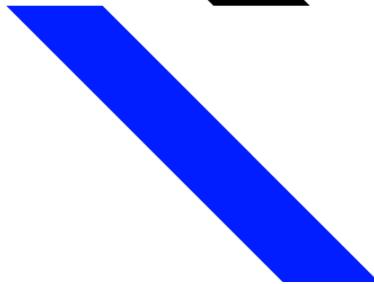
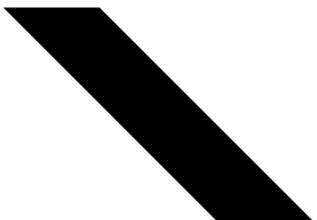
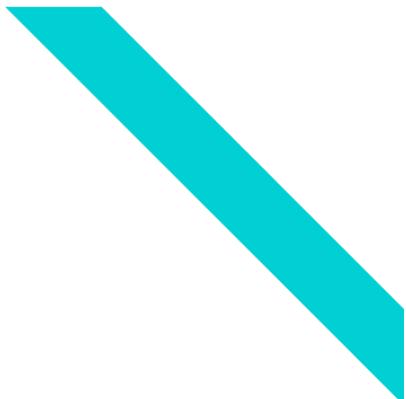


LSEG STREETEVENTS
EDITED TRANSCRIPT
Q4 2025 OLIN CORP EARNINGS CALL

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An LSEG Business



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- **Kenneth Lane** *Olin Corp - President, Chief Executive Officer, Director*
- **Todd Slater** *Olin Corp - Chief Financial Officer, Senior Vice President*

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- **Operator**
- **Aleksey Yefremov** *KeyBanc Capital Markets Inc - Analyst*
- **David Begleiter** *Deutsche Bank AG - Analyst*
- **Kevin McCarthy** *Vertical Research Partners LLC - Analyst*
- **Patrick Cunningham** *Citi Infrastructure Investments LLC - Analyst*
- **Hassan Ahmed Alembic** *Global Advisors - Analyst*
- **Frank Mitsch** *Fermium Research LLC - Analyst*
- **Joshua Spector** *UBS AG - Analyst*
- **Matthew DeYoe** *Bank of America - Analyst*
- **Michael Sison** *Wells Fargo Securities LLC - Analyst*
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- **Jeffrey Zekauskas** *JPMorgan Chase & Co - Analyst*
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- **Arun Viswanathan** *RBC Capital Markets Inc - Analyst*
- **Vincent Andrews** *Morgan Stanley - Analyst*
- **John Roberts** *Mizuho Securities USA LLC - Analyst*

PRESENTATION

Operator

Good morning, and welcome to the Olin Corporation's fourth-quarter 2025 earnings conference call. (Operator Instructions)

Please note, this 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 of Investor Relations

Thank you, operator. Good morning, everyone. We appreciate you joining us today to review Olin's fourth-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 fourth-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, and 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

Thanks, Steve, and thank you to everyone for joining us today. Let's start with slide 3 and review our fourth-quarter highlights. As we previously announced, our fourth quarter came in significantly below our expectations. In December, we experienced operational issues related to an extended turnaround of our Freeport, Texas coordinated organics assets and third-party raw material supply constraints, both of which impacted our chlor alkali assets. At the same time, we also experienced a sharp decline in chlorine pipeline demand in an already seasonally weaker quarter.

During the quarter, we were able to preserve our ECU values by staying disciplined with our value-first commercial approach, and we also announced the long-term EDC supply agreement with Braskem, which provides a higher value to both parties by integrating the low-cost producer of EDC with the leader in PVC in Brazil. In addition, we've expanded our infrastructure footprint in Brazil, which enables us to grow our caustic sales there in 2026.

In our Epoxy business, we were able to contract for significant growth in our European business, which we'll begin to benefit from in the first quarter of 2026. This is a result of our commercial team's successful strategy to position Olin as the last integrated supplier of Epoxy in Europe, providing reliable, secure supply to local customers in the face of continued headwinds from subsidized Asian producers.

In our Winchester business, we took aggressive action to accelerate inventory reductions across our system and began efforts to right-size our cost structure in response to lower commercial ammunition demand. Cash generation is a high priority for Olin, especially in the trough environment that we're in. I'm very proud of how our team has responded and through actions that we took, we were able to generate \$321 million of operating cash flow and hold net debt flat versus year-end 2024.

