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EDITED TRANSCRIPT

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An LSEG Business



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- **Joshua Spector** *UBS AG - Analyst*
- **Salvator Tiano** *Bofa Merrill Lynch Asset Holdings Inc - Analyst*
- **Frank Mitsch** *Fermium Research LLC - Analyst*
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- **John Roberts** *Mizuho Securities USA LLC - Analyst*
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- **David Begleiter** *Deutsche Bank AG - Analyst*
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PRESENTATION

Operator

Good morning, and welcome to Olin Corporation's third quarter 2025 earnings conference call. (Operator Instructions) Please note, today's event is being recorded.

I would now like to turn the conference over to Steve Keenan, Olin's Director of Investor Relations. Please go ahead, Steve.

Steve Keenan Olin Corp - Director, Investor Relations

Thank you, operator. Good morning, everyone. We appreciate you joining us today to review Olin's third quarter 2025 results.

Please keep in mind that today's discussion, together with the associated slides as well as the question-and-answer session that follows, will include statements regarding estimates or expectations of future performance. Please note, these are forward-looking statements and that Olin's actual results could differ materially from those projected.

Some of the factors that could cause actual results to differ from our projections are described without limitations in the Risk Factors section of our most recent Form 10-K and in yesterday's third quarter earnings press release. A copy of today's transcript and slides will be available on our website in the Investors section under Past Events. Our earnings press release and related financial data and information are available under Press Releases.

With me this morning are Ken Lane, Olin's President and CEO; and Todd Slater, Olin's CFO. We'll start with some prepared remarks, then we'll look forward to taking your questions. In order to give everyone an opportunity, we will limit participants to one question with no follow-ups.

I'll now turn the call over to Olin's President and CEO, Ken Lane.

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Thank you, Steve, and thanks to everyone for joining us today. Let's start with slide 3 and our third quarter highlights. During the third quarter, we delivered robust results, reflecting strong performance in our Chlor Alkali products and Vinyls business, partially offset by ongoing weakness in our Epoxy and Winchester commercial ammunition businesses. We remain disciplined in our value-first commercial approach and operated our assets safely, reliably and efficiently.

Team Olin is more committed than ever to executing our value-first commercial strategy, maximizing cash generation and delivering on our capital allocation priorities while preserving our strong leverage to a demand recovery. During the third quarter, we continued to generate positive operating cash flow, and with a focused effort by Team Olin, achieved a significant milestone by securing our eligibility for Section 45V clean hydrogen production tax credits, which Todd will discuss shortly.

Now, let's turn to slide 4 and review our Chlor Alkali products and Vinyls results. Third quarter ECU values remained stable as did global caustic soda demand. The main end markets for caustic soda have held up well. Some weakness in pulp and paper has been largely offset by good demand in other markets such as alumina and water treatment. As expected, caustic soda remains the stronger side of the ECU.

Adding to the good results for CAPV was improved operating performance and lower costs. We are beginning to realize the benefits of our Optimize the Core strategy. During the quarter, we announced the dissolution of our Blue Water Alliance joint venture with Mitsui at year-end. Mitsui has been a long-term partner for Olin, and that will continue to be the case.

However, we believe the complexity of a joint venture is not needed for us to strategically manage our participation in the EDC market. Aligned with our value-first commercial strategy, we will reduce our spot EDC exposure and focus on longer-term structural relationships, offering higher returns across the cycle.

Looking forward to the fourth quarter, we expect seasonally lower demand, and our Chlor Alkali team is focused on preserving ECU values. In support of that, we are taking aggressive steps to adjust our operating rates, which will also help us deliver on our target to reduce working capital.

Now, let's turn to slide 5 for a look at our Epoxy results. Global Epoxy resin demand remains weak, and we continue to face significant headwinds in both Europe and the US regions, facing subsidized imported resin from Asian producers. US demand has been more resilient than Europe. And with the removal of Epoxy resins from Annex 2 tariff exemptions, we are seeing traction with US price increases.

In spite of these market dynamics, Olin's third quarter formulated solutions volume improved sequentially. Fourth quarter planned maintenance presents a \$14 million sequential headwind to Epoxy earnings. As we execute this turnaround safely and efficiently, the Epoxy team will focus on cash management as they reduce year-end inventories.

