

Owens Corning NYSE:OC

FQ3 2025 Earnings Call Transcripts

Wednesday, November 5, 2025 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.72	3.67	▼ (1.34 %)	2.62	13.54	13.99
Revenue (mm)	2698.66	2684.00	▼ (0.54 %)	2467.74	10443.38	10501.56

Currency: USD
Consensus as of Oct-28-2025 4:46 PM GMT

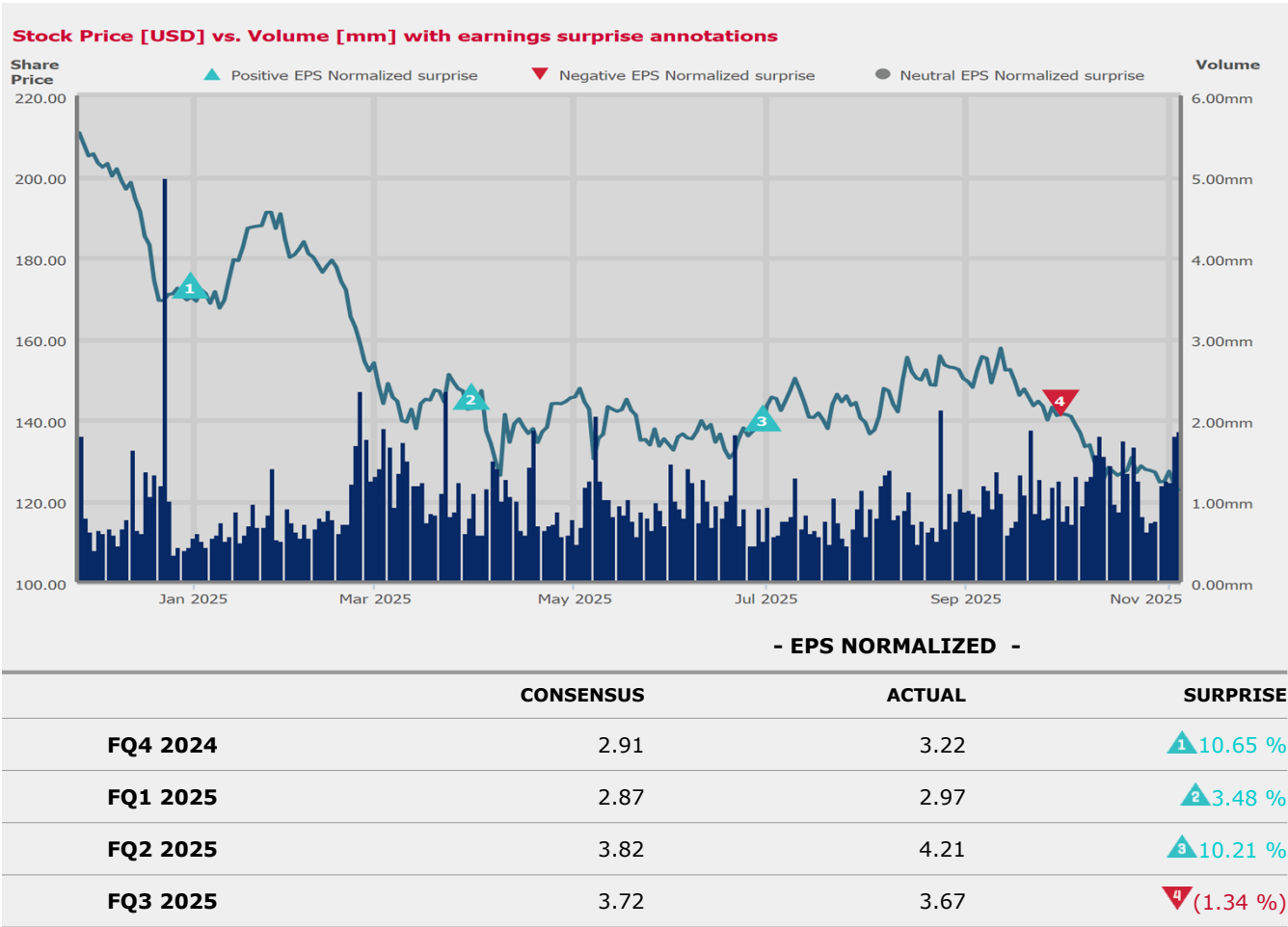


Table of Contents

Call Participants		3
Presentation		4
Question and Answer		11

Call Participants

EXECUTIVES

Amber Wohlfarth

*Vice President of Corporate FP&A
and Investor Relations*

Brian D. Chambers

President, CEO & Chair

Todd W. Fister

Executive VP & CFO

ANALYSTS

Anthony James Pettinari

Citigroup Inc., Research Division

Richard Samuel Reid

*Wells Fargo Securities, LLC,
Research Division*

Garik Simha Shmois

*Loop Capital Markets LLC,
Research Division*

Stephen Kim

*Evercore ISI Institutional Equities,
Research Division*

John Lovallo

*UBS Investment Bank, Research
Division*

Susan Marie Maklari

*Goldman Sachs Group, Inc.,
Research Division*

Matthew Adrien Bouley

*Barclays Bank PLC, Research
Division*

Trevor Scott Allinson

Wolfe Research, LLC

Michael Glaser Dahl

*RBC Capital Markets, Research
Division*

Michael Jason Rehaut

*JPMorgan Chase & Co, Research
Division*

Philip H. Ng

Jefferies LLC, Research Division

Rafe Jason Jadrosich

BofA Securities, Research Division

Presentation

Operator

Hello, everyone, and welcome to Owens Corning's Third Quarter 2025 Earnings Call. My name is Lydia, and I will be your operator today. [Operator Instructions] I'll now hand you over to Amber Wohlfarth, Vice President, Corporate FP&A and Investor Relations, to begin. Please go ahead.

Amber Wohlfarth

Vice President of Corporate FP&A and 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 third quarter 2025.

Joining us today are Brian Chambers, Owens Corning's Chair and Chief Executive Officer; and Todd Fister, our Chief Financial Officer.

Following our presentation this morning, we will open this 1-hour call to your questions. In order to accommodate as many call participants as possible, please limit yourself to 1 question only.

