S&P Global
Market Intelligence

Owens Corning NYSE:OC

FQ2 2026 Earnings Call Transcripts

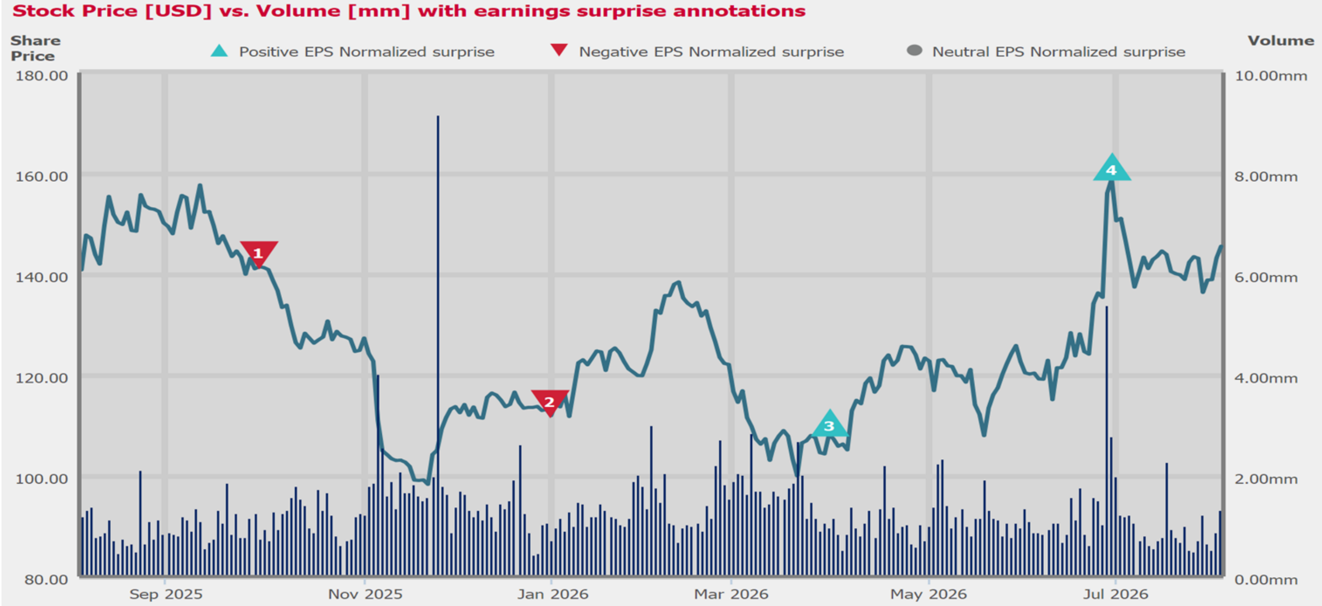
Wednesday, August 5, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.09	3.93	▲27.18	3.35	9.48	11.78
Revenue (mm)	2657.82	2756.00	▲3.69	2671.45	9904.50	10254.60

Currency: USD
Consensus as of Jul-22-2026 11:15 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	3.72	3.67	▼1 (1.34 %)
FQ4 2025	1.36	1.10	▼2 (19.12 %)
FQ1 2026	0.96	1.22	▲3 27.08 %
FQ2 2026	3.09	3.93	▲4 27.18 %

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Call Participants

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Brian D. Chambers
President, CEO & Chair

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to Owens Corning's Second Quarter 2026 Earnings Call. [Operator Instructions]

I will now hand the conference over to Darren Garvin, Director of Investor Relations. Please go ahead.

Darren Garvin
Director of Investor Relations

Good morning, and thank you for joining us to discuss Owens Corning's Second Quarter 2026 Results. Joining me today are Brian Chambers, our Chair and Chief Executive Officer; and Todd Fister, our Chief Financial and Operating Officer. Our earnings release, Form 10-Q and presentation slides were issued earlier this morning and are available on the Investors section of our website at owenscorning.com. Following our prepared remarks, we will open the call for Q&A. [Operator Instructions]

Before we begin, please refer to Slide 2. Today's remarks will include forward-looking statements, which are subject to risks and uncertainties that could cause actual results to differ materially. We undertake no obligation to update these statements, except as required by law. Please refer to the cautionary statements and risk factors identified in our SEC filings for more detail.

This presentation also includes non-GAAP financial measures. Explanations and reconciliations to GAAP measures can be found in our earnings release and presentation materials available on our website.

Financials and metrics discussed today reflect continuing operations, except for cash flow measures, which include amounts related to glass reinforcements. With the completed divestiture of glass reinforcements, Q2 will be the final quarter that cash flow includes the impact of discontinued operations. For those following along with the presentation, we will begin on Slide 4.

And with that, I'll turn the call over to our Chair and CEO, Brian Chambers.

Brian D. Chambers
President, CEO & Chair

Thanks, Darren. Good morning, everyone, and thank you for joining us today. During the call, I will provide an overview of our second quarter performance, including how a reshaped Owens Corning is continuing to outperform near-term markets while creating multiple paths for revenue, earnings and cash flow growth. Todd will then provide a more detailed review of our financial results, and I'll come back to share our outlook for the third quarter.

Our team delivered outstanding results in the second quarter, demonstrating the strength of the company we have built and our ability to execute at a high level in any market condition. This performance is a direct result of our strategic pivot to build a large-scale residential-focused building products company with unique and unifying competitive advantages, our iconic brand, unparalleled commercial strength, leading product and process technologies and our winning cost positions.

I'll share more about our financial performance in a moment. But first, I will begin, as always, with safety. We continue to demonstrate the engagement of our team and the strength of our safety processes through our Safer Together operating framework, delivering a second quarter recordable incident rate of 0.75. In June, we celebrated our second annual Global Safety Week, reinforcing our shared commitment to work safely every day.

Turning to our financial results in the quarter. We delivered total revenue of $2.8 billion and adjusted EBITDA of $660 million for an adjusted EBITDA margin of 24%. Within current market conditions, our second quarter performance continued to be driven primarily by the strong execution of company-specific initiatives to grow revenues, improve productivity and increase earnings.