Olin's new Stade, Germany supply agreement will provide improved economics for our European production, similar to the benefits from our integrated operations at Freeport. Starting in January 2026, the new agreement is expected to provide an annual adjusted EBITDA benefit of approximately \$40 million. With rationalization of capacity in Europe, we are seeing opportunities to grow our participation, and we'll do so at a value that is attractive.

Next, we move to slide 6 for an update on our Winchester business. As we discussed last quarter, our commercial ammunition business has been hit by a perfect storm: Rising costs, elevated channel inventories, lower out-the-door retail sales and falling market prices. We estimate that high retail inventories have decreased Winchester commercial sales by approximately 5% to 10% so far this year. In the face of weak consumer sales, retail inventories have been slow to correct.

As a result of this market environment, commercial margins have dropped dramatically, with half being attributable to lower volume, while the other half is a combination of lower pricing and higher costs. We are seeing some positive pricing trends developing for the fourth quarter. Given the recent run-up in metals and manufacturing costs, commercial margins will not be restored until demand recovers and inventory levels have been rightsized.

In contrast to weak commercial demand, Winchester's military business continues to show strength. Domestic military and international military demand continues to grow as NATO countries expand their defense budgets. Our Next Generation Squad Weapon ammunition facility project at Lake City is well underway, and we are on course to complete construction in late 2027. In parallel, we are developing and delivering components and equipment to support the Army's Accelerated Fielding plan. Recognizing that the commercial market is not improving as quickly as we had hoped, we are adjusting our operating model to make to order versus make to inventory. As a result, we will see a reduction in Winchester working capital that will be sustained until we see demand improve. As part of this change, we will extend our typical holiday plant shutdowns to further reduce supply and reduce inventory. This will shift Winchester closer to a just-in-time manufacturing model.

I'll now turn the call over to Todd Slater for a look at our financial highlights.

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

Thanks, Ken. Let's review our sequential quarterly adjusted EBITDA bridge. Third quarter 2025 adjusted EBITDA included a \$32 million pretax benefit primarily related to the clean hydrogen production tax credit under Section 45V as part of the Inflation Reduction Act of 2022. Excluding the Section 45V tax credit, our third quarter adjusted EBITDA was \$190 million, which was an 8% sequential improvement.

Chlor Alkali Products and Vinyls results improved, driven by lower operating costs and higher ethylene dichloride volumes while preserving ECU values as we navigate through this prolonged trough. Our Epoxy business continued to grow its formulated solutions volume as persistent headwinds from subsidized Asian imports impacted both the United States and European markets. As expected, Epoxy's third quarter results included higher operating costs from unabsorbed fixed manufacturing expenses incurred from planned inventory reductions.

Winchester's third quarter segment results reflected the continued weakness of commercial ammunition volumes and margins, which more than offset improved military and military project earnings. The typical third quarter seasonal growth in commercial demand was muted.

Now, turning back to the 45V tax credit. We recognize this benefit as a result of our team's dedicated efforts over the last three years. During the third quarter, we received notification from the Department of Energy regarding our provisional carbon dioxide emissions rate, marking a significant milestone for tax credit recognition. The Section 45V tax credit pertains to qualified clean hydrogen produced and either sold or used at certain of our chlor alkali plants. Looking forward, we expect an annual benefit in adjusted EBITDA of \$15 million to \$20 million for the years 2026 through 2028, with lower amounts through 2032.

Next, let's move to slide 8 for a review of our liquidity. During the third quarter, we fell short of our cash flow and working capital targets, resulting in an increase in net debt for the period. This was primarily due to unforeseen payment delays from the US government related to Lake City military business. These payments were subsequently received in October. For 2025, we continue to expect working capital to be a source of at least \$100 million of cash, excluding the timing of tax payments. Consistent with what we previously discussed, by year-end 2025, we expect net debt to be flat with year-end 2024.

Finally, we remain committed to our disciplined capital allocation approach, and our priorities are clear. First and foremost, we retain our investment-grade balance sheet. Second, we fund sustaining capital spending to maintain the safe and reliable operation of our assets. And third, we are committed to maintaining our quarterly dividend. And then fourth, any available free cash flow is returned

to shareholders through either highly accretive growth opportunities or share buybacks.