Earlier this morning, we issued a news release and filed a 10-Q that detailed our financial results for the third quarter 2025. 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-Q and the presentation slides at our website, [owenscorning.com](https://www.owenscorning.com). Refer to the Investors link under the Corporate section of our home page. A transcript and recording of this call and the supporting slides will be available on our website for future reference.

Now please reference Slide 2 where we offer a few 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 and 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](https://www.owenscorning.com).

Third, financials and metrics for current and historical periods discussed on this call will be for continuing operations, except for capital expenditures and cash flow measures, which include amounts related to glass reinforcement until the closing of the sale of the business. 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, I'll provide an overview of our third quarter results and our work to continue outperforming the market in the near term while investing to strengthen and grow our company for the future. Todd will then provide more detail on our financial performance and I'll come back to discuss what we're currently seeing in the market and our outlook for the remainder of the year.

In the third quarter, we delivered solid results despite challenging market conditions, demonstrating the strength and agility of our team and the power of our operating model. Because of the strategic choices and structural improvements we have made, the new Owens Corning continues to operate with greater efficiency outperforming prior cycles. I'll share more about our financial performance in a moment, but first, I'll begin with safety.

In October, we celebrated our annual manufacturing appreciation month, which includes recognizing our teams for their unconditional commitment to safety as they produce the high-quality products our customers rely on. That ongoing commitment was reflected in our third quarter safety performance where our recordable incident rate was 0.56.

Financially, in the quarter, we generated \$2.7 billion in revenue and \$638 million in adjusted EBITDA, delivering an adjusted EBITDA margin of 24%. We also generated strong cash flow and continued to return capital to shareholders through dividends and share repurchases. Through the first 3 quarters of the year, we have returned over \$700 million of the \$2 billion we committed to returning over this year and next. This performance reflects our disciplined capital allocation and confidence in our ongoing cash-generating capabilities.

Our financial results continue to reflect our ability to perform at a high level in challenging market conditions as we see weakening residential trends in the U.S. impacting our volumes in both repair and remodel and new construction product lines. In Roofing, market demand in the quarter was impacted by a uniquely quiet storm season with no named storms making landfall in the U.S. in the third quarter for the first time in a decade. In Insulation, we saw our nonresidential and European markets remain relatively stable but continue to see the impact of slower housing starts in our residential Insulation business.

Despite these weakening residential trends, both businesses continue to benefit from the structural improvements made over the past several years. In fact, when we compare today's results to similar market conditions seen over the past 10 years, we have improved margins by over 500 basis points in both our Roofing and Insulation businesses.

In our Doors business, volumes continue to be impacted by both slower discretionary spending and repair and remodel and weaker new construction activity, resulting in lower-than-expected earnings. Even with these headwinds, we continue to make good progress on achieving the anticipated cost and operational synergies and are beginning to see the benefits of our unique commercial position working with common customers.

While I'm disappointed in the current financial performance, I am pleased with how our team is responding to position the business for long-term success and remain confident in our ability to achieve our margin and cash flow goals for the business. In fact, across all three businesses, we see revenue and margin growth potential driven by our execution and the favorable long-term secular tailwinds in North America and Europe, two of the largest and most attractive building products markets globally. In the U.S., mortgage rates are slowly coming down, improving housing affordability, which we expect to trigger residential market activity as we move through 2026.

We also see increasing investments in several nonresidential segments, including data centers, manufacturing and energy. And in Europe, macro indicators continue to improve, which will lead to growth, particularly in the nonresidential sector.

Our financial performance to date and into the future, reflects the strength of the company we've built, one that can sustain annual EBITDA margins above 20% even as markets fluctuate. In the near term, we will continue to be disciplined operators focused on our cost, our customer share and our capital allocation. We will leverage our structurally improved cost positions that we have achieved through network optimization and operational efficiencies, while making strategic investments that strengthen our market-leading positions and support our growth.

In Roofing, this includes unlocking efficiencies and creating network flexibility through ongoing debottlenecking efforts, the successful start-up of our new laminate shingle line in Medina earlier this year and the future addition of a new plant located in the Southeast, the largest asphalt shingle region in the country. This facility, which will be built in Alabama, will include leading technology and have the capacity to produce approximately 6 million squares of laminate shingles annually, enhancing service across our network.

As we continue to invest for growth in Roofing, we're also building loyalty and demand through our industry-leading contractor engagement model. Since the beginning of the year, our contractor network

has grown by about 9%, with that growth accelerating throughout the year, reflecting our unparalleled commercial strength and the value we create for our customers.

In Insulation, the strategic investments we have made give us more balanced end market exposure across residential and nonresidential applications and we continue to make structural improvements to maintain a winning cost position, such as our new state-of-the-art fiberglass line in Kansas City, which will provide us with the low-cost flexible production line capable of serving both nonresidential and residential customers, depending on market demand.

We're also capitalizing on the growing demand in both residential and commercial applications for XPS foam with a new low-cost plant in Arkansas. We recently celebrated the grand opening of this facility which is on track to be fully operational in early 2026.

In Doors, we're capturing cost synergies and applying the same commercial and operational playbook that has driven success in Roofing and Insulation. Over one year into the integration, we have line of sight to achieving all of the \$125 million in enterprise cost synergies we committed to by the end of year to have ownership. In addition, we have identified an additional \$75 million of structural cost savings through operational improvements and plant consolidations, giving us a lower cost position to leverage as volumes increase.

We're also starting to see the benefit of our commercial strength as we expand the success of our contractor engagement model in Roofing to shape the PINK Advantage dealer program in our Doors business. Through this program, we can serve more than 4,000 small privately owned dealers across the U.S. while creating downstream demand and product pull-through distribution. We are seeing acceleration in dealer sign-ups and have increased the membership count by more than 35% this year.

In addition, we are starting to see the power of our enterprise retail capabilities, creating new opportunities for Doors in home centers by leveraging our highly recognized and valued brand with homeowners and small contractors, as well as our in-store service and merchandising capabilities. By utilizing the unique capabilities of the OC advantage in Doors, we are positioning the business for increased revenue and margin growth.

