S&P Global
Market Intelligence

Owens Corning NYSE:OC

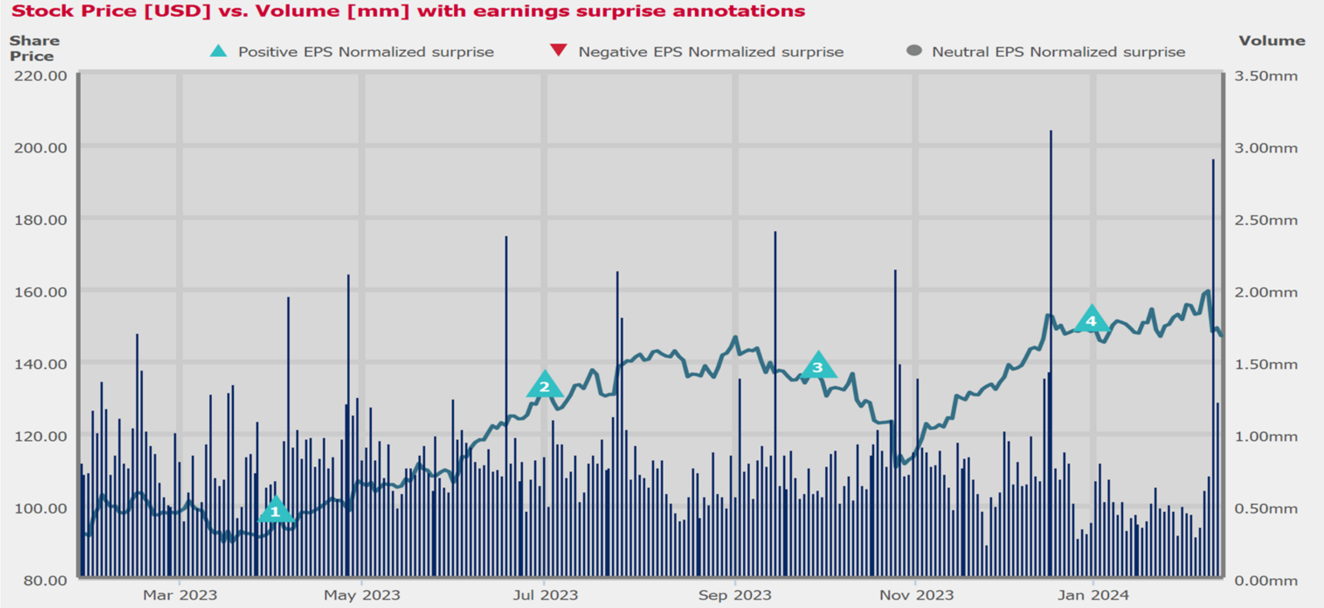
FQ4 2023 Earnings Call Transcripts

Wednesday, February 14, 2024 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2023-			-FQ1 2024-	-FY 2023-			-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	2.86	3.21	▲12.24	2.92	13.97	14.42	▲3.22	13.73
Revenue (mm)	2248.85	2304.00	▲2.45	2337.58	9622.52	9677.00	▲0.57	9653.41

Currency: USD
Consensus as of Feb-12-2024 11:51 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2023	2.22	2.77	▲1 24.77 %
FQ2 2023	3.25	3.85	▲2 18.46 %
FQ3 2023	3.86	4.15	▲3 7.51 %
FQ4 2023	2.86	3.21	▲4 12.24 %

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Call Participants

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Vice President of Investor Relations

Brian D. Chambers
President, CEO & Chair

Todd W. Fister
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Presentation

Operator

Hello, everyone, and welcome to the Owens Corning Q4 and Full Year 2023 Earnings Call. My name is Seth, and I will be the operator for your call today. [Operator Instructions]

I will now hand the floor over to Amber Wohlfarth to begin the call. Please go ahead.

Amber Wohlfarth
Vice President of Investor Relations

Good morning. Thank you for taking the time to join us for today's conference call and review of our business results for the fourth quarter and full year 2023. Joining us today are Brian Chambers, Owens Corning's Chair and Chief Executive Officer; and Todd Fister, our Chief Financial Officer. [Operator Instructions]

Earlier this morning, we issued a news release and filed a 10-K that detailed our financial results for the fourth quarter and full year 2023. For the purposes of our discussion today, we have prepared presentation slides summarizing our performance and results, and we'll refer to these slides during this call. You can access the earnings press release, Form 10-K and the presentation slides at our website, owenscorning.com. Refer to the Investors link under the Corporate section of our homepage. A transcript and recording of this call and the supporting slides will be available on our website for future reference.

Please reference Slide 2, where we offer a couple of reminders. First, today's remarks will include forward-looking statements that are subject to risks, uncertainties and other factors that could cause our actual results to differ materially. We undertake no obligation to update these statements beyond what is required under applicable securities laws. Please refer to the cautionary statements and the risk factors identified in our SEC filings for more detail.

Second, the presentation slides in today's remarks contain non-GAAP financial measures. Explanations and reconciliations of non-GAAP to GAAP measures may be found in our earnings press release and presentation, available on the Investors section of our website, owenscorning.com.

For those of you following along with our slide presentation, we will begin on Slide 4. And now opening remarks from our Chair and CEO, Brian Chambers. Brian?

Brian D. Chambers
President, CEO & Chair

Thanks, Amber. Good morning, everyone, and thank you for joining us today. During our call this morning, I'll begin with an overview of our results for the quarter and full year, including some of the key drivers of our high performance. Next, I'll provide some additional comments on the 2 transformative moves we announced last week to significantly reshape the company and sharpen our focus on building and construction materials. Todd will then provide more details on our fourth quarter and full year 2023 performance, and I'll come back to discuss what we are seeing in our markets and our outlook for the first quarter.

Owens Corning delivered outstanding results in 2023. Our performance demonstrated the strength of our team, the value of our products and the impact of our enterprise strategy to increase the earnings power of our company in dynamic markets. Through our disciplined commercial and operational execution, we mitigated slowing demand in some segments amid higher interest rates and ongoing macro headwinds to deliver on our financial targets.