Our teams continue to focus on cash generation, maintaining cost discipline and supporting our Beyond250 cost savings initiative. Our strong financial foundation enables Olin to continue executing our value-first commercial approach while adhering to our capital allocation priorities and prudent capital structure with a strong balance sheet and cash flow.

Ken, I'll now hand the call back to you.

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Thanks, Todd. Let's finish up with slide 9 and our outlook for the fourth quarter. In our CAPV business, through actions we're taking, we expect to see stable ECU values in the face of seasonally weaker demand. Our Epoxy business remains challenged, but we'll begin to see improvement as we enter the new year and benefits accrue from our new Stade supply agreement, some pricing improvements in the US market and volume gains in Europe following capacity rationalizations.

In Winchester, we have a very strong legacy and an industry-leading brand that has supported the US and allied militaries for more than 150 years. We will see resilience in this business and are taking actions to accelerate that in the fourth quarter by adjusting our operating model, driving price increases and finding new opportunities in our international military business.

The current trough has been a test of our commercial model and our commitment to operating discipline. We've stayed the course and developed ways to further help ourselves through improvements in our cost structure that are beginning to show benefits. We will provide a more detailed progress report during our fourth quarter earnings call in early 2026.

But as we shared during our Investor Day, our Beyond250 initiative is built upon three pillars: First, the structural rightsizing and cleanup of our production assets. Recent rationalizations have left behind inefficiencies or remnant costs. This will be implemented in close coordination with our planned outages in the coming years. Second, we must streamline our operations and maintenance practices to work more efficiently and reduce our dependency on contractors. Third, we will redouble our efforts to be the industry leader in operating efficiency.

These Beyond250 pillars are embedded in every employee's incentive so that we create a culture of ownership and performance-driven accountability that is aligned to our values, including being the safest and most reliable operator in the industry. Finally, during the fourth quarter, we will realize a \$40 million EBITDA penalty to reduce inventories and support our value-first commercial strategy. Including this, we expect our fourth quarter 2025 adjusted EBITDA to be in the range of \$110 million to \$130 million.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Hassan Ahmed, Alembic Global.

Hassan Ahmed Alembic Global Advisors - Analyst

A question around -- I know it's early days to start thinking about 2026, but I mean, if I sit there and take a look at what your guidance implies for 2025, excluding sort of the inventory penalty, you get to around \$734 million to \$754 million in EBITDA, and that's obviously ex the inventory penalty.

So I'm just trying to figure out via self help, via stuff that's in your control, how much of an increment could we see in 2026? Obviously, you guys have the Dow contract in place. There won't be the turnaround in the Epoxy business. And obviously, you guys have the whole cost-cutting side of things as well.

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

As we look at what we're doing going into the fourth quarter, we've talked a lot about things that we have to do to help ourselves just because we're not seeing the market environment improve really in any of our businesses so far. So the focus on Beyond250 and the cost reductions that we're going to realize there is something that the entire organization is really driving to make sure that we can deliver that. So we've talked about a \$70 million to \$90 million run rate coming out of this year into next year, and that does include the Dow agreement at Stade, the new agreement that we've got that -- we're going to be seeing that in the P&L in the first quarter. It actually took effect on October 1, but with all of that, we do see some upside to the \$70 million to \$90 million in 2026, so we're going to be giving you a little bit more color around that in the fourth quarter earnings call at the beginning of the year next year. So stay tuned for that, and we'll give you a little bit more details, but at the end of the day, we've really got to buckle down here and do what we can do to help ourselves.

Todd, do you want to add anything to that?

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

Hassan, as we look into 2027, you mentioned turnarounds. I'll remind everyone on the call that we do have our one in every three-year major turnaround on our VCM, vinyl chloride monomer unit, that will happen generally in the first half of next year. So that's probably a headwind relative to what we've seen this year.

Operator

Josh Spector at UBS.

Joshua Spector UBS AG - Analyst

I apologize if I missed this earlier, but I just wanted to ask on the 45V credit. I mean, the \$32 million in the quarter, how much of that is catch-up for earlier in the year? And really, the question is, what's the ongoing benefit we should be modeling in for Olin into next year or further out?