We also generated strong cash flow and continue to return capital to shareholders through dividends and share repurchases. Through the first half of the year, we returned $327 million, reflecting our confidence in the cash-generating capabilities of the enterprise and ongoing focus on long-term value creation.

Overall, our performance demonstrates the strength of Owens Corning today, one of the largest and most profitable branded building products companies in the world. We are best-in-class operators with market-leading positions in attractive categories, multiple paths to deliver revenue and earnings growth and a disciplined capital allocation model that supports strong returns. These key performance drivers are creating value today and also support significant upside as we continue to execute and invest for the future.

Over the past several years, Owens Corning has built a strong track record as a best-in-class operator, consistently delivering high levels of performance across a wide range of market conditions. During this time, we have demonstrated the strength of our teams and market positions by generating revenue growth, strong cash flow and durable profitability through periods of inflation, interest rate changes and shifting market conditions.

We have structurally improved the earnings power of the company with annual adjusted EBITDA margins that have increased from an average of about 18% from 2015 through 2020 to low to mid-20% since then. For 5 consecutive years, we have delivered annual adjusted EBITDA margins above 20%, reflecting stronger execution and a higher-performing operating model. And through the first half of this year, we continue to demonstrate our earnings resiliency even in the current market backdrop.

We've applied our operational discipline across the company to leverage our enterprise scale and capabilities to reduce costs. This is evident in our Doors business. When we acquired Doors in May 2024, we committed to delivering $125 million of run rate enterprise cost synergies by the end of year 2 of ownership. As we reach the end of that time period, we have achieved $135 million, exceeding our original commitment. In addition, we have identified another $75 million of structural cost improvements across our operations and are beginning to see that materialize in our results. Doors is a clear example of how we apply the Owens Corning playbook to strengthen performance and unlock additional value over time.

Our ability to deliver consistently strong performance is also supported by the quality of our businesses and our market-leading positions. We have intentionally built a strategic business mix to outperform across cycles with leading positions in large, attractive markets and complementary product categories that deliver market-leading margins.

Our resilient residential roofing business is uniquely positioned within a nondiscretionary product category and continues to demonstrate industry-leading performance. More than 80% of roofing demand is driven by repair and replacement, providing a durable foundation for performance across market cycles. We also benefit from the ongoing shift toward higher-value roofing systems, increasing demand for our roofing components as well as our market-leading Duration laminate shingles. In fact, our premium Duration products represent the majority of the shingles we sell, and our position continues to grow, supported by the ongoing expansion of our contractor network.

Our Insulation business is an industry leader with strong long-term demand drivers. We have built a unique portfolio that spans North American residential construction, North American nonresidential applications and European markets, giving us balanced exposure to the most attractive end markets. In North American residential, the demand for more energy-efficient homes has steadily increased insulation requirements, driving the need for approximately 30% more insulation per home than a decade ago, while an underbuilt U.S. housing market continues to support long-term demand.

In nonresidential markets, our products are essential in some of the fastest-growing construction segments. One example is data centers, which leveraged several of our product lines, including FOAMGLAS, mineral wool and fiberglass pipe insulation to support critical thermal, acoustic and HVAC performance requirements.

In Europe, evolving energy efficiency regulations and renovation activity are changing construction practices and creating additional opportunities. And across our nonresidential geographies, we are capitalizing on increased substitution toward the types of high-performing insulation products we manufacture to deliver above-market growth.

Turning to our Doors business. We provide the most complete door and door system offering in North America. With leading positions across residential interior, residential exterior, luxury exterior and components categories, the business benefits from a vertically integrated model, spanning components, door panels and finished systems. Our market-leading position is being further supported by applying the unique OC advantages to increase demand, optimize our production network and accelerate innovation.

Today, we are beginning to convert these strengths into results. One example is the broader placement we have earned with 2-step distributors who value our iconic Owens Corning brand, commercial capabilities and enterprise product portfolio. We have entered new geographies and expanded placement with existing locations, and we see further opportunity to extend this momentum over time.

Building from these leading positions, we have multiple paths to deliver growth. By leveraging the OC advantages, delivering on our investments in new, highly efficient manufacturing assets, executing a more integrated go-to-market strategy and delivering on our operational plans to realize the full potential of the Doors business, we have several avenues to generate higher revenue, earnings and cash flow over time.

This year, we are investing $800 million in capital to strengthen our competitive positions. These investments position us to capitalize on the next phase of market growth, while enhancing productivity, improving service levels and strengthening cost competitiveness across the enterprise.

One of these investments, our new fiberglass line in Kansas City will strengthen our U.S. insulation network by providing flexible capacity to serve both residential and nonresidential applications, while improving our overall manufacturing efficiency as it comes online next year. Given the current residential new construction market and the growing demand for our nonresidential product offering, we anticipate this line will be dedicated to service our commercial and industrial insulation applications.

We are also progressing the construction of our new roofing plant in Alabama, which will add capacity to support our expanding residential contractor base within the largest asphalt roofing region in the U.S. We expect this capacity to be available mid-2028.

In addition, we recently commissioned a new self-adhered underlayment line at our Houston roofing plant that improves our cost position in a product category with attractive growth opportunities. Self-adhered underlayment is used across a broad range of roofing applications, including asphalt, metal and tile, allowing us to participate regardless of the roofing material selected or the shingle brand installed. This investment continues to strengthen our components portfolio, which generates attractive margins and creates another avenue for profitable growth.

As these investments come online, we have the commercial capabilities to turn capacity into profitable growth. With our 3 complementary businesses, we're utilizing an integrated go-to-market strategy that leverages our iconic brand and unparalleled commercial strength to help our customers win and grow in the market. Our comprehensive pull-through models continue to drive preference and loyalty where buying decisions are made, strengthening our relationships with contractors, builders, dealers and distribution channel partners.

We are also using advanced analytics and AI to strengthen customer engagement and support growth. In our Roofing business, we have recently deployed an AI model to analyze sales volume data and notify our commercial team of changes in customer purchase patterns. These insights allow us to engage customers earlier, protect existing commitments and pursue expansion opportunities. This capability is already generating value, and we are working to scale it across the enterprise.