Let's turn to slide 4 for a closer look at our chlor alkali products and vinyls results. Macro conditions remain challenging. Merchant chlorine demand remains under pressure through this extended trough as subsidized Asian chlorine derivatives flood export markets. Since 2019, China exports of titanium dioxide, urethanes, epoxies, crop protection chemicals, and PVC have grown 300% to 600% placing significant pressure on US chlorine derivative customers.

As you would expect in a trough environment, we are already seeing chlor alkali capacity rationalization in Europe, Latin America, and the US, which should accelerate operating rates as demand recovers. Olin has done a great job of preserving our ECU values and remains committed to our value-first approach, and we are well positioned when markets recover from the trough.

As we look ahead to the first quarter, we'll continue to face headwinds related to power and raw materials. As a result of Winter Storm Fern, we proactively shut down several of our Gulf Coast assets, which will increase our first quarter costs. In addition, we'll see higher turnaround costs as we begin our VCM turnaround at our Freeport, Texas site. This is the single largest turnaround that Olin executes and occurs every three years.

Global caustic soda demand remains healthy, led by alumina, water treatment, and pulp and paper. Olin ended 2025 with very low inventories, and we're seeing good momentum on our caustic soda price increase. As seasonal demand returns this spring, already low inventories and planned industry turnarounds are expected to further tighten caustic supply.

Our full year 2026 chlor alkali outlook remains challenging. We expect global vinyls pricing will remain under pressure. Rising US natural gas, power and feedstock costs will present a headwind in contrast to falling global oil prices serving to erode the US cost advantage.

In the near term, Olin faces stranded costs of approximately \$70 million, resulting from Dow's recent closure of their Freeport propylene oxide plant. This cost burden will be offset by our Beyond 250 structural cost reductions, which I'll discuss shortly.

Now let's turn to slide 5 for a look at our Epoxy results. Our fourth-quarter Epoxy results sequentially increased due to improved product mix, allylic, and aromatics margins, partially offset by higher turnaround and seasonally lower demand.

As we look ahead to the first quarter, we do expect our Epoxy business to return to profitability, although at a low level. This will be realized through actions we have taken by growing our participation in the European market, realizing lower costs at our Stade, Germany site and lower turnaround costs. As we look out further, structural changes in our cost position, recent European Epoxy chain plant closures, and continued growth in our formulated solutions portfolio will support a return to profitability for 2026 as well.

Over the past three years, Olin's Epoxy business has remained focused on cost reductions. In that time, we've reduced our global Epoxy cash costs by about 19%. Our most recent action was this month's closure of our Guarujá, Brazil Epoxy plants. This shutdown is expected to deliver \$10 million of annual structural savings.

Also, in 2025, we continue to deliver on our Formulated Solutions sales growth. These solutions enable AI chips to better manage heat and conductivity that allow lightweight wind blades to exceed 500 feet in length and that serve as adhesives in some of the most challenging environments and applications. We will continue to benefit from that growth in 2026.

Now please turn to slide 6 for an update on our Winchester business. During the fourth quarter, Winchester took aggressive action to adjust its operating model to reflect lower commercial ammunition demand and significantly reduced inventory. As expected, we realized higher military and military project sales, which was offset by these lower commercial sales and higher metals and operating costs. Winchester's first-quarter priority will be the implementation of our commercial ammunition price increase. Our new pricing is expected to offset the majority of 2025 cost escalation. As we begin 2026, commercial shipments will continue to be made to order and subject to our increased pricing.

As we look back at 2025, we've seen a significant decline in demand for commercial ammunition, back to pre-COVID levels. In response, our Winchester team has taken the necessary actions to align our production capacity with today's reduced demand. We've eliminated shifts, reduced headcount, and restricted overtime across all Winchester plants.

At the same time, ammunition imports have slowed dramatically in the face of US tariffs as high as 50%. Last year, imported ammunition satisfied approximately 12% of US demand. In the most recent September import data, imports from Brazil, which typically is the largest importer, have disappeared completely.