I'll begin, as always, with a critical component to our success: safety. We continue to deliver world-class safety performance in 2023. During the fourth quarter, we achieved a recordable incident rate of 0.4, which was our best quarterly performance in over a decade. Our full year 2023 RIR rate was 0.6, which is top-quartile performance for the U.S. manufacturing sector.

Turning to our financial results. We finished the year strong with fourth quarter revenues up slightly and EBIT and EBITDA margins expanding year-over-year. For the full year, we delivered outstanding financial performance with revenues of $9.7 billion, adjusted EBIT of $1.8 billion and adjusted EBITDA of $2.3 billion. Despite slightly lower revenue versus prior year, we were able to expand our adjusted EBIT margins to 19% and increase our adjusted EBITDA margins to 24%, demonstrating the value of our products and improvements in our operating efficiencies.

In addition, we maintained our focus on working capital and commitment to shareholder returns, generating significant free cash flow and returning 68% to investors through dividends and share repurchases. In December, the company continued its streak of increasing our quarterly cash dividend, reflecting our continued confidence in strengthening the earnings power of the company and commitment to delivering long-term shareholder value.

Through our strategic choices and strong execution of key operating initiatives, we are positioning Owens Corning for long-term success. Over the past couple of years, we have been consistently deploying capital against our 3 strategic priorities: to strengthen our position in core products and markets; to expand into new product adjacencies that leverage our unique material science, market and manufacturing expertise; and to develop more multimaterial and prefabricated construction solutions. The execution of this strategy has led to higher operating margins and cash flows, increased innovation, stronger customer partnerships and a more focused company.

Last week, we announced both the acquisition of Masonite and the strategic review of our glass reinforcements business, representing significant steps forward in strengthening our position in building and construction materials and expanding our portfolio of branded residential products. We are very excited about entering the residential doors category with the acquisition of a market leader in this space. The addition of Masonite expands our leadership position in residential building products in a category that complements our current interior and exterior offering, creates a scalable new growth platform for our company and enhances our financial profile by growing revenue and earnings, lowering our ongoing capital intensity and increasing our free cash flow generation.

The doors segment provides a great opportunity to leverage our unique commercial, operational and innovation capabilities to build out another market-leading residential building products business, similar to what we've been able to accomplish in our Roofing and Insulation businesses, with a customer base we know well and work with today.

We have built a strong operating model within Owens Corning, focused on creating value for our customers, driving continuous improvement in our operations and developing sustainable solutions through material innovation, which has taken each of our businesses and made them significantly better. We intend to utilize this proven model as we enter the doors and door systems category, accelerating Masonite's Doors That Do More strategy to expand their current base of business and enhance their operating performance.

We also announced a review of strategic alternatives for our glass reinforcements business. Like our decision to acquire Masonite, this is a choice consistent with our disciplined capital allocation approach and best owner operating philosophy. We believe each of these transformational moves will create a company that generates higher, more consistent margins and stronger free cash flows while better positioning us for long-term growth.

Before turning it over to Todd, I'd like to provide a brief update on 2 key differentiators for our company: innovation and sustainability. To strengthen our market leadership, we continue to invest in new product and process innovation in our core product platforms to generate additional growth. This included the launch of 39 new or refreshed products in 2023. These innovations focused on increasing the performance and durability of our product offerings, which brings additional value to our customers to help them win and grow in the market.

Sustainability, which is core to who we are and how we operate, is another key performance driver for our company. And our work continues to be recognized by the market and differentiate us as a company. In December, we earned a place on the Dow Jones Sustainability World Index for the 14th consecutive year. And next month, Owens Corning plans to issue its 18th annual Sustainability Report. The report will highlight progress toward our 2030 sustainability goals and further demonstrate our commitment to building a sustainable future through material innovation.

Following our strong results in 2021 and 2022, our performance in 2023 once again demonstrated that our agility, consistent execution and commitment to our customers can drive outstanding performance through a variety of market conditions. We believe the actions we are taking to further strengthen our market positions, create new growth opportunities and reshape Owens Corning to a more focused building products company will accelerate our financial performance in 2024 and beyond.

With that, I will now turn it over to Todd to discuss our financial results in more detail. Todd?

Todd W. Fister
Executive VP & CFO

Thank you, Brian, and good morning, everyone. As Brian mentioned, we finished the year strong with our performance in the fourth quarter, which contributed to our outstanding results in 2023. Throughout the year, we remain disciplined in our commercial, operational and capital allocation execution.

I'd now like to turn to Slide 5 to discuss the results for the fourth quarter and full year. We delivered another strong quarter with adjusted EBIT of $392 million, which was 18% ahead of the same quarter last year. Adjusted EBITDA was $518 million with adjusted EBIT margins of 17% and adjusted EBITDA margins of 22%. Adjusted earnings for the fourth quarter were $287 million or $3.21 per diluted share compared with $235 million or $2.49 per diluted share in the same quarter of prior year.

For the full year 2023, adjusted EBIT was $1.8 billion and adjusted EBITDA was $2.3 billion, which are both up 2% from prior year. Our full year adjusted earnings were $1.3 billion or $14.42 per diluted share compared to $1.3 billion or $12.88 per diluted share in the prior year.

Slide 6 shows the reconciliation between our full year adjusted and reported EBIT. For the year, adjusting items totaled approximately $138 million and are excluded from our full year adjusted EBIT. They primarily include $169 million of charges associated with our ongoing cost optimization and product line rationalization actions; $189 million gain on sale of our Santa Clara facility; and $145 million loss on settlement for part of our pension liabilities, which took place in the fourth quarter of last year.

Now turning to Slide 7 and moving on to our cash generation and capital deployment during 2023. We continue to focus on generating strong free cash flows for the enterprise. Strong earnings and continued discipline on working capital and capital investments resulted in $562 million in free cash flow in the quarter and $1.2 billion of free cash flow for the year. Free cash conversion was 91% of adjusted earnings.