Our growth agenda is supported by a disciplined capital allocation framework. We have consistently taken a balanced approach investing to strengthen our market-leading businesses, returning significant cash to shareholders and maintaining the financial flexibility to pursue value-creating opportunities.

Since 2019, we've returned approximately $5 billion to shareholders through dividends and share repurchases and more than tripled our quarterly dividend per share payout. And over 2025 and 2026, we are on track to deliver on our commitment to return $2 billion in cash to shareholders.

Before closing, I would like to recognize our team for earning a place on the Fortune 500 for the 72nd consecutive year. This recognition reflects the long-term strength of our company, the dedication of our people and our unwavering focus on serving our customers and creating value for our shareholders.

I would also like to acknowledge an important leadership transition. We recently announced that Jonathan Collins will be joining Owens Corning as Chief Financial Officer. With a decade of public company CFO experience, Jonathan brings both deep financial expertise and unique operational capabilities developed across a variety of industrial and technology companies. He will assume this role on August 10 and join us for our third quarter earnings call.

As Jonathan steps into this role, Todd Fister will transition to President and Chief Operating Officer. Todd will lead the execution of key enterprise initiatives to accelerate growth and performance, leveraging our unique OC advantages to further integrate our go-to-market strategy and standardize work across the company.

In closing, our second quarter performance demonstrates the earnings power of the new Owens Corning. With a focused portfolio, disciplined execution and continued investment, we are well positioned to deliver consistent performance and create long-term value for our shareholders.

With that, I'll turn the call over to Todd.

Todd W. Fister
Executive VP, CFO & COO

Thank you, Brian, and good morning, everyone. Our second quarter results demonstrate the earnings power of our focused enterprise. Our strategy is to build a business that performs better through the cycle, generates consistently attractive returns and operates with greater capital efficiency. This quarter's results include the impact of self-help initiatives, both commercial and operational, and we still have significant room to grow the top and bottom line.

I'll begin on Slide 5 and walk through our enterprise results for continuing operations in the second quarter. Second quarter revenue was relatively flat compared to prior year. Adjusted EBITDA was $660 million, and we delivered an adjusted EBITDA margin of 24%, demonstrating our ability to deliver substantial profitability in the current environment.

Our EBITDA results for the second quarter include $25 million in tariff refunds. About half of the impact was in our Doors business with the remainder across the enterprise. That refund partially offset the $30 million in net cost inflation we saw in Q2 related to the Iran conflict.

We anticipate the net cost impact of Iran in the third quarter to be approximately $40 million as inflation moves through inventory. This impact is included in the third quarter outlook that Brian will share in a moment. Roofing will continue to be the most impacted business.

During the second quarter, we recorded $3 million of adjusting items. Adjusted earnings per diluted share for the quarter were $3.93.

Turning to Slide 6. Free cash flow was $199 million for the quarter, an improvement from $129 million in the same period last year, driven by disciplined working capital management. Capital additions for continuing operations were $194 million, up $18 million from prior year. For the 12 months ending June 30, 2026, our return on capital was 10%.

We ended the quarter with a debt-to-EBITDA ratio of 2.4x near the middle of our targeted 2 to 3x range. At quarter end, the company had liquidity of $1.8 billion, consisting of $271 million in cash and $1.5 billion available under our bank debt facilities. We have $400 million of senior notes due in the third quarter that we intend to pay off using commercial paper.

We returned $264 million to shareholders this quarter in the form of share repurchases and dividends. We repurchased common stock for $200 million and paid a cash dividend totaling $64 million. Year-to-date through the second quarter, we have returned $327 million to shareholders and remain committed to returning $1 billion in 2026 through dividends and share repurchases, in addition to the $1 billion we returned in 2025.

Our strategy continues to be focused on generating strong operating cash flow, making targeted capital investments, returning excess cash to shareholders and maintaining an investment-grade balance sheet.

Now turning to Slide 7. I'll walk through segment results beginning with Roofing. Roofing second quarter results continue to demonstrate the strength of this business. Sales were approximately $1.3 billion, up slightly compared to prior year, driven by favorable product mix as we saw good demand for our high-value products. The overall asphalt shingles and components market was up slightly versus the prior year, stronger than anticipated based on elevated restocking in the quarter.

Through the second quarter, in-year storm activity was broadly in line with historic averages and slightly behind prior year. Our shingles and components volumes were slightly ahead of the broader market, reflecting strong demand for our products and our uniquely positioned contractor engagement model. Strong roofing components attachment in the quarter also reflected the value customers place on our full system. The strength in shingles and components was impacted by lower nonwovens volumes tied to a low-margin contract exit.

EBITDA came in at $441 million, down $16 million from the prior year. The decrease was primarily driven by higher inflation, including transportation that resulted in negative price cost as a result of relatively flat pricing in the quarter. We're seeing solid realization from the price increases announced in the market in the second quarter. Roofing produced an EBITDA margin of 34% in the quarter.

Turning to Slide 8, I'll discuss our Insulation business. Insulation continues to deliver resilient results. We saw particular strength in the European and nonresidential businesses in the quarter. Sales were $971 million, up 4% from last year, driven primarily by higher volumes along with a modest currency benefit.

Q2 marks the final quarter impacted by the sale of our China building materials businesses, which had about $130 million of annual revenue. North American residential revenue was up slightly versus last year, with stronger volumes helping offset the impact of previously implemented pricing actions. North American nonresidential revenue increased versus prior year, driven by higher volumes and pockets of strong end market growth. And in Europe, we delivered growth as a result of strong commercial performance in improving core markets.

EBITDA was $213 million for the quarter, down from prior year as a result of slightly lower pricing and continued inflation. Our team continues executing in both residential and nonresidential markets, generating an EBITDA margin of 22% in the quarter, and we remain well positioned to capitalize on secular drivers tied to energy efficiency and building performance.

Moving to Slide 9, I'll provide an update on the Doors business. Doors continues to navigate current dynamics in the repair and remodel and new construction markets, while executing strategic commercial and operational improvements that position us for long-term margin expansion.