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

Hey, Josh. It's Todd. Thanks for the question. Yes, it is ultimately a catch-up. The \$32 million, we were finally able to realize that because of getting our final CO2 emissions information from the Department of Energy. We've been working on this candidly for the last three years. As we go forward, we would look at 2026 through 2028, we think you'll see adjusted EBITDA benefit in the \$15 million to \$20 million range, each of those years.

Operator

Matt DeYoe, Bank of America.

Salvator Tiano Bofa Merrill Lynch Asset Holdings Inc - Analyst

This is Salvator Tiano filling in for Matt. Can you talk a little bit about the working capital situation in Q3? I think there was a very big increase in some of the working capital buckets. Why this happened then, given that -- is it safe to assume that Q3 operating rates, especially in Chlor Alkali, were better than you expected in the initial guidance? And ultimately, what does this mean for your Q4 operating rates versus your -- how you've been running in the past few years?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, let's talk a little bit more detail about this inventory reduction. We're going to take a \$40 million penalty in EBITDA in the fourth quarter. What that's going to do is going to free up about \$150 million in cash, and that benefit that we're going to see in cash

is something that really was built up over the full year. So we've seen increases in working capital in all the businesses. Some of it was back at the beginning of the year when we were expecting demand to be stronger, particularly when you think about Winchester, and we just didn't see the inventory is coming down as fast and now we're going to have to take some aggressive action to reduce that.

In Chemicals, it's a combination of timing around turnarounds and needing to build some inventory during the third quarter in order to be ready for turnarounds in the fourth quarter. So you're going to see that come back out in the fourth quarter. But frankly, some of it is just us continuing to show discipline and supporting our commercial first or our value-first commercial strategy and being sure that we continue to be disciplined with that.

So Todd, I don't know if there's anything you want to add related to that?

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

The only comment I would remind everyone, and thanks for the question, Sal, was that we did have a penalty on working capital at the end of September related to delayed payments from the US government for our Lake City military business. Ultimately, those have been received here in October, but that was candidly the biggest driver by far on why working capital moved up in the third quarter compared to the second.

Operator

Frank Mitsch, Fermium Research.

Frank Mitsch Fermium Research LLC - Analyst

I'd like to flesh out this \$40 million negative impact due to inventories in the fourth quarter. It looks like it's a combination of Chlor Alkali and Winchester. So wondering if you could size it to -- is this more of an Olin issue, or do you feel like the industry overall is holding much too much inventory, so we should expect lower operating rates from the industry overall, and how confident are you that the \$40 million is the right number? And then as we start [1Q to '26], you can go back to operating as you normally would?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, just to add a little bit more color maybe to that EBITDA penalty that we're facing. Like I said, a lot of the working capital build was related to Winchester. And so that's a totally different animal than when you talk about the chemicals value chains and whether the industry there has got too much inventory in the chain.

So let me talk about Winchester first. We've been talking about high inventories in the retail chain since this time last year. Those levels of inventory came down at the beginning of the year, but they have not continued to fall. They've sort of leveled off at a relatively high level, and if you couple that with the fact that there was sort of a wave of imports that came in prior to the tariffs of ammunition, that also added to that issue. So Winchester is a bit unique. There is a lot of inventory in the chain there that needs to come out, and what we're going to do is we're not going to continue to use our balance sheet to carry that inventory if that inventory is somewhere else in the chain. That's just what we have to do to be disciplined and support our balance sheet.

Now, for Chemicals, it's really hard to have visibility. What I would say right now is I'm not concerned about too much inventory in the chain in the chemicals value chain. That's not something that we've seen, but what I would say is there's always a risk when you get into the fourth quarter because that's seasonally, the weakest quarter. There's always a chance that people do start to pull inventory even if they have low inventories. They can take the inventories really very low, very quickly, and so we want to be prepared for anything here. We want to make sure that we rightsize our inventory levels, really reduce them to the minimum level. At the same time, we are going to reduce operating rates and show the discipline around being able to move the volume at the value that we like. And that strategy is not changing.