Full year capital additions were $526 million, approximately 5% of revenue, up $80 million from prior year. We remain focused on reducing capital intensity through productivity and process innovations. As a result of strong commercial and operational execution, our return on capital was 22% for the year.

At year-end, the company had liquidity of approximately $2.7 billion, consisting of $1.6 billion of cash and $1.1 billion of availability on our bank debt facilities. During the fourth quarter of 2023, we returned $282 million to shareholders through share repurchases and dividends, bringing the year-to-date total to $812 million, approximately 68% of free cash flow.

In December, the Board declared a cash dividend of $0.60 per share, an increase of approximately 15%. Our capital allocation strategy remains unchanged. We are focused on generating strong free cash flow, returning approximately 50% to investors over time and maintaining an investment-grade balance sheet, while executing on our business strategies to grow the company.

Now turning to Slide 8. I'll provide additional details on our segment results. The Roofing business delivered another great quarter with revenue growth of 16% and year-over-year margin expansion. Sales in the quarter were $928 million. Overall volume was up versus last year as mild weather extended the roofing season in many regions, and the attachment rate for our roofing components remained strong. Revenues were also positively impacted by favorable mix and continued price realization.

The U.S. asphalt shingle market on a volume basis was up 24% in the quarter compared to the prior year, driven by favorable seasonality from the mild start to winter and continued storm demand. Our U.S. shingle volume growth trailed the market primarily due to our continued low levels of inventory throughout Q4 and outperformance versus the market in Q4 2022.

EBIT was $284 million for the quarter, up $116 million versus last year. The increase was primarily due to higher volumes, positive price and favorable mix. Manufacturing costs were favorable in the quarter, and input and delivery costs continue to moderate. All of this resulted in EBIT margins of 31% and EBITDA margins of 32%.

For the full year, sales increased 10% to $4 billion. Volume was higher in both shingles and components. Positive price and favorable mix also contributed to the year-over-year increase. The U.S. asphalt shingle market on a volume basis was up 6% compared to the prior year driven by higher levels of storm activity. Our U.S. shingle volumes trailed the market primarily due to our low inventory levels throughout the year. However, we were able to serve more roofing demand as a result of investments in debottlenecking for incremental capacity.

For the full year, EBIT was $1.2 billion, up $343 million versus last year. The EBIT increase was primarily due to positive price, higher volumes, input and delivery costs that moderated throughout the year and favorable mix. The resulting EBIT margins for the year were 29% and EBITDA margins were 31%.

Now please turn to Slide 9 for a summary of our Insulation business. The Insulation business finished the year strong with another quarter of 20-plus percent EBITDA margins. Q4 revenues were $931 million, a 3% decrease from fourth quarter last year. In technical and global, revenue was down slightly year-over-year. Positive price and favorable mix, primarily in Europe largely offset lower volumes tied to the overall weaker macro environment.

North American residential insulation revenue was down as expected. Volumes were down as demand track closer to lagged housing starts. Insulation EBIT for the fourth quarter was $150 million, down $3 million compared to prior year. The impact of lower volumes and planned maintenance downtime was largely offset by realization of previously announced pricing and favorable delivery cost. Overall, Insulation delivered EBIT margins of 16% and EBITDA margins of 22% in the fourth quarter.

For the full year, Insulation net sales decreased 1% to $3.7 billion compared to prior year with higher selling prices and favorable mix, offset with lower volumes in both North American residential insulation and technical and global insulation. EBIT increased $7 million to $619 million with EBIT margins of 17% and EBITDA margins of 23% for the full year.

Slide 10 provides an overview of our Composites business. In the fourth quarter, the Composites business continued to experience the impact of the softer macro environment. Sales for the quarter were $514 million, down 13% compared to prior year. The decreased sales resulted primarily from lower volumes and lower price as we continue to see spot price pressure for our glass reinforcements products. While overall revenue was down, we continue to see growth in our downstream nonwovens and OC structural lumber businesses.

EBIT for the quarter was $26 million, down $38 million from prior year. The EBIT decline was primarily due to lower volumes and associated production downtime, as we maintain discipline to balance inventories with demand, which was partially offset by favorable manufacturing performance. We continue to experience price pressure in the quarter and had slightly negative price over cost as we saw input in delivery cost deflation. Overall, Composites delivered 5% EBIT margins and 13% EBITDA margins for the quarter.

For the full year, net sales decreased 14% to $2.3 billion compared to prior year. The decreased sales resulted primarily from lower volumes with additional impact from the net impact of divestitures and acquisitions. EBIT for the year was $242 million, a decrease of $256 million from last year. The EBIT decline for the year was primarily due to lower volumes and the associated production downtime as well as the net impact of divestitures and acquisitions. Input costs were inflationary for the year, largely offset by favorable delivery cost. Overall, Composites delivered 11% EBIT margins and 18% EBITDA margins for 2023.

Moving on to Slide 11. I will discuss our full year 2024 outlook for key financial items, all of which exclude the impacts of acquisitions and divestitures which have not yet been completed. General corporate expenses are expected to range between $240 million and $250 million. Interest expense is expected to range from $70 million to $80 million. Our 2024 effective tax rate is expected to be 24% to 26% of adjusted pretax earnings. Finally, capital additions are expected to be approximately $550 million, which is anticipated to be in line with depreciation and amortization.

Now please turn to Slide 12. And I'll turn the call back to Brian to further discuss our outlook. Brian?

Brian D. Chambers
President, CEO & Chair

Thank you, Todd. Throughout 2023, our results demonstrated the strength of our team, the value of our products and the impact of our enterprise strategy. As we move into 2024, we are entering the year with a market that is fairly stable to where we exited 2023. Within the U.S. housing market, we expect single-family new construction to improve through the year based on pent-up demand and the expectations for lower interest rates, with repair and remodeling investments being more product and price dependent.

We expect the macro environment in Europe to continue to be challenging, while global IP is expected to grow modestly in the year. Overall for the company, we expect our performance in Q1 to result in net sales slightly below prior year while generating mid-teen EBIT margins.