Second quarter sales were $513 million, down 7% from the prior year, primarily driven by strategic business exits. As a reminder, we divested our distribution business in Q1, which had annual net revenue of approximately $70 million. We also sold our Oregon components facility in the fourth quarter of last year, which had annual sales of approximately $50 million. The combined net revenue impact of these actions in our second quarter results was $30 million.

EBITDA in the quarter was $57 million, down compared to last year due to lower volumes and higher transportation costs. The business generated an EBITDA margin of 11%, ahead of our guide, driven by the impact of tariff refunds.

Turning to Slide 10. I'll briefly cover corporate and outlook-related items for continuing operations. For the full year, we continue to expect general corporate EBITDA expenses in the range of $245 million to

$255 million. Our 2026 effective tax rate is expected to be in the range of 24% to 26%. Depreciation and amortization is expected to be approximately $680 million for the year, and capital additions are expected to be around $800 million, with more than half driving productivity and growth initiatives across the enterprise.

Finally, I am excited to partner with Brian and the entire OC team to accelerate our results as an enterprise focused on being the best branded building products company in North America and Europe. And I welcome Jonathan to the team.

With that, I'll hand it back to Brian.

Brian D. Chambers
President, CEO & Chair

Thank you, Todd. Our performance in the second quarter continues to demonstrate the durability of our business model in current market conditions. Our teams are executing with precision and the results demonstrate the strength of our strategy and the resiliency of our operating model.

For the third quarter, we expect discretionary remodel activity and new residential construction to remain under some pressure. In Roofing, we are planning for seasonal storm demand to be in line with historical averages, but expect to see the impact of heavier Q2 inventory stocking, reducing distributor purchases in the quarter. Nonresidential construction across North America is projected to remain stable. And in Europe, we continue to see signs of a gradual recovery in our core markets.

From an enterprise perspective, we expect third quarter revenue in the range of $2.6 billion to $2.7 billion, slightly below the same period last year. Our adjusted EBITDA margin is anticipated to be approximately 20% to 22%.

Now consistent with prior calls, I'll provide a more detailed business specific outlook for the third quarter. Starting with our Roofing business, we anticipate revenue to be down mid- to high single digits compared with the prior year. Even with a more normalized storm season, we expect ARMA shipments to be down high single digits in the third quarter as market volume was pulled forward into Q2 ahead of announced price increases. We anticipate our volumes to be broadly in line with the market.

While we are seeing solid realization of our Q2 pricing actions in the third quarter, ongoing input and transportation inflation is expected to result in negative price/cost. Overall, we expect Roofing to deliver an EBITDA margin of approximately 30%.

Moving on to our Insulation business. We anticipate mid-single-digit revenue growth compared to prior year. North American residential revenue is expected to be relatively flat to last year, with slightly higher volumes offset by the impact of previously targeted pricing actions. Given our decision to start up our new Kansas City line focused on nonresidential products, combined with upcoming furnace rebuilds planned over the next 2 years, we plan to restart our Nephi, Utah, plant in the fourth quarter. As a reminder, this is one of our smaller, more flexible production lines that can be used to service the residential market primarily on the West Coast.

For North American nonresidential, we expect revenue to be up low double digits on the strength of higher volume and pricing execution. And in Europe, we anticipate revenue to be up versus prior year, driven by strong volume, pricing execution and a continued recovery in our core markets. Overall, for the business, we expect slightly positive pricing to be more than offset with ongoing costs and transportation inflation, resulting in negative price/cost in the quarter. Given all that, we expect Q3 EBITDA margin for Insulation to be in line with Q2, which was 22%.

Turning to our Doors business. We expect revenue to be down mid-single digits compared to last year, primarily due to the divestitures Todd mentioned earlier. We expect to continue seeing the positive impacts of our cost optimization initiatives and enhanced go-to-market strategies. Pricing in the quarter is expected to be slightly positive, and we've implemented a price increase that will take effect near the end of the third quarter. But given ongoing material cost and transportation inflation, we expect negative price/

cost in the quarter. Overall, for Doors, we expect a third quarter EBITDA margin of approximately 10%, in line with prior year.

With that review of the business outlook, I want to close out with a few enterprise comments. Despite current market conditions, we remain focused on delivering on our strategy and leveraging the OC advantages to help our customers win and grow. We are positioning the company as a best-in-class performer with multiple levers for revenue growth, earnings expansion and cash flow generation. Additionally, we are well positioned to benefit from several key secular trends such as energy efficiency and an aging housing stock that provides significant opportunities for long-term growth.

Finally, I want to recognize the hard work and commitment of our teams across the company. Their focus on safety, innovation and operational excellence to service our customers continues to set us apart and puts us in the best position to achieve strong results regardless of market conditions.
With that, we would like to open the call up for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Stephen Kim with Evercore ISI.

Stephen Kim
Evercore ISI Institutional Equities, Research Division

Appreciate all the color. A lot we could talk about, but let's start with Insulation. The degree of the volume strength surprised us. I think you indicated that the nonres in the U.S. and Europe kind of drove some of the strength. But North American resi was also up slightly. So if we just sort of unpack that, your volume, I think, was up kind of high single digits. Can you give us a sense for a little bit more granularity as to where that strength on the top line came from?

And then also, you talked about opening up Nephi, and I think you -- or reopening Nephi. I think you mentioned that was going to be kind of like to offset some rebuild activity. So I was wondering if you could give a little more color on like just when is the rebuild going to happen, how quickly is Nephi going to be open, and what is your longer-term intention with respect to keeping Nephi open.

Todd W. Fister
Executive VP, CFO & COO

Stephen, thank you for the questions. Let me start with the volume strength piece, and then we can talk about how Nephi fits into the picture. When we look over a longer period of time, I mean, really, it's been almost a decade-long strategy now within our Insulation business to really invest heavily in the nonres and European pieces of the business to support organic volume growth. And you see that most recently with the XPS line that we started up in Arkansas. We invested in our stone wool facility in Sweden. And then we've got a Kansas City line coming up next year, which, as Brian shared, will start up, focus more on the technical insulation piece of the business. So we've been very much focused on organic growth there.

