in our SAR lines as we move forward, but also in other areas of the P&L, especially on cost of goods sold.

Operator

Your next question is from Kevin McCarthy with Vertical Research Partners.

Kevin William McCarthy
Vertical Research Partners, LLC

Maybe a 2-part question for me on the subject of operating rates. Can you talk about what you're baking into your guide for U.S. Gulf Coast operations in the third quarter relative to where you ran in the second quarter?

And then a similar question as it relates to your overseas assets. I think in recent months, there's been talk about various parts of Asia in particular being constrained for feedstock and so forth. Maybe you can talk a little bit about how your JVs are able to run nowadays and whether we would foresee any variance there in the third quarter versus the second quarter.

Karen S. Carter
Chief Executive Officer

So operating rates should run above 90%. That's where we expect them to run as we get into the third quarter. Again, we have one of our crackers that are down in a planned maintenance turnaround. Once that gets that up though, we'll be in above 90% range on operating rates.

In terms of our JV in Thailand, that too, the margins there have improved. We expect that to continue into third quarter. They're able to get the feedstock that they need, so we're not seeing any constraints there as we move forward as well into third quarter.

Operator

Your next question is from Abigail Eberts with Wells Fargo.

Abigail Jean Eberts
Wells Fargo Securities, LLC, Research Division

One more on MDI since you kind of covered it in the last comment. But are you facing any issues with carbon monoxide or chlorine supply? And then also oil prices coming back up, do you expect to give back some of that margin benefit you saw from lower benzene prices this quarter?

Karen S. Carter
Chief Executive Officer

No, we're not having any issues on your first question. Again, things continue to be quite volatile. We are seeing benzene -- of course, that's related to oil, that's starting to come back up. And so we could see some margin come back into third quarter that we do not have baked into our third quarter guide. And as I indicated before, we're going to focus on maximizing the quarter just as we did in second quarter. And if things materialize greatly differently than the $1.7 billion, then we'll come back to you with more information.

Operator

Your next question is from Josh Spector with UBS.

Joshua David Spector
UBS Investment Bank, Research Division

I want to do another follow-up on the III side of things. Just when you were talking about the delta versus expectations, you were talking a lot about volumes and some of the success you had there. But your reported III volumes are down about a couple of percent year-on-year. So I mean, it looks like more of the benefit was spread-related. And I guess within the quarter -- or maybe a couple of hundred million better, about half of that seems like that's kind of the onetimey with the land sale. And the other half, like are you assuming that you hold on to more of that? Is there something structural you would talk about that's helped III from the spread side here that we should be maintaining? Or is this more just a reflection that the markets still are tighter? What is your view there?

Karen S. Carter
Chief Executive Officer

On the volume side, it's really Sadara. That's the gap that you're seeing that asset continues to be down. And so that's negatively impacting our volumes in the II&I segment, particularly on polyurethanes. But as we look at the third quarter guide, we are assuming lower margins overall, really driven by typical lower seasonal demand, but then also downward pressure -- pricing pressure in Europe.

To the point that, again, we're in a really volatile environment, so we could see some of that margin come back in, in Europe, which would give us some upside to that $1.7 billion. And then you mentioned the land sale that's also serving us a potential tailwind -- headwind in third quarter.

So let's see what happens. Again, we're also seeing some normalization on the MDI and PO that we said was impacting peers before, but we do have a bit of a tailwind baked into the $1.7 billion guide on that. If it takes the peers longer to get back up, then that Q could be a positive for us versus the guide.

Operator

Your next question is from Duffy Fischer with Goldman Sachs.

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

Yes. I just wanted to go back, if we could, to polyethylene. I was surprised your volumes were down, and maybe that's because Terneuzen year-over-year was a benefit last year and isn't this year in the turnaround and stuff like that. But how much volume did you sell relative to what you had available in Q2? Are you constrained on volume to sell more? And then as we go from Q2 to Q3, you've got one more turnaround in Q3, but you anniversary Terneuzen and you get one turnaround back. So do you have more volume available to sell in Q3 than you do in Q2?

Karen S. Carter
Chief Executive Officer

So when you look at the volumes, we had planned maintenance. So again, I mentioned the cracker turnaround, and so that did constrain some of the volume that we had to sell. But the other thing that's just really important to highlight is that we were maximizing margins in the second quarter. So there was some volume that we just decided not to sell into in order to make sure that we restore the margins to where the levels they need to be.

You mentioned that we did restart Terneuzen 3, I'll just make a comment on that and then turn it over to Jeff for any additional comments. Terneuzen 3 is our lowest cost, most flexible cracker in Europe. It is a first-quartile cracker in that region. And so that's also going to provide some financial benefit for us as we get into the second half.