Operator

Aleksey Yefremov, KeyBanc.

Aleksey Yefremov KeyBanc Capital Markets Inc - Analyst

You mentioned opportunities to sign EDC supply agreements. Do you have anything in place today, or is your entire EDC volume on a spot basis? And also, are there any agreements that are fairly close to getting over the finish line soon in this area?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, obviously, we are working on more structural term agreements, term contracts for EDC. If you look at the EDC values today, one of the biggest variances we've got versus prior year is the EDC price that we see in the market today. Now, fortunately, we're the cost leader in producing EDC, so we're able to weather that better than others, but when we think about this across the cycle, it does make more sense for us to have more contracted positions than what we have today.

We do have contracted business today. A lot of that runs through our joint venture with BWA. We announced that we're going to be unwinding that between now and the end of the year. Mitsui has been a great partner but the complexity of running that business through a joint venture versus the value that we were realizing and the option for us to control that channel to market exclusively to ourselves, the trade-offs just were not in our favor. So that was really what drove our decision to unwind that joint venture so that we can go out and make these structural deals.

We'll still be working with Mitsui as a counterparty. That's not going to change, but we are looking at bigger opportunities to be able to place volume, and we should be able to have more to be able to say about that in the coming weeks, but yes, we are shifting the portfolio, but we will still have an exposure to the spot market. It's not going to go to zero, but it will be less than what we've had in the past.

Operator

John Roberts, Mizuho.

John Roberts Mizuho Securities USA LLC - Analyst

Could you give us an update on the Radford propellants contract bidding process? And also, maybe an update on your hedging in metals and what you're expecting there?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Yeah, I'll give you a quick update there. Like anything with the government, it's a slow process, and with the government being shut down, it's basically not a running process right now. It's a little bit frustrating when you're dealing with the government here, especially when they are not paying us sometimes, but we're going to continue to look at that as an opportunity. All it is, is a working capital investment for us. It doesn't require any real capital to speak of. They've issued a preliminary RFP. They've received comments from industry, and now, they're going back and they're revising that. So there'll be another draft RFP that's coming out in the not-too-distant future. Let's see what happens with the government shutdown, and then there'll be another iteration, so I don't expect there's going to be anything decided regarding this until late next year at the earliest, which means there probably won't be any transition to a new operator, assuming that's the choice that they make, until sometime in 2027, and I can't predict when that's going to be, but it certainly is an opportunity that we're still very interested in.

As I said in my prepared comments, Winchester has been a strong supporter of the US and NATO allied militaries over many years. We believe that with our chemical-based core businesses, along with the advantages that we have with our Winchester brand, we're the best person to be able to operate that, but we're going to do it for a value that makes sense for Olin and Olin's shareholders.

Now, I'll let Todd talk about the metals hedging.

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

As everyone, I believe, on the call knows, we are a hedger, and we would expect metal costs to be a headwind in 2026 relative to 2025. We do operate at least a rolling four-quarter hedging program, and I happened to look this morning at copper and it was, I don't know, [\$5.10]? So as you know, those prices eventually seed into our systems slowly, but do, and copper has been up, so as we think about raw material costs, raw material costs will be a headwind, have been a headwind, and we expect that headwind to continue.

Operator

Patrick Cunningham, Citi.

Patrick Cunningham Citibank Cameroon SA - Analyst

Maybe just on Epoxy. Obviously, still continues to be challenged by some price competitive Asian imports. Maybe you're getting a little protection here that gives you a platform for price, but how should we think about earnings levels into next year? You have some nice savings actions at Stade. You have maybe some incremental volume opportunities with competitors leaving the space in Europe. So just how are you thinking about the framework for next year on Epoxy?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

I hate to get too far out over my skis here, but I'm probably more optimistic on Epoxy than I have been in the last 1.5 years, but that's not because the market is improving. It's really because of the actions that we've taken at Olin over the last few years to be able to rightsize our cost base, rightsize our capacities. We do have a very good integrated business that has allowed us to survive when others can't, and so that's what happens in the trough. You start to see people that are not as competitive, close capacity, until demand begins to recover, and we're positioned very well as that happens, but in the meantime, with all the cost reductions that we're going to realize, both in Europe and frankly, in the US, along with a little bit of a tailwind around tariffs, I do expect that going into next year, we're going to see a pretty significant improvement from a very low level for Epoxy, but I think that's a business where, yeah, I'm going to be very eager to see that improvement next year, which should be quite positive versus this year, and as a percentage, will probably be better than any other business we've got.