Through our reshaped product and geographic focus, we built a company powered by three market-leading businesses with multiple opportunities to win and grow. In line with our building products focused strategy, we continue to make progress on the divestiture of our glass reinforcements business, targeting completion by the end of the year as we work through closing and regulatory approvals.

Before turning it over to Todd, I would like to thank and congratulate my Owens Corning colleagues for their role in our most recent recognition. We have been named to the 100 Best Corporate Citizens list which ranks the largest publicly traded U.S. companies on their environmental, social and governance performance and transparency. Owens Corning ranked third, marking our eighth consecutive year in the top 10 and reflecting our commitment to doing business the right way.

Overall, for the quarter, we delivered solid results in a challenging environment, outperforming previous cycles and operating with greater efficiency and resiliency. Our durable margins and strong cash generation reflect the power of our operating playbook and the strength of our market positions. As we navigate near-term market dynamics and seasonal inventory controls, we remain committed to serving our customers, maximizing our performance and investing in the growth of the enterprise, creating multiple paths to deliver long-term value.

With that, I'll turn it over to Todd.

Todd W. Fister
Executive VP & CFO

Thank you, Brian, and good morning, everyone. As Brian said, our performance in the third quarter demonstrates the impact of our structural improvements in portfolio transformation, delivering more resilient earnings in challenging markets.

I'd now like to turn to Slide 5 to discuss the results for continuing operations for the quarter. In the third quarter, we continued to build on a strong first half and execute well despite weaker end markets. While revenue decreased 3% over prior year as a result of lower volumes, we still generated adjusted EBITDA of \$638 million and adjusted EBITDA margins of 24%. In the quarter, we had adjusting items of \$784 million primarily due to a noncash goodwill impairment charge in our Doors business of \$780 million. This impairment is driven by updates to the macro assumptions in our accounting valuation model due to near-term market weakness, not a change in our longer-term view of the earnings potential of the business. Adjusted earnings per diluted share for the third quarter were \$3.67.

Turning to Slide 6. Free cash flow for the quarter was \$752 million compared to \$558 million in the same period last year. We benefited from disciplined working capital management as well as lower cash taxes as a result of the tax bill updates earlier this year, which more than offset the impact of higher capital investments. We continue to invest in capital projects at elevated levels in the near term to drive improvement in long-term efficiency and growth. As a result, capital additions for the quarter were \$166 million, up \$25 million from the same quarter prior year.

Our return on capital was 13% for the 12 months ending September 30, 2025. As a reminder, at our Investor Day earlier this year, we gave a long-term target of mid-teens or better return on capital. While currently below mid-teens due to the Doors acquisition, there is no change to our long-term target. At quarter end, the company had debt-to-EBITDA of 2x at the low end of our targeted range of 2 to 3x.

During the third quarter, we returned \$278 million to shareholders through share repurchases and dividends. We repurchased common stock for \$220 million and paid a cash dividend totaling \$58 million. Year-to-date through the third quarter, we've returned more than \$700 million to shareholders and we are on track to meeting our commitment of returning \$2 billion to shareholders between 2025 and 2026.

Our capital allocation strategy remains focused on generating strong free cash flow, delivering mid-teens returns on capital, returning cash to shareholders and maintaining an investment-grade balance sheet while we invest in attractive capital projects for growth. Our capital allocation strategy is focused on compounding long-term value for shareholders.

Now turning to Slide 7, I'll provide additional details on our segment results. Starting with our Roofing business. Our results in the third quarter continue to demonstrate the power of our contractor engagement strategy and vertically integrated cost position to outperform the market and deliver resilient earnings. Sales in the third quarter were \$1.2 billion, up 2% from prior year. In the quarter, revenue growth was driven by positive price realization on our April increase with volumes relatively flat. The U.S. asphalt shingle market on a volume basis was down low double digits compared to the prior year.

The big driver of the year-over-year decline was lower storm-related demand. As Brian shared, for the first time in a decade, no named storms in the Atlantic made landfall in the U.S. Our U.S. shingle volume down slightly outperformed the market as we continue to see good demand for our shingles and ongoing contractor pull-through distribution. We had another strong quarter of EBITDA performance as we navigated a declining shingles market. EBITDA was \$423 million for the quarter, up slightly from prior year. Positive price more than offset the impact of cost inflation. Overall, for the quarter, we delivered EBITDA margins of 34%, in line with prior year.

Now please turn to Slide 8 for a summary of our Insulation business. In the third quarter, Insulation sustained 20-plus percent EBITDA margins in more difficult markets, showing the impact of the structural improvements we have made. We continue to deliver results above historical performance in similar markets, highlighting our ability to create value for customers. Q3 revenues were \$941 million, a 7% decrease from Q3 last year. The decline was primarily due to lower demand for residential products in North America and the sale of our building materials business in China. In North America residential, we saw volume decline in line with our expectations for fiberglass due to ongoing weakness in demand for residential new construction.

In North America nonresidential, revenue was down slightly versus prior year on the timing of projects in the U.S. and Mexico. And in Europe, we continue to see stable markets. Strong operational performance partially offset the impact of lower demand that resulted in additional production downtime as we remain

disciplined in inventory management. Insulation delivered EBITDA margins of 23% in the third quarter, resulting in EBITDA of \$212 million, down \$36 million from prior year.

Moving to Slide 9. I'll provide an overview of the Doors business. Overall, the business is responding well to a challenging market. In the quarter, the business generated revenue of \$545 million, down 5% from prior year. The decline in revenue was primarily due to lower volumes as the Doors business continues to navigate challenging market conditions for both new residential construction and discretionary repair and remodel. We are also seeing a decline in EBITDA versus prior year as a result of lost leverage.

Price cost was negative in the quarter as pricing was down slightly and inflation, primarily tariffs, continues to impact the business. Despite these market headwinds, the integration is progressing well. We are run rating slightly ahead of our \$125 million of enterprise synergies. To date, we have captured about 40% of our synergies in Doors and the other 60% across the remainder of the enterprise. This reflects our ability to scale the OC advantage while applying the same playbook that structurally improve margins and Roofing and Insulation over time.