We're really proud of how our teams executed in the quarter. When we look at nonres in Europe, markets are decent there in the nonres piece. We've got pockets of real strength in data centers which we would kind of put at 5% or less of our overall revenue, but it's growing at a fast enough rate that it is helping us on the top and bottom line in Insulation. But we're also seeing strength in other pockets and pretty broad-based strength in the nonres pieces in North America.

Same story is true in Europe. We're seeing our core markets rebounding. We've been talking about green shoots and improvement there for a while. We're seeing that occur. But really, in both cases, we're seeing great commercial execution by our teams to serve our customers really well and just perform well in the current markets that we're in. And you can see that continue with the guide that we gave for Q3 as well. We expect those trends really to continue into the third quarter.

When we look at res, we talked last quarter that we were down a bit versus the market in Q1 in res. We rebounded then to be a little better than the market in the second quarter. The guide for Q3 suggests again, compared to lagged housing starts, we'd be a little bit better than lagged housing starts in Q3. But if you look at all 3 quarters together, we're more or less tracking the market. So we're happy with the commercial performance that we're seeing.

I think we're benefiting somewhat from customer mix and geo mix of just where some of the strength in multifamily is occurring and some of the single-family dynamics. But generally, I would look at it on more of a rolling basis through the year rather than quarter-by-quarter because we do know there are some quarterly items that can move around.

When we look at Nephi, we are reopening Nephi. We designed Nephi to be a plant that would be relatively straightforward for us to take down and start up. It's one of our smaller lines. It is to support a couple of things. One, we've got rebuilds occurring in '27. We've got a couple of rebuilds in our system. So Nephi is an important part of making sure we can serve our customers well. As Brian shared, we intend to start up the Kansas City line focused more on the technical insulation piece, and Nephi also fits how we want to manage the network overall.

And I would just share, in the short run, we don't expect much of a cost increase related to restarting Nephi. With diesel and in transportation, where it's at, we can serve the West Coast more cost effectively with that asset running. So we'll start it up in Q4. And assuming everything stays the same around delivery cost, we're not going to have too much of a onetime cost impact from the start-up. So that's the dynamic.

Operator

Your next question comes from the line of John Lovallo with UBS.

John Lovallo
UBS Investment Bank, Research Division

Relative to, I guess, the long-term targets, Roofing EBITDA margins have been strong. Doors have shown some nice progress. Insulation margins, though, have been under some pressure. I think they're a few hundred basis points below that long-term target of 24% and kind of sitting at the lower end of that 20% to 27% range. So can you just kind of help us with the path to get back towards closer to that 24% range over time?

Todd W. Fister
Executive VP, CFO & COO

Thanks, John. I appreciate the question. So when we look at the guide at Investor Day, we range that based on a housing market between 1.2 million and 1.6 million housing starts. So we've been at the lower end of that range, both in terms of new starts as well as resale activity has been fairly weak since we communicated that.

When you look at the major driver of why we're a little lower than the 24%, it's really the price/cost dynamics. We've absorbed quite a bit of inflation in this business over the last couple of years. And even now, we're absorbing some delivery inflation as well as other materials inflation in the business. It's been a couple of years since we've gotten price traction on the res side. We do have a price increase out in market now. It did get pushed to September. But pricing will be a part of that story given the amount of inflation that we've absorbed.

The other piece of the story, though, is structurally, nonres and European businesses are good mix for us. And as we grow disproportionately into those spaces, we also like the mix impact that we would see on EBITDA margins over time.

The final piece, I would say, is just continuing to work on productivity. We have a really good track record in that business of driving pretty consistent productivity really end to end through manufacturing, supply chain and network optimization. As we start up assets like our Russellville asset and XPS as well as Kansas City, we like those new modern assets because we tend to have lower ongoing operating costs from those locations. We also balance out our network a bit more to give us some supply chain benefits as we go forward.

So there will be a price over cost element, there will be just a mix -- business mix element, and then there will be a productivity element, all of which should give us momentum to get closer to the 24% over time.

Operator

Your next question comes from the line of Trevor Allinson with Wolfe Research.

Trevor Scott Allinson
Wolfe Research, LLC

Congratulations to Todd on the new role. First one -- question is on roofing price realization. I think you mentioned you're expecting good realization on that increase. How would you compare what you're expecting relative to historical standards? And then maybe just to put a finer point on that, if we look at your revenue guide and the volume numbers that you're talking about, on one end of the range, it could imply something close to flatter pricing. Just wanted to see if you could provide any more color on what you're expecting in terms of year-over-year roofing pricing in the third quarter?

Brian D. Chambers
President, CEO & Chair

Yes, I think we're seeing very good price realization across the April and June increases. So on the last call, we talked about the April announcement seeing some realization. Given the inflation pressures that we're seeing around asphalt costs, other input material costs, transportation, delivery costs, we announced the June increase and put that into the market. Combined, I think we continue to see good realization, I'd say, in line with historic averages that we've seen in the past.

So we feel like that momentum is building. So pricing was pretty flat in Q2, but we continue to see that price realization come through in our numbers, and we expect that to build in Q3 and then in Q4 in terms of helping us to recover some of that cost inflation. So we feel we're set up well there, and we continue to think we're going to see that realization increase in terms of a year-over-year impact on pricing as we go through Q3 and then in Q4.

Operator

Your next question comes from the line of Rafe Jadrosich with Bank of America.

Rafe Jason Jadrosich
BofA Securities, Research Division

I just wanted to sort of give you a chance to -- if you have any response to sort of the Carlyle headlines that are out there. And maybe, Brian, can you talk about how you think about the valuation today versus like the long-term opportunity?

Brian D. Chambers
President, CEO & Chair

Yes. I'm not going to comment on speculation raised in an article driven by anonymous sources. We believe our strategy is delivering great value for our customers when I think about our investments in innovation and pull-through in the demand and helping our customers win and grow in the market. We think our strategy is delivering great value for our shareholders, which I talked about in my prepared comments. When we look at the cash generation of the company and the improvements we've made over time, we've returned now close to $5 billion to shareholders over the last -- since 2019. We've more than tripled the dividend.