Now consistent with prior calls, I'll provide a more detailed business specific outlook for the first quarter. Starting with our Roofing business. We anticipate revenues will be up low single digits in the quarter. Based on the strength of the market and storm carryover demand, we expect ARMA market shipments could be up approximately 20% versus prior year, but would anticipate our volumes to trail ARMA shipments in the quarter due to our very strong performance in Q1 of last year, as distributors were rebuilding inventory of OC products.

We anticipate that our overall volume will be flat to slightly down, as volume growth in shingles and roofing components will be more than offset by the impact from the exit of our protective packaging business within components. As a reminder, we made the decision to exit this approximately $100 million business in the third quarter last year, so the impact of exiting will be a headwind to volume and revenues throughout most of the year.

We expect to realize some carryover price, slightly favorable mix as well as modest inflation. Compared to Q1 of last year, we anticipate favorable manufacturing costs. Overall for Roofing, we anticipate EBIT margins of high 20%.

Before I move on to Insulation, I want to provide an update on the long-term EBIT margin outlook for our Roofing business. Each quarter, we have been updating you on the performance of the business and the investments we have been making to strengthen our contractor and distributor partnerships, improve our operating efficiencies and accelerate our innovation. The result of this work has generated financial results for the business that have been running well ahead of our 20% long-term guide, demonstrating the improvements made to capitalize on strong market conditions.

Based on these structural changes to improve the margin performance, we are updating the long-term EBIT margin guide for Roofing, from approximately 20% to mid-20% on average. In the near term, with current market conditions, we would expect margins to exceed this guide.

Moving on to our Insulation business. We expect revenue to be down slightly versus prior year with lower demand to be largely offset by positive price and slightly favorable mix. In technical and global, we expect revenue to be down slightly versus prior year. Favorable mix and price realization resulting from previously announced increases are expected to be more than offset by lower volumes, tied primarily to the market environment in Europe and slightly softer demand in North America.

In our North American residential insulation business, we anticipate volumes to be relatively flat versus prior year. For the overall Insulation business, we expect input materials to be inflationary, partially offset by favorable delivery costs. Overall, we anticipate positive but narrowing price/cost for the quarter. Given all this, we expect to generate mid-teen EBIT margins for Insulation in Q1, similar to the first quarter last year.

And in Composites for the first quarter, we expect results similar to what we delivered in Q4. From a market standpoint, we expect to start the year with demand trends in most of our glass reinforcements product lines, similar to what we experienced in Q4. For Q1, we anticipate overall revenues to be down low to mid-teens versus the first quarter of 2023 driven by volumes, which are expected to be down in glass reinforcements. Additionally, we anticipate overall pricing to step down year-over-year, with glass reinforcement contracts resetting and spot price continuing to be pressured. We also expect mix to remain a headwind.

Within our nonwovens business, we expect volumes to be up modestly given the strength of roofing demand, with slightly positive price/cost as contract pricing offsets anticipated inflation. Overall for this segment, we anticipate the impact of price and volume to be partially offset by favorable manufacturing costs year-over-year, and we will continue to be proactive in adjusting our production to demand. For the first quarter, we expect EBIT margins of mid-single digits, similar to what we had last quarter.

With that view of our businesses, I'll turn to a few enterprise items. Over the past few years, we've made several strategic choices and operational investments to increase our capabilities and consistently deliver higher, more resilient earnings. As we look at additional opportunities to grow, we will continue to be disciplined operators, focusing on markets and product lines where we can build leading positions through our customer and channel knowledge, material science and innovation capabilities and manufacturing and process expertise.

We will also look for investments that improve our position to capitalize on key secular trends around the increased levels of upgrades being made in residential living spaces, the demand for more sustainable building solutions and changing construction practices, creating the need for more multimaterial and prefabricated systems.

In evaluating these opportunities, we will remain committed to a balanced capital allocation strategy, focused on organic growth and acquisitions that support our strategic priorities and leverage our unique operating capabilities and returning approximately 50% of free cash flow to shareholders over time through our consistently increasing dividend and ongoing share repurchases.

Our team delivered outstanding results in 2023. And as we start 2024, we will continue to deliver for our customers and shareholders while making significant strides to further strengthen Owens Corning's position as a market leader in building and construction materials.
With that, we would like to open the call up for questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from Joe Ahlersmeyer from Deutsche Bank.

Joseph David Ahlersmeyer
Deutsche Bank AG, Research Division

Congrats on the results.

Brian D. Chambers
President, CEO & Chair

Thanks, Joe.

Joseph David Ahlersmeyer
Deutsche Bank AG, Research Division

Yes. If I could just spend a minute on Roofing. Obviously, thanks for the update on your longer-term thoughts on Roofing margins. Maybe if you could just go into a little bit more detail on bridging where you were before to where you see things now. I know you went over it a little bit in the prepared remarks, but just some additional building blocks would be great.

Brian D. Chambers
President, CEO & Chair

Sure. Thanks. Our Roofing team has just done an incredible work to strengthen the performance of our Roofing business, and you saw that in the results in the quarter and full year. And we were getting a lot of questions kind of throughout last year as we saw the margins increasing around the durability of the margins. And I said at that time that we were making structural improvements to the business that we felt was increasing the durability of our margins. And then some of that was going to be tied to a strong market. And we felt like it was important to start this year by updating the guide and moving that up from our approximately 20% that we've been working with for the last several years to our mid-20% on average guide.

So when we look at the structural changes we've made in the business, they really come across a few key areas. In addition to our really strong contractor pull-through demand network that we've created, and it's really a robust demand network, I think a couple of the changes that are more durable around the -- is one around our operating efficiencies overall and our overall operational performance in the business. So we've continued to invest, as Todd talked about, around some debottlenecking and increasing our land capacity. So we're getting great efficiencies out of our production lines through productivity, through automation, through process technologies. And that's opening up and giving us great operating leverage on our assets that is ongoing and very durable.

We're looking and have made a lot of plant optimization moves within our components business. A few years back, we shipped a lot of production out of China to India. I've talked about the exit of our packaging business. So we continue to look at manufacturing optimization, plant optimization efforts. So that's a big focus around our operational efficiencies in the space.