We continue to take actions in support of achieving these savings and driving network optimization, which include the decision we made in the third quarter to close a facility in Texas and another announcement this week to close a facility in Canada. EBITDA for the quarter was \$56 million with EBITDA margins of 10%. Overall for the company, there was about \$12 million in net impact from tariffs in Q3. Our sourcing and supply chain teams have continued to demonstrate agility and discipline mitigating tariff exposure and preserving margins. We expect net tariff exposure to continue at a similar rate in Q4, with the biggest headwind in the Doors business.

As a reminder, last year in Doors, we also saw a \$14 million onetime benefit from tariff recovery efforts in Q4 that will not repeat this year. This impact is included in the outlook Brian will share in a moment.

Moving on to Slide 10, I will discuss our full year 2025 outlook for key financial items. General corporate EBITDA expenses are expected to be approximately \$240 million, at the low end of the range we had previously shared of \$240 million to \$260 million. We expect our 2025 effective tax rate to be 24% to 26%, anticipate a cash tax benefit of approximately \$100 million in the year for the recent tax bill. Capital additions are expected to be approximately \$800 million. This level of capital investment reflects the strategic choices we are making to expand capacity and drive improved efficiency. This CapEx continues to include glass reinforcements which is expected to be approximately \$80 million in 2025.

We expect CapEx to remain elevated in the near term as we work towards completing the high-return capital-efficient projects currently underway. We remain focused on executing our strategy, delivering strong returns and compounding long-term value for our shareholders.

Now please turn to Slide 11, and I'll turn the call back to Brian to further discuss our outlook. Brian?

Brian D. Chambers

President, CEO & Chair

Thank you, Todd. In the third quarter, our team continued to perform well, responding to slowing demand trends in most of our product lines. For the fourth quarter, we expect residential new construction and remodeling to remain challenged, with softer market conditions and customers carefully managing year-end inventory. For nondiscretionary roofing repair activity, we expect the market to be down significantly on lower second half storm activity and Q4 seasonality.

Nonresidential construction activity in North America is expected to decline slightly and market conditions in Europe are anticipated to gradually improve. As Todd shared, we remain disciplined in our inventory management in this environment. As a result, we will realize additional year-over-year production curtailment in the fourth quarter.

Given this near-term outlook, we anticipate fourth quarter revenue for continuing operations to be approximately \$2.1 billion to \$2.2 billion, down mid- to high teens versus prior year. For adjusted EBITDA, we expect to deliver margins of approximately 16% to 18% for the enterprise.

Now consistent with prior calls, I'll provide a more detailed business specific outlook for the fourth quarter. Starting with our Roofing business, we anticipate our revenue to be down mid-20% versus prior year. While we typically see a decline in roofing shipments in the fourth quarter due to colder weather, we expect to see a more significant drop this year due to much lower storm activity and a more pronounced reduction in end-of-year inventory levels at distribution versus prior year.

Given this environment, we expect a high 20% decline in ARMA market shipments. Based on our strong contractor engagement model, we would expect our volume to decline slightly less than the market overall. We anticipate volume declines for components and nonwovens to be down a similar amount tied to lower demand for shingles. For the quarter, we expect pricing to be up slightly versus prior year, but with ongoing inflation, we anticipate seeing negative price cost for the fourth quarter.

We also expect to take additional production curtailment to manage inventory and perform needed maintenance on our production lines, partially offset by productivity. Overall, for Roofing, we expect to generate a mid-20% EBITDA margin in the fourth quarter.

Moving on to our Insulation business. We anticipate overall revenue to decline high single digits compared to the prior year, primarily due to a volume decline in North American residential and the sale of our building materials business in China. As a reminder, this business had approximately \$130 million of revenue annually. In our North American residential Insulation business, we expect revenue to be down low double digits versus prior year due to lower demand as we work through a step down in housing starts and overall market uncertainty.

Additionally, we anticipate targeted price moves to result in slightly lower price year-over-year. For North American nonresidential, we expect revenues to be down slightly versus prior year, in line with the declines Todd shared for the third quarter tied to lower project-related demand in North America. And in Europe, we anticipate revenue to be up versus prior year as we see gradual market recovery and currency tailwinds.

Overall, for the Insulation business, we expect ongoing cost inflation resulting in negative price cost in the quarter. Additionally, we anticipate strong operational performance and cost controls to largely offset the incremental production curtailment tied to the volume decline from the market pressure in North American Residential.

Given all this, we expect EBITDA margin for the Insulation to be slightly above 20%.

Turning to Doors. We expect our business to continue to be challenged by slower discretionary repair and remodel spending and weaker new construction activity. Also in the quarter, similar to our other residential product lines, we expect to see distributors reduce end-of-year inventories. As a result, we expect revenue in Q4 to decline high single digits versus prior year, driven primarily by lower demand. While we anticipate synergies and cost control realization to continue, we expect EBITDA to be impacted by lower volume and the resulting leverage loss from production curtailment.

Additionally, we expect price cost to remain negative with relatively flat pricing and ongoing inflation driven primarily by tariffs. Overall, for Doors, we expect fourth quarter EBITDA margin of approximately 10%, similar to Q3.

With that review of business outlook, I want to close out with a few enterprise comments. Based on this outlook for the fourth quarter, we expect 2025 revenue for the enterprise to be up modestly versus prior year, inclusive of the full year impact of the Doors business. Despite ongoing market challenges throughout the year, we expect to deliver full year EBITDA margin of approximately 22% to 23%. As we finish the year, we remain focused on executing our strategy with discipline, leveraging our reshaped portfolio, structurally advantaged cost position and the unique capabilities of the OC advantage.

These strengths position us well to navigate near-term market pressures, while continuing to invest in the long-term efficiency and growth of our enterprise to achieve the targets shared at Investor Day in May. Moving forward, we remain energized by the opportunities to continue positioning Owens Corning as a best-in-industry performer. We are building a stronger, more resilient company, one that delivers higher earnings and cash flow, creates lasting value for our shareholders and is built to outperform.

In closing, I want to recognize the continued dedication and resilience of our global Owens Corning team. Their commitment to safety, operational excellence and customer service is what enables us to perform at such a high level in any market environment. With that, we would like to open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Stephen Kim with Evercore ISI.