Domestic and international military sales continue to grow as NATO countries expand their defense budgets and the US increases its own defense spending. Our Next-Generation Squad Weapon project remains on schedule and will be the most modern and sophisticated small-caliber ammunition plant in the world.

Winchester's 2026 outlook still faces significant cost headwinds from higher copper, brass and propellant costs. Winchester 2026 tailwinds include expected sales growth across domestic military, international military, and military projects. Commercial volumes and pricing are also expected to improve during 2026. Retail sales have begun to show year-over-year improvement, albeit over a low baseline, and retailer inventories have come down significantly.

Let's turn to slide 7 for a high-level view of our Beyond250 structural cost savings program. Olin's Beyond250 structural cost reduction program focuses on the identification and removal of inefficiencies. During our 2024 Investor Day, each Olin business made a cost-savings commitment, and we are focused on delivering these savings as quickly and efficiently as possible, while maintaining safe and reliable performance of our assets.

In 2025, we delivered \$44 million in structural cost savings, and we expect to add an incremental \$100 million to \$120 million of annual Beyond250 savings during 2026, spread across our three businesses. As I discussed last year, we've enlisted outside expertise to help review our organization and processes against industry best practices. We've begun to improve efficiency at our largest site in Freeport, Texas. By streamlining our work processes, we've already been able to achieve a meaningful reduction in staffing.

Through this exercise, we've identified many key performance metrics and gaps to close. For example, our contractor "Time on Tools", was well below industry best practice and our overall reliance on contractors was excessive. With our new organization, work

processes, and performance tracking, we have clear line of sight to deliver these additional cost savings in 2026. Our Freeport plant is the pilot for this improvement program, which we're now rolling out across our other global sites.

At the same time, Winchester has been right-sizing their staffing and operations to reflect lower levels of commercial ammunition demand. Both of these efforts combined have resulted in a reduction of more than 300 employee and contractor positions during the second half of 2025. We expect to realize a similar level in 2026, as we implement the same efficiency measures at our other sites.

In the first quarter of 2026, we'll begin to see the benefits of our new supply agreement at our Stade, Germany site. We expect to realize \$40 million to \$50 million of savings related to that in our Epoxy business through the year. As mentioned earlier, Dow's closure of its Freeport propylene oxide plant has created a \$70 million stranded cost headwind for Olin. By optimizing our power supply, we've already managed to offset approximately \$20 million of that stranded cost.

Earlier this month, we announced the closure of our Epoxy production plant in Brazil. We'll be able to more cost effectively serve our customers there with supply from either Freeport or Stade, both of which are vertically integrated with better cost structures. As a result of this action, we expect to realize a \$10 million annual benefit.

With the progress we made in 2025 and visibility of savings in 2026, we're confident we can exceed the \$250 million savings commitment we've made during our 2024 Investor Day.

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

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

Thanks, Ken. Let's review our cash flow, liquidity, and financial foundation. Despite the challenges we encountered that impacted our adjusted EBITDA during the fourth quarter and throughout 2025, I'm pleased to report that we successfully achieved our 2025 cash flow and working capital objectives. In the fourth quarter, we generated approximately \$321 million in operating cash flow, which enabled us to keep our year-end net debt at a level comparable to where it stood at the end of 2024. Throughout 2025, our team's proactive working capital reductions contributed \$248 million in cash, excluding the timing of tax payments.

As we closed out the year, our available liquidity stood at \$1 billion. Preserving and enhancing liquidity continues to be a top priority for us, particularly as we navigate this extended period of lower demand in our businesses. We continually review all sources and uses of cash with the goal of cost effectively maintaining adequate liquidity to support our business.

Our debt profile remains managed. Early last year, our team executed a well-timed bond issuance and debt refinancing, which provided a leverage-neutral extension to 2033 of our nearest bond maturities, as well as an extension of our senior bank credit agreement from 2027 to 2030. Importantly, we have no bonds maturing until mid-year 2029. Our debt structure consists of manageable tranches with staggered maturities in the years ahead. We remain firmly committed to managing our balance sheet in a way that maximizes our financial flexibility in the future.