The other big area has been around the growth and expansion of our roofing components business. So we continue to increase the products we can bring to market. And this is tied to our multimaterials system sell around roofing, where hip and ridge, starter, ventilation products, all the pieces and parts to install a roof we can now provide. And those increase our mix. Those are high-margin products. So the expansion of that business has also added to the durability of our overall margin.

So that kind of combined with now a strong market where we're seeing higher volumes that are giving us overall operating leverage, good pricing environment, that's really led to the strength of the earnings that we're seeing in the business. But even when you set aside kind of the market dynamics, we feel these structural improvements are going to allow us to maintain these kind of operating margins in the mid-20% on average over time.

Operator

Our next question is from Stephen Kim at Evercore ISI.

Stephen Kim
Evercore ISI Institutional Equities, Research Division

Yes. I just wanted to follow up on Joe's question actually regarding Roofing. Appreciate the long-term guide and that explanation as well. But from a volume perspective, this year was a surprisingly strong year. You chose to focus on debottlenecking efforts as opposed to expanding capacity in a more overt manner. And so as a result, you lost a little bit of share.

As you look into 2024, if the industry volumes were to normalize, would you expect your share to increase back up to the level that it previously was? And if I could also just take this idea of like maybe losing a little bit of share in a strong market to the Insulation business. You've taken a somewhat similar approach in Insulation, where over the last few years, you've had competitors increase capacity and so forth. It doesn't sound like you're sort of like announcing any new capacity expansion in Insulation. And so again, I'm just trying to understand how you think about balancing share with the profitability, maybe you could say in these 2 segments given the outlooks that you've -- that you have.

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Stephen. Let me take these -- some of these pieces, and I may ask Todd to comment as well. So let me first talk about, I guess, the decision around debottlenecking versus capacity or plant expansion. This is how we are expanding capacity in a very capital-efficient way. We've got the broadest roofing network as a manufacturer. And we have opportunities within each one of those facilities to debottleneck, to improve line speeds and to increase capacity. And this is something that we talked about a few years ago, you would have heard Gunner speak to around opening up capacity inside our existing network in a very efficient way. And so we've been doing that.

So year-on-year, in '22, we produced a lot more laminates than we did in '21. We did that again last year. We're going to continue to do that. And then we did announce a new laminator that we're adding in our Medina facility that will come onstream mid next year, and that will be another big capacity improvement. So year-on-year, we're producing significantly more laminates, and the total that I would share with you roughly equates to a new four-wide laminator when we're done with that work by the end of 2025.

So over a 3-year time period, we've effectively added laminate capacity to equate to a new four-wide laminator. And again, in a very capital-efficient way, leveraging our existing network, leveraging our existing workforce, and we feel that's been a really efficient way to bring new capacity onstream. So that's given us the opportunity to grow as we go forward and continues to position us.

When we think about our share position, while we saw some tough comps here in Q4, Q1, I will take us back to in Q4 of last year, 2020 -- sorry, Q4 2022, in Q1 of last year, we significantly outperformed the market. And I think that's a little bit to your question around our ability to gain share. That was an area where demand for our product remained incredibly strong, and distributors had to continue to buy to rebuild inventory levels. And we saw that result in an outperformance to ARMA shipments in Q4 of '22 and outperformance in Q1 of this year.

And on balance through 2023, we finished the share -- or with a share position pretty consistent with our historical average. So while we're investing for growth, we're investing to add land capacity. I would say those are probably the 2 proof points that, to your question on, if the market does slow as we go through the year, we feel that our great contractor model, our great distributor partnerships, our product innovation, all the things we've talked about, is going to result in growth in the business. And we feel good about our position in doing that going forward. So in resin, in Insulation, maybe, Todd, I'll have you comment on that.

Todd W. Fister
Executive VP & CFO

Sure, Brian. And Stephen, thanks for the question. So yes, I mean, if we step back a few years as to what we were trying to accomplish in Insulation, we were really focused on how do we drive structural margin improvement in the business, how do we drive lower fixed costs through a more efficient and streamlined network and, ultimately, try to drive higher and more stable margins in the business, but we also drive a higher return on capital. I mean that was our thesis the last few years.

And in some ways, it is similar to Roofing in that the -- for Insulation, the highest-return, the highest-margin new capacity we can add is debottlenecking our existing assets and finding ways to get more production out of our existing facilities and out of our existing fixed cost. And we've been very much focused on that to unlock some of that trapped capacity in our network.

But [we're] always evaluating the market conditions. We were always looking at the future state of our business and assessing whether or not there's a right time to add capacity in the business. What I would say right now is we're very happy with our current share positions, and we're very happy with the customer and channel mix that we have in the business, and we're also very happy with the margin stability. We were able to drive in 2023 in what was a down market overall for residential housing in North America.

Operator

The next question comes from Michael Rehaut from JPMorgan.

Michael Jason Rehaut
JPMorgan Chase & Co, Research Division

Congrats on the results. I wanted to just circle back to the Roofing and asphalt long-term guide. Not to beat a dead horse, but I think it's -- obviously, it's an encouraging statement when you talk about kind of re-rating your -- or increasing your long-term margin targets around that business.

And Brian, you kind of talked about the big driver being the structural operational improvement, manufacturing efficiencies, et cetera. I was wondering that you also kind of highlighted the improved piece of the components business. And I would assume over the last 2 or 3 years, there's been some positive price in the business as well. So I was hoping to get a sense if it's possible on how to think about those components in terms of what's driving, let's say, going from 20% to 25%. Would it be predominantly the manufacturing efficiencies or operational efficiencies? And how does price -- the recent improvement in price as well as the bigger mix of the components also play a factor in this margin change?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Mike. So I think the primary drivers that I talked about around operational efficiencies, our growth in our components business, those are bigger pieces of kind of taking the guide up from 20% to 25-ish percent, in the mid-20s range. So you can see those are going to be big drivers.