Stephen Kim

Evercore ISI Institutional Equities, Research Division

I appreciate all the color. Obviously, a tough market out there. I'm going to focus on Roofing and particularly the margins. I think you've guided for margin -- sorry, pricing in 4Q to be up slightly year-over-year. But we have been understanding that there's some growing pricing pressure sequentially in Roofing. And I'm wondering if you could describe where do you feel more pressure? Is it more prevalent among manufacturing peers, distribution, retail or end users? And how does your pricing strategy generally change if the pressure comes from one channel versus another?

Brian D. Chambers

President, CEO & Chair

Stephen, thanks for the question. I think pricing has continued to remain positive all year. We've talked about that in terms of our realization. And it's really driven by the value that we're bringing to our contractors and distributors, through our brand, through our innovation, through our commercial strength in the market. So that positioning in the market, that investments we've made to build out all of those capabilities, I think, reflect a strong pricing for our products, and that's retained and been maintained throughout the year.

And typically, we see some pricing moves as we close out the year, and we see that more generally in a more normalized roofing market, which clearly we are facing today with limited storm activity, Q4 seasonality, distributors taking a harder look at inventory levels. So in the fourth quarter, particularly, we would normally see some pricing moves to make some pricing moves as distribution adjust their end-of-year inventories. And we've made some of those pricing moves to remain competitive, and those have been very targeted. When we look at pricing actions like that in Roofing or in Insulation or in Doors, we're very targeted. We're very focused regionally. We're very focused on specific product lines.

So we've made some of those moves. So I'd say the pricing environment though is fairly typical to what we have seen in past fourth quarter cycles, nothing unusual given any of the distribution changes or any of the consolidation moves out there. So those are what I would call pretty typical seasonal pressures. And we're still, as we said in our guide, maintaining a positive price in the quarter. But we are seeing some continued inflation. So we're going to have a negative price/cost mix when we take into account the ongoing inflation in the quarter.

So in terms of the overall pricing strategy, we remain consistent with how we price our products. We want to be competitive in the market, but we also want to be recognized for the value we bring relative to our brand, our innovation, our service, our commercial skills and capabilities, and that's how we'll continue to price our roofing products and all our products as we go forward.

Operator

Our next question comes from Anthony Pettinari with Citi.

Anthony James Pettinari

Citigroup Inc., Research Division

In Insulation, I think you discussed North America nonres revenue down slightly in 3Q with the timing of projects, I think you cited. And you also discussed 4Q revenue slightly down. And I'm just wondering if you can give us some background on nonres demand? And are these projects -- are they moving from 3Q to 4Q or '25 to '26 or any further detail on the nonres side?

Todd W. Fister

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

Executive VP & CFO

Anthony, thank you for the question. I can give more detail in both Q3 and Q4. We're seeing some project delays in both the U.S. and in Mexico. When we think about the delays, we do view it as shifts from quarter-to-quarter, but potentially also shifts from '25 into '26. We've seen some customers in the space share similar data for the commercial and industrial segment that they're also seeing some project delays. So we don't think this is unique to us. We think it's more a broad phenomenon that we're seeing in the industry.

We are seeing a bit of a slowdown in construction activity in Mexico, where we do report that through our North American nonres piece of the business. Some of those delays appear to be related to just overall economic activity in Mexico. This could be delayed a bit longer into next year. But in the U.S., we think it's more related to just normal kind of delays we see in projects that occur from time to time. So not too unusual relative to what we've often seen.

Operator

Our next question comes from John Lovallo with UBS.

John Lovallo

UBS Investment Bank, Research Division

Maybe just sliding over to the Door segment to round it out here. You took a sizable impairment based on the outlook for the business. However, it does seem like you guys are outperforming your largest peers. So I guess the question is two part. One, do you still think you're gaining share in this business despite the softer market? And then what assumptions within the kind of the fair value analysis changed the most? And should we expect further impairments in the fourth quarter?

Todd W. Fister

Executive VP & CFO

Well, John, let me start with some more detail on the impairment itself and then I'll kick it over to Brian to share more on the business and what we're doing from a share standpoint. So as a reminder for everybody, when we finalize goodwill, by definition, there's 0 cushion between the value of the goodwill and the assumptions that we have in the model. And then on an accounting basis, if we have triggering events in a quarter, we have to retest that model and all the assumptions.

So we did have a triggering event in Q3, which was the revenue decline that we saw. And when you look at these goodwill models, they're really sensitive to early year dynamics, in particular around market growth rates and then the subsequent impact on our margins. So when we look at the business, we did need to take an impairment in the quarter based on the accounting model. We remain confident that we're going to see margin improvement over time, but the model has put a heavy weight on the near-term results as we discount some of those future year results just as we look at the math of it.

So really, from our standpoint, no fundamental change in long term, how we view the business, how we view the earnings potential. It's just we're facing in the near-term market weakness here that is different from what we assumed when we calculated goodwill originally in the models.

Brian D. Chambers

President, CEO & Chair

And John, maybe I'll pick it up from that. I think we continue to stay very focused on the actions we can take to position the business for success in both the near term in this environment and then longer term. We've talked about the ongoing focus on cost synergies. We continue to see good realization there and on track to the \$125 million in overall enterprise synergies. We announced another \$75 million of targeted production efficiencies and we're making very good progress on that.

And then I talked last quarter on some green shoots that were emerging around some of the commercial opportunities we saw in the market. And I think we continue to see those come through, and I highlighted some of those in the prepared comments. We continue to see great conversion at the lumber dealer

level. And these are dealers that are servicing very local communities with a wide variety of products, but inclusive of the doors, and we're seeing some increased interest in positioning as we bring the broad product offering of Owens Corning to these dealers in Roofing, Insulation and Doors that they can take in the market, build their business and grow their business through our brand and our marketing and merchandising capabilities.

So we're seeing some business pick up in that -- in that specific area. And then we continue to see a lot of interest across broad distribution around the full product offering we bring and have been able to differentiate ourselves around our service proposition and quality and the teams have done really, really great work to build a really strong value proposition around service and quality that we think is benefiting in the market today.

And then the last one I talked about was around the home center. Again, back to leveraging the OC capabilities, the brand, our merchandising capabilities, we've seen some pickups there and some business opportunities. Unfortunately, a lot of that in the near term is getting overshadowed by the market declines but we do see that accelerating. As we see kind of market volumes pick up as we move into next year, we see some more of those volumes coming through and we think that's going to give us some great incremental operating leverage as we take the business forward.