Now let me take a moment to discuss our outlook for expected sources and uses of cash in 2026:

First, regarding cash taxes, we anticipate receiving refunds from prior years related to the clean hydrogen production tax credits under Section 45V as a part of the Inflation Reduction Act of 2022. Factoring in these refunds, we expect 2026 to essentially be a cash-free tax year, plus or minus \$20 million.

We are proactively managing our capital spending, targeting approximately \$200 million with a focus on funding sustaining capital expenditures that ensure safe and reliable operation of our assets.

We expect to continue our nearly century-long history of uninterrupted quarterly dividend payments.

As we further strengthen our financial resilience, any remaining excess cash flow after the preceding capital allocation priorities, will be used to reduce our outstanding debt.

As a reminder, due to our normal seasonality of working capital, we expect net debt to increase during the first part of 2026. We remain focused on minimizing our typical seasonal inventory build.

Our teams remain dedicated to generating cash, maintaining strict cost discipline, and supporting our Beyond250 cost savings. We are committed to maintaining a prudent capital structure with a strong balance sheet and robust cash flows.

Ken, I'll 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. We expect to deliver first quarter earnings lower than fourth quarter 2025. The main drivers behind that are continued seasonally weaker demand and higher costs in our CAPV business, as we previously discussed. We're seeing positive momentum with caustic pricing and expect to see more benefit from that as we move through the year.

Epoxy results will be sequentially higher, driven by higher volumes and lower costs in Europe from the new Stade contract taking effect, partially offset by a less favorable product mix.

Winchester results are expected to modestly improve from the fourth quarter, with higher commercial ammunition volume and pricing to offset rising copper and brass costs, as well as lower operating costs from our new operating model.

While we're not satisfied with our results, everyone at Olin is focused on executing our value-first commercial approach, delivering our Beyond250 cost reductions and controlling what we can control to drive better business outcomes going forward.

Our team is committed to maintaining leading positions across our businesses, and I'm confident that we are well positioned for the future.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Aleksey Yefremov, KeyBanc.

Aleksey Yefremov KeyBanc Capital Markets Inc - Analyst

You described a sharp decline in chlorine pipeline demand in Q4 as one of the biggest headwinds and I'm curious if it remains a large headwind in the first quarter? And if so, when do you expect that chlorine demand to recover? Obviously, consultants are describing a more competitive merchant chlorine market. Is this part of the story here? Or is this something idiosyncratic to your customers and you still have those customers and how you're seeing market share or not?

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

Thank you for your question. So yes, listen, we saw the decline that we were referring to for the chlorine pipeline demand. That really happened in December, late in December. As you can imagine, it's pretty easy to reduce that offtake when you're on a pipeline. So we saw that happen -- we think it was primarily related to destocking. We were already seeing the seasonally lower demand. It just right at the end of the year, it went down even further.

Now that was a contributor to the lower earnings, but also the costs were a larger contributor to the earnings decline that we had talked about for the quarter. We're going to still see seasonally low demand in the first quarter of 2026. I don't expect to see what we saw at the end of December happen again in the first quarter, but we're not going to see a large bounce back in demand until we get into the warmer weather months and you start to see a recovery and water treatment demand and that sort of thing. That won't happen before second quarter.

So -- we're still going to be very aggressive on maintaining our costs and making sure that we're being disciplined around our operating rates because that's what we can control, and -- the other thing that I want to mention is just related to caustic. There's no issue with demand on caustic. What we see happening on caustic is we don't have the volume to sell. The market is tighter than what people think, and we actually are going to see a little bit lower volumes in the first quarter on caustic. That's an availability issue, it's not a demand issue.

Operator

David Begleiter, Deutsche Bank.

David Begleiter Deutsche Bank AG - Analyst

Ken, one of your competitors has announced some capacity closures in North America. Can you discuss how you think the impact of those closures will be felt and how beneficial it could be to Olin in 2026?

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

Good morning, Dave. Thanks for joining us. So listen, like I had said in the prepared comments, we have been seeing rationalization of capacity occurring over the last 12 to 18 months in pretty much all regions of the world. So it's not surprising when you're at the trough that you're seeing less cost competitive assets being shut down, and our view has been that operating rates will improve supply/demand balances will improve quicker than what you may be seeing in a lot of the publications because of that.