But you're absolutely right. When we look at our product innovation that's created products that are Duration Shingle, that carries a high margin on the product. So the more we sell, that mix shift has been a part of that, both in the shingle side and on the component side that we think is sustainable going forward and then the overall just value we're bringing, I think, to our contractors as we help them build their businesses. Certainly, there's a durability of the price realizations we've had around the value we're bringing to a contractor in terms of building their business, a value we're bringing to a distributor with high-quality products, serviced well and the value to the innovation we're bringing in terms of the new product offering. So it gets mixed into that in terms of the commercial capabilities.

But I think the durability of this is really going to be on those primary 2. We could also pick up from the mix shift to laminates that we think is sustainable. And the pricing and price value we get for our offering and our services, we think that's durable. I think the incremental is going to be there's always a bit of upside when we get stronger market conditions that we've seen now the last couple of years where we get additional volume leverage. But our ability to go gain price relative to inflation to be able to get good value for our products has been strong, and we think that continues as we go forward.

Operator

Our next question comes from Sam Reid at Wells Fargo.

Richard Samuel Reid
Wells Fargo Securities, LLC, Research Division

So wanted to drill down a bit more on Composite margins and perhaps break out how those looked for glass reinforcements versus say nonwoven. And then thinking about your plans for glass reinforcements, realized it's still early, but are you at the point where there's a particular bias towards selling this business outright or spinning it, especially now that you probably had the opportunity to have perhaps a few more conversations post last week's announcement?

Brian D. Chambers
President, CEO & Chair

Thanks. Let me start with just an overview kind of on Composites on the reinforcements and then glass reinforcements margin. So we said when we announced this, the glass reinforcements business is about $1.3 billion of the $2.3 billion roughly. So the rest of that you can safely assume is tied to our kind of a nonwovens business, our structural lumber business we talked about.

And we said that the EBITDA margins in the business were relatively similar over time on this space. Now I would say that the margins in our GR business certainly have been more pressured in 2023 relative to our nonwovens business.

And so if I just take a step back a little bit more in the nonwovens business, it really is a great business that we've been investing in over the past few years to expand capacity and really build out our capabilities. So it's been key to our Roofing success. We have a vertically integrated model, where we make the hybrid, we make the mat. That has allowed us to design products that are cost-effective and really perform very, very well. So it's been a key part of our Roofing success.

But in addition to that, we also sell nonwoven materials to other roofing manufacturers as well as other building and construction materials. So it's an important input material around gypsum, for facer, for polyiso or for commercial roofing applications, in ceiling applications, particularly in Europe, and then in flooring applications. So it really fits well into our building and construction focus and supports our drive to increase product offering in that space.

It's a business that is highly specified. It's primarily all contracts, and it's primarily in North America and Europe. So I think it fits our geographic footprint. So the business there has generated really good revenue, good earnings, and we saw that continue in 2023. And a little bit on the guide that we're trying to break out to give more visibility. We see good demand as we start the year primarily driven by roofing and our Roofing business and then a positive price/cost mix. So the contracts that we've been able to finalize in our nonwovens business have resulted in some positive pricing. So we see good price/cost as we go forward. So that's going to be the difference in the businesses a little bit, but why it's also so important that we're maintaining that as part of the company going forward.

In terms of our plans for GR, we're just early in the process. So I would say we've not made any conclusions on a sale or spin. That's going to be part of our evaluation. And -- but as we go forward, we're going to -- we'll continue to update you as needed on that progress. But I would say this is -- we're just getting started in it. So it's going to be a few quarters, I think, before we can get to some of those conclusions, reach out to some buyers and be able to gauge some interest.

Operator

Our next question comes from John Lovallo from UBS.

John Lovallo

UBS Investment Bank, Research Division

I guess it is when you talk about near-term Roofing margins exceeding that mid-20% range, is that a 1Q comment specifically? Or could that perhaps be the case through 2024? And also, Roofing revenue typically rises by a decent amount quarter-over-quarter in the first quarter. The outlook seems to imply slightly down quarter-over-quarter. If we got that right, what might be driving that?

Brian D. Chambers
President, CEO & Chair

So let me -- I'll start and then I'll ask for a clarifying question on your revenue base. But I'd say on the long-term guide, we certainly guide a quarter at a time. So we've given that guide in the first quarter. But given my comments on the Roofing business overall, we think the first half of the year is going to be very strong. There's a lot of pent-up demand in terms of carryover from storm activity that we see driving really good demand trends.

And again, in that strong of a market, we would expect our margins to perform at a higher level than the mid-20% on average. That was our guide. So I wouldn't say that is a 1 quarter only guide in terms of a higher outlook. I think that could continue as we go into the year on Roofing. And then I just want to maybe a clarifying question on your Roofing revenue question. Was that versus fourth quarter or year-on-year?

John Lovallo
UBS Investment Bank, Research Division

Quarter-over-quarter, sorry.

Brian D. Chambers
President, CEO & Chair

Quarter-over-quarter, yes. So again, I'll go back to Q1 of last year, we had a significant outperformance relative to the market overall. So we had very strong volumes. We were shipping everything we could make last year to start the year that continued throughout the year. So a little bit of the revenue growth for us this year is going to be we've got a little bit of upside in volumes, but not significant.

And then we are seeing a little bit of a headwind for the exit of our packaging business, and that's about $100 million of revenue, and that's pretty ratably across -- evenly spread across all 4 quarters. So that's impacting us a little bit here in Q1 on the revenue front.

Operator

The next question is from Matthew Bouley from Barclays.

Matthew Adrien Bouley
Barclays Bank PLC, Research Division

Just wanted to ask about production. I think in the fourth quarter, you were taking downtime across, I don't know if it was all 3 segments. I think the plan was for all 3 segments. Can you just kind of remind us, what was the margin impact from some of the downtime you took? And then kind of as you're seeing -- you're calling for volumes to improve in Roofing and maybe you've got some improvement on the residential side and Insulation and all that, just how are you kind of planning to run your assets here in the first half? And what would that mean for your margins?