Operator

David Begleiter, Deutsche Bank.

David Begleiter Deutsche Bank AG - Analyst

Ken, on slide 14, your ECU profit index was down in Q3 versus Q2, but your Chlor Alkali EBITDA was actually up in Q3 versus Q2, even after the onetime benefit. So why was that?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, that index, obviously, has got a lot of moving parts to it. A big issue with that is mix, and we've seen that in other quarters, and what I'll tell you is it's all just related to mix in the portfolio. So you've seen it sort of going up and down quarter-to-quarter, but it is not something that I expect to see any further deterioration. Like I said, we expect ECU values to continue to be stable into Q4. Nothing that I see is changing that, but depending on which customers are operating plants or taking volume, that number is going to move around, but it is not something right now that is indicating any trend, one way or the other. Stability is the way that I would be thinking about that.

Operator

Pete Osterland, Truist Securities.

Peter Osterland Truist Securities - Analyst

Within Winchester, could you talk a bit more about your plans to shift production towards the international defense markets? Is this intended to be a permanent change in strategy, just given the stronger growth opportunities that you're seeing within defense? And where do you see the revenue mix between commercial and defense going for this business over the medium term?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Pete, thank you for the question. Yeah, if you go back to our Investor Day, we were very intentional talking about growing our defense business, and we have seen very positive developments in that market, especially around the NATO countries increasing the amount of spending that they're going to be or the investments that they're going to make in the coming years for their own defense. There's an opportunity for us to participate in that.

Now, there's two things. There's a short term where we're getting a lot of inbound and the backlog for international military is growing quite substantially, and we are actively working with our partners to be able to secure that demand in the orders for the coming year. So we're going to continue to see robust growth in the short term, but we're also thinking more strategically about how do we participate in this in the longer term, and there are ways that we can do that, whether it's through partnerships or long-term supply deals, we're going to be looking at that. We do see that as a strategic opportunity for us.

We also talked about earlier in this year that the fact that military was going to become a larger part of our portfolio in terms of revenue. That's also driven largely by the project that we've got running at Lake City. So there's a lot of project revenue that's showing up there that's skewing -- it's skewing the sales number for Winchester towards military. It's got a relatively low margin because it's a project-based fee that we're basically earning for executing that project.

Now, having said that, I do think that it's going to be a while before we see commercial demand come back. I think we're just continuing to see that consumers and consumer spending is still challenged around discretionary items, such as ammunition, but we will see this growth in international military, so that's going to keep our military portfolio stronger in the portfolio than what we maybe had thought a year ago. Good news is, international military margins are attractive, so we're really excited about that.

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

As you think about revenue, you're probably sitting today, 62% military, and the remainder commercial, that is higher than it has been over the last several years. Candidly, I would expect that to tick up a little bit as we move forward with this shift toward more military sales, both internationally as well as project.

Operator

Mike Sison, Wells Fargo.

Michael Sison Wells Fargo Securities LLC - Senior Analyst

When you think about what needs to happen for a recovery in Chemicals, are you seeing anything that might give you some confidence that there could be a recovery in '26? And then I know you don't talk about operating rates anymore, but how much volume is in the system that could recover? And maybe help us understand the earnings power of that volume now versus the past?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, the fact of the matter is that, like I had said earlier, we are going to continue to adjust our operating rates to meet the demand that we see and manage our working capital in the chemical space accordingly. We are not going to carry inventory in this environment other than for things like turnarounds. So all that I'll tell you is that our operating rates are differentially lower than the rest of the industry, and that shouldn't surprise anybody. That's our operating model, and we're going to continue to execute on that.

So in terms of what is it going to take to see a recovery, you can focus in first on North America, and you can look at housing. Obviously, housing is a big driver for chemicals, especially a lot of the chemistry that chlorine goes into. And once we see housing starts to really recover, it's anybody's guess when that may occur. I hope it's next year, but right now, I just don't see any signs that really there's a big turnaround in the housing market on the horizon.