That's what happens in every trough, and this is just another example of that. So again, while we're in a situation of this longer trough has been exasperated by the additional capacity that's been added in Asia, you are starting to see those rationalizations occur, demand has not come back, and when demand does recover, and it will one day, I know sitting here today it may feel like it won't, but we're ready when it does.

We're doing the right things to prepare our assets. We made a step change in our performance in 2025 in terms of safety, and that goes hand-in-hand with reliability. Those are very big focuses of our organization, and so what we've got to do is be really good at having the most cost-competitive assets, the most reliable and the safest assets to be able to supply the markets that we serve.

Operator

Kevin McCarthy, Vertical Research.

Kevin McCarthy Vertical Research Partners LLC - Analyst

Ken, can you comment on how military demand trended at Winchester in 2025, how much of that might have been up versus the pressure that you discussed on the commercial side? And looking ahead, I think you made a comment that maybe commercial demand is starting to trend positively on a year-over-year basis. So what is your outlook in that regard for 2026, please?

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

Good morning, Kevin. Yes. So listen, what we saw in 2025 was significant growth in revenue related to military, both domestic and international. Now a lot of that gets skewed by the project revenue that you see related to the Next Generation Squad Weapon facility at Lake City. That project is going very well. I do expect -- we're even sitting here today, we're a little bit ahead of schedule, and so we feel really good about that project being on track to continue to realize growth related to that even in 2026.

If you just think about the ammunition sales, yes, we did see growth even in the ammunition sales. The highest growth would have been in the international military space. that's growing off of a small base. So as a percentage of our total military sales, it is a smaller percent of military than the domestic military, but we expect to see that continue to grow in 2026. All of that gets diluted by that project revenue though that you see coming through related to the Lake City project.

We are seeing the, I guess, the fruits of some of the actions that we have taken in the second half of last year by being more disciplined and what we're producing and shifting our model to more of a make to order. If we don't see the orders, we're not making the rounds.

We've got to have visibility to that demand and so that has helped us pull our inventories down. We've seen in the value chains at the retailers, their inventories have come down, and now we've got to start the process to be able to rebuild our margins. We've got to start passing through a lot of these cost increases that we saw in 2025 that are continuing into 2026. Brass and copper are real headwinds for us, and so that has got to get absorbed in the market, and so we're being -- again, we're being very disciplined about implementation of these price increases and where we're not seeing that, then we're not going to be making the rounds. So we're going to continue with that.

The green shoot that I'll comment on, though, is that we are seeing -- since the end of December, and it has been continuing, we are seeing weekly improvements in out-the-door sales at retailers, and so that is a very positive sign. I think that you are starting to see things get more balanced in that market, and Winchester being the leading brand, we're going to be very disciplined because we're going to leverage that brand value. We're the leading brand in the industry, and we've got to make sure that we get the margins that reflect that.

Operator

Patrick Cunningham, Citi.

Patrick Cunningham Citi Infrastructure Investments LLC - Analyst

Just in terms -- last year, you started the PVC tolling arrangement. Now you have the Braskem EDC, any updated thinking on additional downstream participation in chlorovinyls, whether it be expanded tolling arrangements or perhaps investing in your own PVC assets?

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

Good morning, Patrick. Listen, vinyls obviously, is a very important market for us. As you know, we've talked a lot about that. We continue to participate in the PVC market at a low level of volume, but it is giving us the ability to see and learn a lot of things around the customers, around the product portfolio, and really educate ourselves on that decision. We haven't taken anything off of the table in terms of our options that we are considering and that we're looking at.

We continue to make very good progress on looking at potential expansion into PVC, which would include joint ventures, some sort of a joint investment or partnership. We're looking at technology providers and potential locations to be able to execute that. That all is underway and that all is in flight, but we're not taking any option off the table, including continuing the relationship that we have today with our fence-line customer at Freeport, Texas. So all of that is still in play.

Long term, we are very optimistic around what we see in the PVC market. Yes, today, there's been too much capacity added. The demand has not come back, particularly in China, but that is going to get corrected over time, and so we're talking about a 2030, 2031 sort of timing for doing anything here. That's an eternity right now, okay?