Brian D. Chambers
President, CEO & Chair

Yes. Overall, I'd say the downtime we took in Q4 was really spread across all the businesses. In Composites, particularly GR, it was tied more to demand balancing and inventory management. I'd say the other parts of the company, we generally take fourth quarter maintenance downtimes to service the assets. And we did that throughout in the space.

So we don't quantify it necessarily by facility or by business segment. But I'd say the impact was larger in our Composites business, the glass reinforcements business and then had an impact but less so in Insulation and Roofing. And we think, again, that was tied to just some temporary maintenance.

In terms of how we're running the assets now as we've started the year, in Roofing, every facility is back up and running. Our lines are running full-out, producing as much product as we can to service our customers. I'd say the same thing in our residential insulation business. Again, we've got those assets up and running and producing at a high level. Our nonwovens business, we're back up.

So I'd say the one that we continue to balance our downtime and curtailments is going to be in our glass reinforcements business as we continue to just, again, balance production to demand, drive good cash flows in that business. But in our Roofing business, our residential insulation business, we're back up and running, and we'll continue to operate those assets full-out to service demand.

Operator

The next question comes from Kathryn Thompson of Thompson Research Group.

Kathryn Ingram Thompson
Thompson Research Group, LLC

This is more focused on your Composite business and just understanding more on the production level and as you contemplate selling your nonwovens business. We just know it from our experience in going to plants is you can have different types of products produced -- composite products produced within a plant. Could you clarify to what extent that you're able to nonwoven production versus other products on a single plant basis? So really just helping us understand how clean that should be.

And then -- and also along that line, clearly, I understand there's different types of nonwoven versus other products. But are there any other cross-selling or other opportunities that may be lost from selling it? Or just helping us to understand really the true differential between nonwoven and your other core products.

Brian D. Chambers
President, CEO & Chair

All right. Thanks, Kathryn. Yes, just to clarify, so our announcement is around strategic alternatives for our glass reinforcements business. So our nonwovens business and the glass melting assets needed for that are going to remain. That would be part of the core of Owens Corning going forward.

So just to step back on our glass reinforcements business, and we had this in the announcement on Friday, it's 18 manufacturing facilities as part of that. So it is something that we can put a defined perimeter around, to answer your question, on separating glass reinforcements from our nonwovens business. So that work is done. So those 18 facilities roughly break out. There are 9 on the glass reinforcements, glass melting facilities. Then we've got about 5 -- we have 5 fabrics facilities that we weave fabrics that are used in wind energy applications. And then we have 4 alloy facilities that will support the bushings and the equipment used in the melting of the glass on our GR plants. So that's a defined perimeter.

The perimeter to make our glass nonwovens is also defined. So there are 2 glass melting facilities that make the fiber that's unique and special for our glass nonwovens production. So those 2 facilities would stay because that would then service the glass fiber to our nonwoven facilities. All those nonwoven facilities would stay. So I think we can separate those and operate those independently as we think about alternatives for the glass reinforcements business.

In terms of your question on how that might impact the other products, from a glass nonwovens business, we're going to continue to be able to service all of the building and construction material categories that I talked about earlier. So we'll have the ability to still provide that material to gypsum applications, ceiling applications, polyiso, flooring. So that's a part of the permit of the business that we're going to continue to operate and grow and expand.

Operator

The next question goes to Susan Maklari of Goldman Sachs.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

I wanted to switch to Insulation for a minute and talk about the margins there. They've been running in a much narrower range relative to the historical patterns that we've usually seen on a seasonal basis. And when you think about the 1Q guide and the outlook for housing, it would imply that there's a similar trend for this year as well.

And so when you think about that segment long term and the operations and the work that you've done on the cost, do you think that you can sustainably run those margins perhaps a bit higher than that 15% long-term guide that you gave at the last Investor Day? And I guess what are you waiting to see to have more confidence perhaps to revise that?

Todd W. Fister
Executive VP & CFO

Sue, why don't I take that one? I appreciate the question. And I'll cover a bit about why we're seeing this narrow range and what that could imply for the future. The narrow range really is intentional. We've rebuilt this business in order to have higher and more stable margins through the actions that we've taken. And those actions include really significant actions on the network of the business, including the sale of a pretty high cost -- high fixed cost asset in Santa Clara, but also actions we've taken in other plants to debottleneck and drive more capacity out of our existing network.

But it's also commercial choices that we've made around the channels that we focus on, the customers that we focus on, how we structurally engineer a business that can have more stable margins over time. We shared at Investor Day a few years ago, as you alluded to, the thought that we did have structural margin improvement embedded in the business. We have not updated that yet, but that is something we talk through around margin expectations for the business. And when the time is right, you could anticipate us talking more about what we see long term as the new margins for Insulation.

I think your guide for the first quarter, your read is correct. I mean it is more margin stability, in part, because as Brian said, we're -- we continue to run our assets fairly full across our network. We continue to see stable market conditions. We are still in markets where volume is down in Europe and in Asia and in some pockets in North America. So we feel pretty confident as we go forward. If we see that volume return in Europe and in Asia and North America, we've got some ability to drive earnings upside even versus what we achieved in 2023 on the business. So we have to see the macro conditions improve, but we think we've engineered the segment to deliver more consistent and higher margins over longer periods of time.

Operator

And the next question goes to Truman Patterson of Wolfe Research.

Trevor Scott Allinson
Wolfe Research, LLC

This is Trevor Allinson on for Truman. I wanted to touch first on input costs in Composites and Insulation, specifically around energy. It didn't seem like input costs had a significant impact on operating profit in the quarter for those 2 segments. You've taken on a lot of energy inflation in the last couple of years. I think you had mentioned previously that peak energy for you guys was around mid-2022. So even with your hedges, we would have thought you'd be seeing some more of that here coming through in the form of deflation. So are you seeing other input costs offset that? Or why are you not seeing more of those energy benefits coming through?

Todd W. Fister
Executive VP & CFO

Let me tackle that one on our hedging policy, and then we could talk a bit about the pockets of inflation. So you're right, I mean, we hedge on a 5-quarter rolling basis. The last of our higher cost hedges really roll off in the first quarter of this year in '24. So we still had some of those hedges in place even in Q3, Q4 last year.