That's sort of North America. I think that's what's going to drive the market here in North America, but when you think beyond our shores and you go to Europe or into Asia, you've got to see both of those markets begin to grow as well, and we haven't seen any signs yet of consumption really taking off particularly in China, the largest market to be able to absorb a lot of this new capacity that they've been bringing on. So they are a big exporter now of PVC, which makes them a bigger exporter of things like caustic, and all of that is going to need to find a home with demand growth, so we need to see the global economy growing as well to be able to help absorb a lot of that additional supply that's coming on in China.

I know we've talked about a lot about anti involution and all of those things. Those are great theories, and they're great policies that I hope we see the Chinese government begin to execute on, but so far, it's been not as much directed to chemicals as we had hoped that it would be. Maybe that changes in the new year, but right now, we need to see higher demand in Asia and some more rationalization there as well.

Operator

Kevin McCarthy, Vertical Research Partners.

Kevin McCarthy Vertical Research Partners LLC - Analyst

Ken, I was wondering if you could provide an update on your thoughts about the US caustic soda market? On slide 9, it appears as though you're baking in some price improvement for caustic in the fourth quarter. Maybe you could speak to how much of that is seasonal uplift as chlorine operating rates or demand presumably comes down seasonally versus -- any cyclical or structural uplift that you may see unfolding in caustic?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Yeah, so we are expecting to see higher values for caustic in the fourth quarter. As I said in the prepared remarks, the caustic market is relatively stable, so we have seen some softening around pulp and paper, but we continue to see a robust market around alumina, and if you look at the aluminum market, prices for aluminum still are holding up quite well, which indicates healthy demand, and that's a very positive thing for caustic.

So the demand side, I would say, stability is the key word. On the supply side, yes, you're going to see less supply in the fourth quarter. Some of that is going to be related to some of the things, some of the actions that we're taking with our portfolio. Some of it is also related to other industry outages that normally happen in the fourth quarter, that's going to be the case here as well. So between lower demand for chlorine derivatives, which is naturally going to pull down operating rates, and the normal sort of seasonal turnarounds that occur in the fourth quarter, that's going to restrict supply, and that should give support for caustic values in the fourth quarter.

Operator

Jeff Zekauskas, JPMorgan.

Jeffrey Zekauskas JPMorgan Chase & Co - Analyst

You talked about a large turnaround in VCM. I think this year, your forecasted turnaround costs are \$125 million. Is maybe something like \$175 million next year, up \$50 million, a reasonable first draft?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

So listen, turnarounds this year was pretty heavy. We are going to be updating our modeling data for 2026 at our fourth quarter earnings call here coming up at the beginning of the year, but that is a very large turnaround for us. It happens every three years, like Todd had mentioned, but there are other puts and takes as well. We're currently finalizing our schedule for turnarounds in 2026. So I don't have a final number to give you today. Some of that is still moving around, and once we do, like I said, we will get you a new outlook for 2026 at the beginning of the year.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews Morgan Stanley & Co Ltd - Equity Analyst

Wondering if you could just talk a little bit -- Todd, I know you went through your capital allocation priorities, but if we look at trailing 12-month leverage at the end of the year based on the fourth quarter EBITDA guidance, it pushes you close to 4, so does that change anything in terms of what you're going to be able to do? Are you going to continue to repurchase stock or are you going to hold off a little bit and see how 2026 develops? How should we be thinking about that in terms of your desire to maintain your investment-grade credit rating?

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

Yeah. Thanks for the question. We would expect, as we've said, to have a significant cash flow in the fourth quarter and be able to reduce debt back to even where we started the year. So net debt flat year-over-year. We have clearly curtailed the level of share repurchases this year compared to what we have done over the last several years. I think you saw us buy \$10 million the last couple of quarters. So I wouldn't be surprised if we don't continue at a modest pace, but we are going to clearly prioritize that cash flow that we generated in the fourth quarter toward our reduction of debt from where we sit today.

Operator

Arun Viswanathan, RBC.