So we believe our strategy is generating great financial results that we continue to improve. It's increased the durability of our margins, our cash flows, and that we've been very disciplined capital allocators to invest in our business. Sometimes that's -- it's going to be heavily weighted towards share buybacks given some of the valuation we see in the market today. It's going to be investments in organic growth that we continue to strengthen our market positions. And then we want to be dedicated to returning capital to shareholders, which we've committed and had a committed strategy to return at least 50% over time. We've exceeded that over the last several years given the strong cash generation and the financial improvements we've made within the company.

So we believe our strategy is generating great results. We like our position. I talked quite a lot about the journey we've been on to reposition and refocus the company as a branded large-scale, residentially focused building products company with 3 very complementary market-leading businesses that we are driving more integration through and really bringing the OC advantages that we think is going to be able to accelerate growth and performance as we go forward. So we believe all the moves we've made continues to create a compelling investment thesis for our shareholders. We believe we continue to invest in growth and the top line for the company, and that's going to service our customers well.

And lastly, I'd say, I think our Q2 performance, our first half performance is just an ongoing proof point of the strength of our company, the strength of our businesses and the execution of our team. So we feel very good about how we're operating today. We feel very good about the strategy and direction of the company.

Operator

Your next question comes from the line of Susan Maklari with Goldman Sachs.

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

My question is on the roofing channel inventories. You mentioned that there was some pull forward in the quarter related to the pricing actions that came through. Can you just give us some sense of how much do you think is sitting out there? And if we do have an average storm season as we move through the late summer and into the fall, how long could it potentially take us to get some normalization back to that market?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks for the question. Yes, we did clearly see some pull forward, particularly around the June increase that impacted volumes in that quarter and then resulted in a little better volumes overall in the market and for our business. I'd characterize it probably as I think about it is when we look at the pull forward, previously, when we were putting our guide in, we guided to a market that was going to be down kind of mid-single digits. We thought that was incorporating any kind of prebuying around the April increase. We finished significantly higher than that. The market finished pretty flat.

So I would say when you look at that pull forward without it, we probably would have been getting on this call guiding to a market in Q3 year-over-year that would have been pretty flat as opposed to down. So we think that difference in terms of that guide now is really the reflection of some of the inventory that was prebuilt around the June increase overall in the marketplace. So I think when we look at Q2, Q3 volumes, we kind of -- I'd put those together in terms of the market itself. I think the first half market was still impacted by some weaker storm activity, as Todd mentioned in his comments. The in-year storm activity is kind of falling in line with historical averages, still a little weaker on a year-over-year basis.

We also, just as a reminder, last year in the first half had about 3 million squares of storm carryover that was being serviced. We didn't have any carryover really coming in this year. So I would say there's been some regional variances in overall market demand emerging as we go through this year, where pockets in regions like the Midwest, Upper Midwest, Mid-Atlantic, we're seeing very good market demand and good volumes. Areas in the Southwest, Southeast, which are a little bit more storm dependent, we're seeing a little weaker volume.

So I think, overall, I'd say distributor inventories are a little heavier than normal, but it's very regional in terms of where that market demand is. So to your question on how that kind of plays out through the year, if we have a more normal -- historically normal storm season, we think those volumes kind of work through Q3 into Q4. If we have a little lighter year, that could impact Q4 volumes a little bit as distributors try to restock the inventory. But I'd say the second half demand is going to be much more dependent on storm demand, and it's going to be much more regionally dependent than we've probably seen in the last couple of years.

Operator

Your next question comes from the line of Phil Ng with Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

Congrats on a strong quarter. I guess a question perhaps for Todd. You guys gave some color in terms of the tariff refunds for the quarter. How should we think about it for 3Q? And there's, obviously, been a lot of movement on tariffs, including Section 338. And you got some dynamics with your Doors business there. So just give us an update on how to think about that tariff refund dynamic. And then more broadly, inflation, you gave us some color on 3Q. Should we think later in the year that moderates? And does that price/cost dynamic perhaps improve going into the fourth quarter?

Todd W. Fister
Executive VP, CFO & COO

Thanks, Phil. Appreciate the question. So just to recap what we shared about our Q2 results, we had about $25 million of net benefit from tariff refunds. About half of it in Doors. The rest spread across the enterprise. There is -- you can see in our footnotes, there's a little over $20 million that we have pending as potential refunds in the future. We don't know for sure if it's going to hit Q3, Q4. It could even be spread across both quarters. We would anticipate that it would impact this calendar year, though. It's a very different shape, though, of what we saw in Q2. It's pretty spread across the businesses, and it's really not material for any one business going forward. That has been excluded from our guide. So that was not included in any of the numbers that Brian shared on the outlook for Q3. So that could be a little bit of modest upside if we see that impact the quarter.

Overall, from an ongoing tariff standpoint, it's pretty steady, excluding the impact of the refunds. We continue to see tariffs across our businesses. It's impacting Doors disproportionately compared to the other businesses. And we don't really see that easing up here in the near term as we get certainly through the next couple of quarters. When we look at inflation broadly, a lot hinges on what happens with Iran.

So as we shared in our comments, we are giving a net inflation number now related to Iran. The reason we're doing that is some of the gross inflation is getting caught up on the balance sheet and is impacting subsequent quarters. So some of the gross inflation we saw in the second quarter is going to impact Q3. If we saw a sudden stop to the Iran inflation, there is a little bit of a tail impact here, of it continuing as we work through the value of that inflation and inventory in subsequent quarters.

Overall, we don't know if Iran continues into the later part of this year. It's had an impact on asphalt cost. It's had an impact on transportation costs, and in particular, diesel fuel, which I mentioned earlier. It's also starting to come through some of the other materials that we buy, like, for example, polystyrene in our Insulation business is inflated. So we're seeing some of that impact come through, but a lot of it could taper off if we saw resolution to Iran later this year.