We are seeing some input cost inflation, some of the later cycle input materials that we use in different parts of our process that are tempering some of the benefits that we would otherwise see from energy. Energy, certainly structurally, is a good news story for us as we get into '24. But there are pockets of inflation on some chemicals, on some input materials that we continue to see on our businesses, and we continue to work through those. So it's a bit of a combination of those 2 that drove the results in the quarter.

Operator

The next question goes to Philip Ng of Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

For 1Q, I believe you're guiding a low to mid-teen declines in your Composite business. Can you help us unpack the components for volume/mix versus price? And then appreciating margins in Composite tends to be a little lumpier, and there's a fair amount of seasonality. Do you see 1Q as trough margins and you kind of build off that for the full year for Composites?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Phil. So let's talk a little bit about price and mix. So -- and maybe I'll talk pricing, I mentioned this a little bit in our Q1 guide. So overall, for our glass reinforcements business, just as a reminder, it's about 2/3 contract, about 1/3 spot. And we have largely completed our contract pricing, and that is going to result with pricing stepping down.

Overall, with that completion, we would expect probably mid-single-digit price declines that would roll through in the quarter and continue as we go forward as a result of those contract negotiations. From a price -- from a spot pricing standpoint, we're actually seeing some stability Q4 into Q1. And so Q1 spot pricing on a year-over-year basis, down probably closer to high single digits. So a big part of that step-down versus price on mix is going to be price related. But we are seeing some headwinds on overall product mix just depending on the geographic makeup of the business overall.

In terms of the mid-single-digit margins for Composites, how that moves up from here. I do think it is generally a low point in terms of volume in the business. And that's something that we would expect as we go through over the next few quarters to see volumes increase, and that will improve our operating leverage quite a bit. We also have taken a number of cost-reduction actions in the business, and that should start coming through.

And lastly, we've seen really good manufacturing productivity start to come through, and we think that's going to be additive as we go through from here. So as we step up over the next few quarters, we would expect to see some volume growth, improving our operating leverage. We would expect to see some of the benefits from our cost-reduction actions, and we continue to expect to see productivity being an uplift to margins as we go through the rest of the year.

Operator

The next question goes to Mike Dahl of RBC.

Michael Glaser Dahl
RBC Capital Markets, Research Division

Back on Roofing, just given the moving pieces between your comp differential and the business you exited, can you be more specific about what your volume expectation is for your shingle performance in 1Q? And then when we think about the full year, there -- in addition to inventory dynamics last year, there were some regional differentials that may kind of reverse out this year. So when you think about the moving pieces around your comps kind of beating the industry in 1Q then trailing the industry the last few quarters going into this year, kind of how -- I think Steve kind of asked around this, but how you would expect to perform versus ARMA for the full year?

Brian D. Chambers
President, CEO & Chair

Thanks, Mike. So in terms of volumes in Roofing and components, we expect those to be up modestly, I think, in the quarter. So we do see the ability to produce more shingles and ship more than first quarter of last year. We also are seeing higher attachment rates on our roofing component materials that we think continues. But again, against last year's comp, that growth rate is going to be much more moderate than we expect the overall industry to show because we were outperforming in Q4 of last year. But we are going to see some increases. And then again, we see a little bit of a headwind on the packaging exit.

In terms of performance as we go through the year, I'd say we expect that we're going to have another good year in Roofing. The demand trends for Q1, the storm carryover, the underlying contractor demand and remodeling and reroof activity we're seeing in our contractor base would lead us to believe we're on path for another strong year. We expect, as Todd talked about, new construction housing to to step up through the year. A smaller part of the Roofing business, but again, another positive demand driver. So we would expect that to continue.

It may not be operating at the same levels as last year, which was a historically high storm year off a 10-year average. We would estimate probably incremental 40% both in storm demand last year versus the historic average. So if that steps back a little bit, I think that gives us opportunities in the market to continue to grow our business. So as we progress through the year, I would think we would get into easier comps on a year-over-year basis relative to our performance.

And then if the market slows a bit versus prior year, again, I'll go back to what we saw in Q4 of '22 and Q1 of last year. As the market slowed, demand for our products stayed really strong. Distributors had to replenish their inventories of our product, contractors demanded our product, and we saw good growth and a good share position as a result.

Operator

And our final question goes to Garik Shmois of Loop Capital. Oh, it appears Garik has disconnected. We'll move over to Anthony Pettinari of Citi.

Anthony James Pettinari
Citigroup Inc., Research Division

I just had a quick follow-up on Insulation in 1Q. I think single-family starts inflected positively on a year-over-year basis in 3Q. So I'm just wondering if you could talk about sort of the cadence of North American resi insulation shipments as 4Q progressed. And into 1Q, assuming demand tends to lag starts by 3 months, could North American resi insulation volumes potentially be positive year-over-year as you lap these easier comps? I think you talked about flattish, but just any more context there.

Todd W. Fister
Executive VP & CFO

Sure. Thanks, Anthony. Yes, I mean, as we look at starts for the first quarter, we said relatively flattish. I mean could we be up a little versus that? Absolutely. It could be modestly, but we're talking very, very low single-digit type of numbers. We think flat is a more appropriate number.

As we look at the full year, I think consensus has starts looking pretty similar on a year-over-year basis. So we pick up a bit in single family on a year-over-year basis is a strength. Multifamily could be down a little bit on a year-over-year basis. But overall, it ends up looking pretty similar to '23, yes. So as we look at the first quarter, we would expect sort of flattish overall results for volumes at resi.

Operator

That's all the questions that we have time for today. I'll now hand back the call over to Brian Chambers to close.

Brian D. Chambers
President, CEO & Chair

Well, I'd like to thank everyone for making time to join us on today's call and for your ongoing interest in Owens Corning. And we look forward to speaking with you again on our first quarter call. Thanks, everyone.

Operator
Thank you. This now concludes today's call. Thank you all for joining. You may now disconnect your lines.