Operator

Our next question comes from Michael Rehaut with JPMorgan.

Michael Jason Rehaut

JPMorgan Chase & Co, Research Division

Wanted to zero in on hopefully a couple of areas, if you don't mind. One is, just trying to get a sense and parse out in Roofing and it sounds like a little bit perhaps in Insulation. In terms of the year-over-year revenue expected decline in 4Q, if it's possible to try and break out, how much of that was due to inventory reduction in the channel? And then secondly, in Insulation, maybe if you could just describe what's going on from a pricing standpoint sequentially and if that's something that you would expect to persist into '26 absent any rebound in demand?

Brian D. Chambers

President, CEO & Chair

Mike, let me start with roofing and then I'll have Todd kind of come in on the Insulation front. On the Roofing step down in the quarter, it's probably a combination of three factors that are driving the more substantial kind of decline in the quarterly volumes. One is, as we work through the year, I think we've seen the market resetting to more normalized storm volumes. And we saw that in Q2. We expected in Q3, we're going to see some declines relative to some lower storm activity versus prior year. In fact, in Q3, we saw really no major storm activity, as we talked about first time in the decade.

So we saw that kind of step down more dramatically. So I think in Q4 now, when you look at the big sequential and both -- and the year-over-year decline, I mean best guess is we probably say maybe it's probably half and half, half tied to a bigger step down in storm activity that's limiting volume and about half in terms of more dramatic inventory corrections versus prior year on lower overall demand. So as I look at the opportunities in the quarter, it's probably been a few years since we've seen this kind of significant step down, Q4 2022 is probably the last time we saw a pretty weak second half storm year in '22 and we saw that step down in volume.

So we have seen these kind of big decreases. That was about a 20% decrease in Q4. This one is a little more impactful, though, because of the lower storm activity we feel. So best view is about half and half. The good news is that inventory reduction generally comes back in the first part of next year as distributors start to restock for the new season. But I think we're going to see a pretty cautious buying behavior across all of our distribution customers to close out this year, given the market uncertainty.

Todd W. Fister

Executive VP & CFO

Mike, I'll comment on what we're seeing in the Insulation market in Q4 and then sequential pricing in res Insulation. So when we look at the res side of the story in Q4, we are seeing a decline in lagged housing starts in Q4 on a year-over-year basis. We're expecting the market to decline more than the decline in lagged starts. So why is that? Some of that is the mix of single-family versus multifamily. We're seeing a bit weaker mix on the single-family side. But some of that also is just conservative inventory posture as Brian just described on the Roofing side, also in Insulation. We are in free supply now. There's enough capacity to serve our customers' needs.

So there's less of a need for folks to build large inventory positions at year-end. So it's hard to put a specific number on the destocking that we expect. We believe more of it is driven by the slowdown in res housing and just overall demand for the market. But we do think destocking is a part of the story.

When we look at pricing in Q3, we made surgical pricing moves on the res side, as we talked about on the last call, targeting specific product lines, specific regions, specific areas where we needed to respond to competitive issues. Overall, though, we expect a relatively stable pricing environment into Q4. So while the guide includes a bit of year-over-year pricing down on res, that's really the carryover of that Q3 set of surgical actions that we made into Q4 rather than new actions that we anticipate in the quarter.

Operator

Our next question comes from Trevor Allinson with Wolfe Research.

Trevor Scott Allinson
Wolfe Research, LLC

I wanted to ask about capacity utilization rates. Can you comment about on where those were in both your U.S. resi Insulation and Roofing businesses in 3Q? And then given anticipated softer market conditions, where are you expecting utilization rates to move into the fourth quarter?

Todd W. Fister
Executive VP & CFO

Trevor, I'll start with the res side, and then Brian can talk through the Roofing side. So at the highest level, we still view the industry, if all assets are running in the industry, is capable of supporting 1.4 million to 1.5 million starts. When we look at Q3 and Q4, we are tracking below that 1.4 million to 1.5 million range. As I shared before, we're seeing a weaker mix of single-family versus multifamily. And just again, as a reminder, single-family starts carry about 30% more pounds of insulation per unit than multifamily starts.

Now what's happening is we are taking idle. So we took our Nephi plant cold and we talked in the last call about hot idle versus cold idle. We decided to take the Nephi line down completely. We also have maintenance downtime that we're taking in the fourth quarter. That's fairly normal on our assets, but we're able to fit a little more maintenance into the quarter now that we've got time to do it. So both of those for us are reducing the amount of production we've got in the quarter.

We suspect that competitors are taking similar opportunities to do maintenance. We know of a couple of lines that also have been curtailed in the industry. So it's really hard today to point to a specific number in terms of capacity utilization. But what I would share is we've done a good job of maintaining relatively stable sequential share from Q2 into Q3. And then we're positioned to maintain pretty stable sequential share now in the fourth quarter.

So we're balancing out with that sequential stability in share. We're taking idle to make sure we maintain the right level of inventory in our assets in our businesses.

Brian D. Chambers
President, CEO & Chair

Yes, Trevor. And then for Roofing, clearly, with the step-down in demand, capacity utilization rates are going to come down. For us, we're going to take advantage of that in the fourth quarter to do some maintenance on our assets. It's going to be the first quarter in a while -- fourth quarter and while that we can take some more extended downtimes to do that preventative maintenance work. But overall, I'd

say in Roofing, we don't track capacity utilization rates the same as Insulation. It's a material conversion business. So the pricing and margin dynamics in the business are generally not tied to capacity utilization rates.

They're tied value and price capture over inflation and tied to those material conversion economics of efficiency. So we don't see the same dynamics and trends in terms of the margin of the Roofing business because of the nature of a material conversion side of it. I will say, though, we will see in Q4 as we take down some of the production curtailments that, that does create some higher cost inventory that does generally spill over into the next quarter. So we would expect with some more extended downtimes this year, that's going to have an impact in terms of Q1 margin rates in the business on some higher cost inventory that we're going to have to work through.

That's fairly normal in the seasonal business of Roofing. But I think we've not seen kind of this level of downtime in the last several years. So that's going to have a little bit bigger impact as we take that inventory into Q1 and sell it.