Arun Viswanathan RBC Capital Markets Inc - Analyst

You guys are roughly at a \$700 million annualized EBITDA run rate here, and then we've seen kind of flattish chlor alkali index numbers. So what do you think it's going to take you to get to maybe \$1 billion? Is that maybe roughly \$50 million in Epoxy and Winchester uplift and then maybe \$200 million or so in chlor alkali, and how does that -- maybe you can help us bridge that gap? That would be great.

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Listen, if you just think about where we are year-to-date, the biggest delta versus prior year was, or is, Winchester. So Chlor Alkali has held up quite well, and that's a really positive thing for us as a company. It's one of our -- it is, as Todd says, the engine that drives the bus, and so I'm very happy to see that. So yes, you're going to see -- over time, you're going to see values improve off of trough levels, and with our operating rate leverage that we have, that's where you've got the biggest leverage right now in the portfolio overall. There will be a recovery in Winchester at some point. We've got to get through some of these cost headwinds, and

we've got to get to a point where we see stronger consumer spending for discretionary items improve.

I'm not sure that we're going to see that in the short term, but the good news is we are, and the Winchester team is very focused on adjusting their operating model to the new environment that they're in. We did not think we would be here a year ago. We thought we were going to see demand recovering in 2025, and we just have not seen that. We've seen it go the other way, and so we'll adjust that model, and I expect that we'll start to see some recovery there, but again, I go back to what I said earlier on Epoxy. I'm probably more optimistic on Epoxy than any other business right now. Not because, again, we're seeing lots of positive signals in demand in the market. That is still challenging, but with rationalization of capacity that's happening in the industry, some of the challenges that you see with higher glycerin costs in Asia, which is putting a floor under pricing, you get the tariff headwinds, you get the self-help that we've been implementing over the last several years, we start to see some really positive momentum into next year for the Epoxy business. So that's kind of how I think about where you're going to see the improvements going into 2026, and from there, I think things are going to move higher, but it just depends on what the rate of change is going to be, largely dependent on what's the global economy doing as well.

Operator

Matthew Blair, TPH.

Matthew Blair Tudor Pickering Holt & Co Securities LLC - Analyst

In light of the slower production outlook for Winchester, how are things going on the AMMO acquisition? And do you still expect to realize -- I think it was previous guidance was about \$5 million EBITDA in the back half of the year from AMMO. Is that still realistic?

Kenneth Lane Olin Corp - President, Chief Executive Officer, Director

Listen, we still feel very positive. When we look at the business case around that acquisition and what we had talked about before, the synergies with the capability to build shell cases at that facility has proven to be as good, if not even a little bit better than what we thought, so the synergies that we talked about, yes, very confident in delivering them not just for this year, but that \$40 million level in three years' time, we feel very positive about that.

The asset is in great shape. The employees have really been great. Coming into Winchester, I think they're excited to be part of the Winchester brand, and that has been a very positive acquisition for us. So we feel really good about it.

Operator

Roger Spitz, Bank of America.

Roger Spitz Bofa Merrill Lynch Asset Holdings Inc - Analyst

Todd, how should we expect to see the clean hydrogen benefit in EBITDA? Will you start putting into EBITDA, maybe 25% each quarter? Or will you periodically be showing us a bigger [once in a] year number in the EBITDA?

Todd Slater Olin Corp - Chief Financial Officer, Senior Vice President

You should start now that we have received the real -- the key determining factor, which was our emissions information from the Department of Energy. You should start to see the 45V tax credit just be included as part of our normal earnings as a reduction to cost of goods sold every quarter, so it won't be called out like it is today. This was really the catch-up for this year because we finally got the emissions data, so as you think about next year and the next three years of a \$15 million to \$20 million benefit, that will just run through as a reduction to cost of goods sold on a quarterly basis.

Operator

Thank you. As there are no further questions, this concludes our question-and-answer session. I'd now like to turn the conference back over to Ken Lane for closing comments.

Kenneth Lane *Olin Corp - President, Chief Executive Officer, Director*

Thank you, Rocco. And listen, thank you, everyone, for joining us this morning. We appreciate your interest in Olin, and we look forward to speaking with you at the beginning of the year next year. We wish you all a very safe and prosperous week. Thank you.

Operator

Thank you. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

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