Just a reminder that as naphtha has gone up again over the last week, that's in direct correlation with oil, propane has also gone up, but it's gone up less. So this is a dynamic that we were seeing in second quarter where you've got the pro-naph spread that's widening. And we have 2x more flexibility in terms of what we can crack in Europe versus our closest peers. So having that first-quartile cracker back up, Terneuzen 3 in Europe, is really beneficial for us, particularly given the current market dynamics. But Jeff, anything else from your side?

Jeff L. Tate
Chief Financial Officer

Yes, Duffy, the only thing that I would add is that the turnaround we have in the U.S. Gulf Coast that Karen mentioned in the second quarter also goes over into the third quarter. So as planned, and so it will wrap up during the course of this quarter. So you have a little bit of that overlay from 2Q to 3Q related to the Gulf Coast cracker turnaround.

Operator

Our next question is from John Roberts with Mizuho.

John Ezekiel E. Roberts
Mizuho Financial Group, Inc.

Did any empty or ballast ships for chemicals or refined products enter the Persian Gulf yet? And is that something we need to focus on? Do we need to have empty ships coming in before we can ramp capacity back up for refined products and chemicals in the Persian Gulf?

Karen S. Carter
Chief Executive Officer

Yes. I don't have any in-cell or information on that particularly. I can tell you from a Dow perspective, we have been tracking that for our own shipments, and we're not aware of any of our shipments that are there. But that's a tough question for me to opine on that. But Andrew, do you have a thought here?

Andrew Riker
Vice President of Investor Relations

Yes, John, we've been tracking it. I think what we're looking at right now just most closely is how the supply chain logistics network actually normalizes. And we've talked a lot about this, you will need vessels to come back through. We've talked about this probably over the last 3 to 4 months, that there's going to have to be a clearing of everything in the region, and then that will naturally start letting other vessels come back in and refill. So that needs to transpire. And then as that plays out, we'll give you our latest thinking.

But I think right now, we're still expecting it's going to be a little bumpy to see what happens. And I think that's what you're seeing a little bit in the third quarter when you're seeing pricing and maybe some of the Asian movements right now where things have gotten into pretty low levels. But we'll stay close on it and give you updates as we get more information.

Karen S. Carter
Chief Executive Officer

We are seeing customers really focus on supply reliability is where our global asset footprint has really been a benefit to us because we've been able to meet the demand across all of our businesses. So that's a benefit for us as well.

Operator

Your next question is from Matthew Blair with Tudor Pickering.

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

Can I get your general thoughts on U.S. ethane going forward? And in particular, there's some new Permian natural gas pipes that are either recently started up or in the pipeline. Do you think those pipes will help improve pricing, help raise pricing for U.S. ethane on the Gulf Coast going forward?

Karen S. Carter
Chief Executive Officer

Our view is that pricing will stay low. I mean there's ample supply. Again, this is a benefit where you've got oil going up, but natural gas and ethane in the U.S. are staying relatively low. And that's really because you've got ample supply. And so you're right, there's some growing infrastructure that -- you've got in gas plants, pipelines, fractionators, et cetera. But all of that is really meeting the supply needs of domestic crackers and some export demand. But our view is that those prices stay low as we move forward, which again is a benefit because we have so many of our assets that are in the feedstock-advantaged regions, actually over 60%, which is providing, again, that margin uplift that you saw in the second quarter.

And even with the $1.7 billion guide, which is incorporated into that, that's 2x what we were able to deliver in the first quarter. So that's our view.

Operator

I'm sorry, go ahead.

Karen S. Carter
Chief Executive Officer

Just wanted to close out the call and say thank you, and we really appreciate all of your questions today and look forward to answering more. If there's one message to take away, it's really this, that we're continuing to execute with discipline in a really uncertain environment. I talked about at the beginning of the week to now you're seeing $10 in oil increase, but then also what's happening in the Red Sea and in other places.

But what I really want you to know is that we're not only going to maximize the quarter, but we're going to take action to manage what's in our control and ensure lasting competitiveness for the company. We also have a really clear path to creating long-term value for our investors but also for our customers as well as our colleagues. And the actions that we are taking today are not just short term, but they're also longer term and positioning us to deliver greater earnings durability, stronger cash flow, which we are squarely focused on and then improving shareholder returns through the cycle.

So I wanted to thank you for your continued interest and support of our company. Jeff and I both look forward to continuing to engage with you. Thanks for joining the call today.

Andrew Riker
Vice President of Investor Relations

Thank you, everyone, for joining our call. For your reference, a copy of our transcript will be posted on Dow's website within 48 hours.

Operator

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