Operator

Our next question comes from Matthew Bouley with Barclays.

Matthew Adrien Bouley

Barclays Bank PLC, Research Division

So on Insulation, I guess the volume declines have been fairly sharp for 3 quarters at this point, more so in North America residential while still holding the EBITDA margin above 20%. I think back to the Investor Day, you spoke to the Insulation margin range. I believe, it was 20% to 27% on a full year basis on 1.2 million total starts at the low end. So understanding you're not guiding beyond 1 quarter, but do you have a view that in that light, we could be reaching a trough on Insulation margins or is this more just going to be dependent on utilization and pricing? I'm just curious on the ability to hold the line on that low end there.

Todd W. Fister

Executive VP & CFO

Overall, there's no change to our guide from Investor Day in terms of where we view Insulation margins on a full year basis in that 20% to 27% range. We are seeing pressure on the margins in Q3 and Q4 as we see a relatively stable pricing environment, but we are still absorbing cost inflation in the business. We're also taking on idle to catch up for a bit of a heavier inventory position as we ended the first half of the year that we're correcting now in the back half as we've seen the market continue to be relatively weak from a volume standpoint. So that starts to get spread out more as we get into next year as we reset inventory levels at year-end.

So fundamentally, no change to the guide on the business. in terms of what we expect to see. And we were really happy with the execution in the third quarter as we see the strategy play out of really focusing over time on growth in the non-res and European pieces of the business, that are holding up really well from a volume standpoint, but also a pricing standpoint. And while res pricing, we've had to make some selective moves, we are seeing some product lines and end markets within the non-res and Europe piece where we're seeing positive price in our market.

So the long-term strategy is -- continues to pay off for us. In terms of relative stability in the Insulation business, but we are working through this choppy period on the res side.

Operator

Our next question comes from Philip Ng with Jefferies.

Philip H. Ng

Jefferies LLC, Research Division

I appreciate all the great color. Brian, I guess, from an inventory destock, whether it's your system or the channel, how long do you expect this to kind of take to flush out? Is this a 1 quarter event? Or is it going to take a few quarters? And when I look at your Roofing margin guidance for the fourth quarter, you're calling for a mid-20% EBITDA margin, certainly magnified by the destock and the seasonal dynamic. But as inventory and store demand normalizes at these lower levels, the 27% to 35% EBITDA Roofing margins you provided at your Investor Day, is there a good way to think about that as we kind of settle at these levels looking out to 2026?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Phil. Let me start and then I'll talk about the destock. The margin profile of the roofing business, when we set the guide of approximately 30% annual on average in that range, was really contemplating at the 30% level, a more normal seasonal business. And I think we're going to see that. So normally, in the Roofing business, you got to go back a few years but we would see lower margin performance in Q4 and in Q1 coming out of the downtimes and some higher cost inventory. And then Q2, Q3 is where we see an acceleration in margins based on operating leverage and just higher demand.

So that seasonality in that cycle where we would call the Q4 at mid-20% would not take us away from our expectation that we can still operate on an annualized basis around that 30% EBITDA margin business. So I think it's just we have not seen the seasonality in the business for several years. And so that cycle and that performance through the year, that moves up in the mid part of the year and then comes back down fourth quarter and then Q1 is more typical, more normal. And given the guide we're setting, we still think we have the ability to achieve that 30% on average annual margin profile for the business.

So on the inventory destocking, I think we normally see things in Q4 get destocked and then restocked in Q1. I would say because of probably the cautious buying nature in distribution that we're seeing this quarter, it might take into the second quarter, into the first half to really see everything get restocked. We would normally see a big portion of that come through in Q1 as distributors are getting ready for the season. But I think some of that's going to kind of play out in terms of the beginnings of Q2 storm season, how people are going to buy and set up for the year. But I would expect that distributors will get back to more normalized inventory levels, but that might, depending on the start of the year, take more into the second quarter.

Operator

Our next question comes from Michael Dahl with RBC.

Michael Glaser Dahl
RBC Capital Markets, Research Division

Yes, Brian, I just want to follow up on that, just so we're clear because if I think about what this implies for 4Q, I think this is going to be the lowest Roofing volumes in a decade if your guide is correct. And so I guess the first part of the question is, I didn't get the sense that inventories were necessarily that elevated. So just the -- like as you go into year-end, do you have a more quantitative sense of where channel inventories would be relative to normal? And then to your point in response to Phil, I think the last time we saw this in kind of '22, you did see a similar year-on-year decline in 1Q of '23. We still have a tough comp against 1Q '25 when we flip to next year. So should we still be thinking about a 20%-plus decline in shipments in 1Q? Is that kind of the order of magnitude that you're thinking about at least initially?

Brian D. Chambers
President, CEO & Chair

Yes, Mike, in short, yes, I think you're describing it how we're kind of seeing it play out in real time. I think the -- it would be the lowest Roofing volume in about a decade, given the fact that there has been no named storms here in Q3 on top of a pretty light overall storm season. So the combination of those two factors are just leading to some lower storm activity as we finish the year. That on top of just normal Q4 seasonality, I think -- and I think a little bit more cautious on distributor buying behaviors given that. So

the last time we saw this in '23, you're exactly right. We saw our Q1 that was also down 22%, 23% in terms of prior year shipments and that could be the set up.

We're not guiding to Q1, but that certainly feels like a realistic setup to how 2026 is going to start. Now that you also saw more normalized storm volumes coming through, and we saw the margin progression in the business and the volume progression in the business throughout the year. But I think the next couple of quarters for Roofing volumes are going to be pretty light, relative to the last couple of years, and we'd probably take on that shape of the year.

Operator

Our next question comes from Garik Shmois with Loop Capital Markets.

Garik Simha Shmois

Loop Capital Markets LLC, Research Division

Just to follow up on that point. On Roofing, historically, the industry has done a good job of pricing to recover cost inflation, just given these volume run rates that you're describing. As we get into the next season, do you anticipate any change in the industry's ability to recover the cost inflation you're seeing right now? Or is there anything changing perhaps competitively or from a capacity standpoint or anything happening in distribution that might give you some pause?