In terms of the price cost, price needs to be a part of this equation that we've got. So we're going to do everything we can on the inflation side to temper and mitigate the impacts. But we do have price increases in the market now in all 3 of our businesses. As Brian shared, we've seen good traction on the Roofing increase. We've seen good traction on our nonres and European increases. We're starting to see some traction on the doors increases in the market. And then we've got the price surcharges to offset the increased fuel costs also in market. So we're seeing some momentum on the pricing side, but that's an important part of the story, Phil.

Operator

Your next question comes from the line of Anthony Pettinari with Citi.

Anthony James Pettinari
Citigroup Inc., Research Division

Just following up on Phil's question on the tariff refunds. It seems like some of your peers are using a portion of their refunds for growth initiatives. Are you contemplating that? Or should we just treat it as really an offset to inflation? And then maybe to broaden the question a little bit, in Doors, where I guess the lion's share of the tariffs impact is, how do you balance kind of investing in the business for future growth versus cutting and optimizing on cost?

Todd W. Fister
Executive VP, CFO & COO

Thanks, Anthony. I appreciate the question. So yes, I mean, when we look at the amount we've absorbed in terms of tariff impact and then Iran impact, in particular, for the Doors business, it is a really substantial impact to the EBITDA margins that we delivered in Q2, and then we guided to for Q3. So our view would be that the refunds offset significant costs we've incurred across Owens Corning as a result of the tariffs that were in place.

When we look at investments -- I mean, we continue to invest in our business. We invest in innovation. We invest in our brand. We invest in other marketing programs. We're really focused now on how do we serve our customers well across all 3 of our businesses. But that's really unrelated to anything that we're seeing from a tariff refund standpoint.

Operator

Your next question comes from the line of Mike Dahl with RBC Capital Markets.

Michael Glaser Dahl
RBC Capital Markets, Research Division

Just to circle back on Roofing. Can you be a little more specific in terms of -- you said your shingle volume outperformed the market, but then you had some offsets on the nonwovens. Can you help us understand kind of what volumes look like from a pure shingle standpoint? And then within the guide for 3Q, how much of an impact is that nonwovens contract going forward? And then the final piece would be, I think previously you expected Roofing specifically get back to price/cost positive in the fourth quarter or by year-end. Can you just clarify, given all the moving pieces, if that's still your expectation?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks. I'll take them in order here. So the underlying shingle and components business in Q2 outperformed the market. I think this is a -- was a contract, a nonwovens customer that the contract ended at the end of last year. So the volumes kind of Q4, Q1 were a lot lighter on a year-over-year comp and Q2 was the heaviest buy. So it had a little bit more of an impact. That phases out really in next quarter, Q3. So there wouldn't be any year-over-year impact there. But it was really kind of an anomaly around just a very large amount of volume purchased by this contract customer in Q2 of last year that kind of materialized through the numbers. But again, the core shingle components business saw volume growth in the quarter and outperforming the market on that piece. But again, this nonwovens impact, we shouldn't have a big impact in Q3, and then that drops off on a year-over-year comp.

On the price/cost piece by Q4, again, this is going to be a little bit to Todd's comments earlier around. I think it's going to be more dependent on the inflationary environment. We have seen inflation around material cost inputs, asphalt costs and roofing and particularly delivery costs really accelerating and continuing to move up in a way that we've got announced price increases that we should be able to offset if we see some stability there. But I think our Q4 outlook around price/cost neutral on all inflationary costs. It's going to be highly dependent now in terms of what we see around asphalt and other energy cost inflation and delivery cost inflation.

So we're going to continue to focus, as Todd talked about in terms of some price realization. Our teams continue to look for all ways to offset these incoming costs. Our sourcing team is working hard. Our supply chain team is working hard. Our manufacturing teams are to find productivity offsets. So we're going to look at trying to get price/cost neutral, but we're also looking holistically of how we sustain margins in this inflationary environment. I will say, though, over time, we've got a great track record of achieving and overcoming asphalt inflation through price and getting back to pricing that offsets all inflation. But depending on the market environment we face on some of the costs that are coming at us, it's going to be a little bit more dependent if we see that by Q4, or if that trades into 2027.

Operator

Your next question comes from the line of Sam Reid with Wells Fargo.

Richard Samuel Reid
Wells Fargo Securities, LLC, Research Division

Another question on Roofing here. I've heard in the prepared remarks some comments on broader placement and perhaps some new geographies. And I believe that was specific to the Roofing category. Did that -- any of that show up in the second quarter in the form of extra sell-in? Is there some sort of sell-in dynamic contemplated in your third quarter guidance? Just help us unpack that dynamic.

Brian D. Chambers
President, CEO & Chair

Yes. And actually, the comment was more on Doors specific than in Roofing. So in Roofing, look, we continue to invest in our contractor engagement model. We continue to add contractors to our network. We continue to see a larger portion of our shingle demand through that dedicated and very focused OC contractor network. So we continue to see that bridging in there. But in distribution and Roofing, we're very balanced. We continue to take that approach and see good results by giving our contractors the widest view in terms of how they want to service their business.

My comments were more around the Doors business, where we continue to bring our commercial strength into that business and really following the same playbook we've done in Roofing and Insulation over time, which is we're investing heavily in downstream demand creation, particularly with dealers and builders.

We're starting to see that come through, and we saw that coming through in order volumes in our Doors business in Q2. We continue to look at broader distribution that values the full product line of Roofing, Insulation and Doors, and we've been able to get some placement in the quarter that's generated some incremental volume in our Doors business. And we continue to see that strength continue to grow in terms of giving us some new locations in terms of where we can get stocking positions with our Doors business. So that's really the reference of what we're seeing in terms of the broad commercial strength, and we're building a lot of very good market momentum around our downstream pull-through strategy around our broad complementary product offering to distribution partners that want to stock all 3. And that's ultimately coming through with some better volumes that we saw in Q2 in the Doors business that we think continue in the back half of the year.

Operator

Your next question comes from the line of Brian Biros with Thompson Research Group.

Brian Biros
Thompson Research Group, LLC

You talked in the prepared remarks about some, I believe, AI efforts to help kind of customers, I think, manage demand and help find new opportunities. And you said you're already seeing some value and kind of expect to roll this out further across the segments and the company. Can you just talk a little bit more about that and put a finer point to kind of the value you're seeing now, expectations for the future and timing for that kind of rollout?

Brian D. Chambers
President, CEO & Chair

Thanks very much, Brian. Yes. I think like most companies, we're exploring a lot of use cases of how we're applying, particularly agentic AI, generative AI into our business operations. And a lot of this focus has been on administrative functions and operations. Last call, I talked about how we're expanding AI into our manufacturing processes that we can evaluate data just much faster and make decisions around process improvements around our quality systems that we're deploying AI models and tools around.

And then this was an example commercially where we're doing one example of many kind of use cases and pilots we're putting into the commercial teams. But this one is specific to our ability now to look at a lot of our purchasing data from particularly distribution customers or contractor preferences and analyze large quantities of data, and now we can start to spot trends through this AI model in terms of any changes in purchasing patterns, purchasing behaviors, product choices that now gets a summary report by location, by distributor, by customer in a way to our -- and directly out to our commercial sales team where they can look at that and then take some action and follow up and say what's driving that change in purchasing behaviors. And that's allowed us to be in front of some changes to identify opportunities inside our Roofing business.

So we've done enough of the pilot now, and we've seen enough benefits from that in terms of giving our commercial teams access to the information that they can go take into our customers and have great conversations around that we're going to be rolling that out across the company. So I think one example, again, of how we're trying to deploy AI tools to be more efficient, more effective, be better service partners for our customers. And that's starting to see some results in Roofing today that we expect will generate some good results in our Insulation and Doors businesses as we roll this out.

Operator

Your next question comes from the line of Adam Baumgarten with Vertical Research.

Adam Michael Baumgarten
Vertical Research Partners, LLC

You mentioned a couple of insulation plant rebuilds in '27. Will the ramp-up of Nephi cover that capacity that will temporarily be down? Or I'm just trying to figure out how your net North America residential capacity will look in '27 versus '26.

Todd W. Fister
Executive VP, CFO & COO

Thanks, Adam. Yes, let me tackle that. So Nephi will help. Nephi is a small asset, though, but having it up for a full year will offset some of the impact that we're seeing. What we really designed into the new Kansas City line is flexibility to serve multiple parts of the market. So Kansas City is a larger line. And while we started up on technical insulation, it has the benefit of also giving us flexibility then broader in the network to make sure we can meet expected customer demand as we get into the year.

Operator

Your next question comes from the line of Collin Verron with Deutsche Bank.

Collin Andrew Verron
Deutsche Bank AG, Research Division

I was just hoping you can help bridge and quantify some of the moving pieces around the 400 basis point sequential decline in Roofing EBITDA margin you're expecting from Q2 to Q3. You've taken some price in June. So I think there could be some benefit from price. So I guess I'm just trying to understand some of the headwinds that you might be seeing. How much of that is volume deleverage versus maybe the absence of tariff refunds or worsening price/cost?

Brian D. Chambers
President, CEO & Chair

Yes. It really is primarily going to be driven by the volume and volume leverage. That's the biggest change on a quarter-to-quarter sequentially. We are seeing some incremental inflation. We're also expecting to see some incremental pricing. But -- so when we look at that price/cost, we are still guiding to -- that's going to be negative. So that still creates -- that creates a little bit of headwinds. But I'd say the vast majority of that 400 basis points decline is tied to volume, primarily just volume loss and then a little bit of volume leverage. And then third, smaller element is a little bit of negative price/cost that embeds in there.

But overall, again, I'd say, even with those changes down, if I just step back, the performance of the business is still very strong. These kind of volumes still generating 30% EBITDA margins out of our guide. So we still feel like the strength and durability of the business is there, although there's a little bit of volatility quarter-to-quarter in terms of the volumes that we're seeing in shipments.

Operator

Your next question comes from the line of Matthew Bouley with Barclays.

Matthew Adrien Bouley
Barclays Bank PLC, Research Division

I wanted to go back to the Insulation volumes and this kind of strong volume outlook in both North America nonres. You mentioned data center. And then in Europe, you mentioned building changes. And I heard you loud and clear that this is also the reflection of a lot of the investments you've been making in the past kind of coming to fruition here. So I know you obviously kind of kept the forward view capped here at the Q3 guide, and you're not going to guide beyond that. But my question is, do you have some visibility to the backlog here? Or if there is kind of a sense if there's a broader or longer trend going on here in these 2 categories, or if there's anything we should understand around sort of near-term lumpiness that's helping you right now?

Todd W. Fister
Executive VP, CFO & COO

Thanks, Matt. I appreciate the question. So our view would be the commercial strength we're seeing there is a combination of structural changes that we've made, investments that we've made, the product portfolio that we have, the geography focus, the product segment focus in both of those businesses, combined with some pockets of good market conditions. So when we look at Europe, Europe has been weak since the Ukraine invasion. We're starting to see some green shoots in the markets that we serve in Europe that are encouraging. Much like the U.S., Europe is underbuilt though because it's been a number of years of seeing construction activity below long-term averages.

So our view would be that Europe is due for sort of a stronger market conditions, and we're really well positioned to serve those markets. When the rebuilding of Ukraine starts to really heat up, that could be another catalyst for strength in Europe over time. And we really haven't seen that in our results yet.

When we look at nonres in North America, the pockets of strength are related to data centers. Health care has been good. Some of the interiors businesses have been good. We're seeing the reindustrialization of the U.S. benefit us from a process technology as well as a building insulation standpoint. So that should continue for a bit longer. At some point, that may taper off as a result of companies that have kind of onshore back to the U.S. that won't do it again. But for the near term, we're seeing good strength in that North American nonres piece of the business as well.

Operator

There are no further questions at this time. I will now turn the call back to Brian Chambers for closing remarks.

Brian D. Chambers
President, CEO & Chair

Great. Thanks. I want 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 on our third quarter call. Thanks, and have a safe day.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.