Brian D. Chambers

President, CEO & Chair

At this point, I would say no, nothing that would change our view of kind of the historical pricing practices that we've had in the business and the overall ability to recover inflation through price. I go back to roofing shingles are still the most affordable roofing material in the market. It is still architecturally the most widely used product in the market. So there are a number of fundamental demand drivers. It is a nondiscretionary repair and replace product category. So I think we're seeing some adjustments and resetting on more normalized storm volume.

But when I look at kind of the fundamental repair remodeling drivers of the business, those are still staying very strong in terms of the need for roofing materials when a roof is damaged. So I think those underlying drivers of nondiscretionary repair business, the ability -- the fact that it's the lowest-cost roofing material in the market, but the fact that it's architecturally the most desired, I still think create demand drivers even though it's stepping down on a year-over-year basis on an absolute basis, that would still allow us to get pricing in the market and the expectation that we'd be able to recover inflation over time.

Operator

Our next question comes from Susan Maklari with Goldman Sachs.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

I want to change a bit and talk about capital allocation. Understanding that 1 or 2 quarters doesn't necessarily change the longer-term needs. But can you talk about what you're looking for to determine if you need to make any changes to plans to add capacity across the different segments? And then with that as well, can you just talk about your priorities for capital allocation in this kind of an environment? And anything that has changed relative to the last couple of quarters?

Todd W. Fister

Executive VP & CFO

Thanks, I appreciate the question. From a capital allocation standpoint, as we think about the major projects we've got underway, these are multiyear projects that generally are going to add capacity in the out years, in 2027 and beyond. When we look at our markets, we still have a lot of confidence in the long-term tailwinds that support both the new construction and repair and remodel activity in North America

and in Europe. So there's no fundamental change long term to our outlook for the business. And we know we're in short-cycle businesses where things could change very quickly on the upside as well around market conditions in really all 3 of our businesses.

When we look at those larger projects, there's no change today in our work underway against those, in part because they support growth, but they also support cost efficiency and capital efficiency for us going forward. So these are important projects for us as we think about generating long-term EBITDA growth and cash flow growth for investors. Right now, our priority from a balance sheet standpoint is staying very, very disciplined when it comes to working capital. As you've heard throughout the call today, we're taking idle and curtailment on our existing assets to make sure we keep enough inventory to serve our customers, but we remain appropriately postured for the current market environment in terms of total inventory in the business.

As a result of that and focus on accounts payable, we're maintaining good cash flows in a fairly challenging market environment today that's enabling us to continue to invest in these longer-term projects to support earnings and cash flow growth. It's enabling us to continue to make great progress on our target of returning \$2 billion to shareholders this year and next year through dividends and repurchases. We are \$700 million along that journey already this year. But then at the same time, we're preserving a really strong balance sheet at the low end of our targeted range of 2 to 3x.

So really no change in terms of how we're thinking about capital allocation in today's market environment, even with the challenging market conditions that we're seeing, which speaks again to the new Owens Corning and the cash generation power of the business that we've created.

Operator

Next in queue we have Sam Reid with Wells Fargo.

Richard Samuel Reid

Wells Fargo Securities, LLC, Research Division

One more on Roofing. I was just hoping you could disaggregate some of the inventory comments, but perhaps in the context of the components business, just thinking through that destock, stock up dynamic that you talked to on some of the prior answers, I would just love to know if the components business is going to follow a similar path or whether there could be a divergence between shingles and components?

Brian D. Chambers

President, CEO & Chair

Yes. Thanks for the question, Sam. The -- we would expect that the inventory destocking on components would follow a similar path to shingles. Generally, distribution will buy those products in tandem. They'll manage the balance of out-the-door sales of shingles and the level of components and attachment rates and keep those inventory positions in balance. So we would expect a similar step down in terms of volumes in our components business in Q4. And then we also talked about nonwovens. We're vertically integrated, which gives us a great cost and innovation advantage, but we'd expect to see a similar step down there.

But in the component side, I think it followed the same path. And then again, when we think about the first part of 2026 and distributors starting to rebuild those inventories, I would also expect the same restocking mindset towards components to match the shingle restocking that we would expect to see in the first part of next year.

Operator

Next, we have Rafe Jadrosich from Bank of America.

Rafe Jason Jadrosich

BofA Securities, Research Division

Can you just walk us through the downtime that your impact to EBITDA that you're assuming for Roofing, Insulation and Doors in the fourth quarter? And then if the macro sort of stays consistent and soft into next year, is that something that you would expect to persist? Or is any of that related to temporary sort of maintenance downtime?

Brian D. Chambers

President, CEO & Chair

I think overall -- maybe I'll give an overarching answer because it's going to vary a little bit by business, but you can see some of the downtime curtailments. I'd say in Insulation, we've been able to manage those really, really well. You look at third quarter downtimes. We've been able to offset by the productivity. And then some of that, you can see in the MD&A. We'd expect to continue similar trends here in Q4 in terms of that.

Roofing will be a more significant sequential and year-over-year impact because of the extent of downtimes we're going to start to take in the business. But when we think about the decremental margins in Q4 year-over-year, it is primarily all volume and deleverage that fits inside of that. So the bulk of that volume and then a little bit more incremental. And then in Doors, you'll see that come through some higher manufacturing costs in Q3. We think that continues into Q4 with kind of similar levels.

So as we move into next year, I think given the volumes that we're running at today, we might see some more incremental depending on the business in terms of how we set up the year to stay very disciplined around working capital and inventory management and cash flow. But I think the bigger impact will probably be on the year-over-year comps in the businesses where you'll see a higher amount of production downtime going forward versus prior year. That will impact some of the margin performance in all three businesses to start the year. But we'll have to see how the rest of the year plays out if that would continue.

But we are going to be very disciplined in terms of managing working capital and inventories as we operate the business going forward.

Operator

This concludes our Q&A session. So I'll pass you back over to Brian Chambers for any closing comments.

Brian D. Chambers

President, CEO & Chair

Thanks, Lydia. I'd like to thank everyone for making time to join us on today's call and for your ongoing interest in Owens Corning. We look forward to speaking to you again in the fourth quarter call. Thanks, and have a very safe day.

Operator

This concludes today's call. Thank you very much for joining. Your line will now be disconnected.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.