That -- a lot of things are going to change and look different by the time we get there. So we're still looking at those things. We haven't made any final decisions. We've got time to be able to do that. As we make progress, we will keep you all informed, but today, there's not anything more definitive than we could say about that.

Operator

Hassan Ahmed, Alembic Global Advisors.

Hassan Ahmed Alembic Global Advisors - Analyst

Just wanted to dig a bit deeper into the Q1 guidance you guys have given. Maybe you guys could sort of talk it through in terms of a sequential bridge. What I'm just trying to understand is that back in the day, you guys would talk about \$1 per million Btu swing in nat gas prices being around \$45 million to \$55 million worth of an annualized EBITDA swing, and this is obviously before you guys

shut down some capacity and the like. So I would love to hear where that figure sits, and if Q1 had relatively normal nat gas prices, what your guidance would have looked like, and what your guidance would have looked like in the absence of maybe some of the weather-related capacity shutdowns you guys have done and if I could also add-on what that guidance would have looked like in a relatively normal sort of copper pricing environment?

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

Good morning, Hassan. Thank you for joining us. Listen, I know that some of that is what we've done in the past, but I will just tell you that I think when you start giving out those kinds of metrics, there tends to be too much, people lean on those too much and they start trying to reconcile things with other data that they don't have. It ended up creating more questions and confusion than it's worth.

So let me give you a little bit of a bridge on a year over year basis because that's probably a cleaner way to think about this than sequentially, just because what we had in Q4 is not necessarily the same thing that we see in Q1, but if you think about it year over year, one of the biggest headwinds that we've got in our chlor alkali business is a significant increase in turnaround spend year over year. That's \$40-ish million year over year. First quarter of '24 -- '25 versus first quarter of '26.

The other thing is we are seeing significantly higher costs for power and natural gas. -- you can go look at that, and you can see what the numbers are, but both are going to be higher this year. Including now the impact of this Winter Storm Fern, we did proactively shut down some assets, but at the same time, we were still running some assets. So the power that we were consuming was at a higher price, but there are also costs associated with not running assets during that time, when we were shutting those assets down. Now just to give you an idea, we're still completing the restart of those assets.

So not everything is back online, but we should be, by the weekend is my expectation. The other thing related to that Winter Storm Fern is our Oxford, Mississippi facility with Winchester it's still down. You've probably seen some of the news coverage around Mississippi, they were sort of the direct hit of that ice storm. Employees are still not able to get to work, in some cases. We're not seeing many people being able to get in to that facility. So that's going to continue probably into next week, realistically.

So those headwinds, obviously, we did not have year over year. Epoxy is going to be an improvement. Winchester is down, net-net, those are probably about a wash, if you think about the first quarter of '25 versus '26. So that's how I would kind of steer you on that without trying to give you numbers that you're going to screw yourself in the ground around because there are just going to be other variables that you're not going to be able to figure out. So hopefully, that helps.

Operator

Frank Mitch, Fermium Research.

Frank Mitsch Fermium Research LLC - Analyst

I may have missed this in the past, but I wanted to ask about this \$70 million stranded costs for the PO-related closure. Dow announced this back in May of 2023, and so I -- obviously, you've known about it for a long time and could plan for it, et cetera, that \$70 million sounds like a very large number. Can you help explain that to us, to me in particular?

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

Listen, yes, we have known about this for a long time, and we've been planning it and we talked about this at our Investor Day, we knew that this was coming, but you don't take the costs out until you shut the assets, and so those assets are being closed and wound down as we speak.

So as we go through the year, we're going to have to find ways to be able to offset that, and that's -- that was the basis for us creating Beyond250 is that we've got to find ways to be able to take those costs out. The way that we were talking about this, I think previously as well is that asset and the sales from that asset didn't generate any margin for us. It was sort of a net 0 effect for us in terms of the P&L, but that doesn't mean that there would not be stranded costs with that.

We were aware of that. We've got to get after that. That is a very clear focus for us to be able to do that as we wind those assets down, but that is going to be something that happens over time. It doesn't happen like flipping a switch.

Operator

Josh Spector, UBS.

Joshua Spector UBS AG - Analyst

I just wanted to ask, if you look at fourth quarter and first quarter in chlor-alkali and you just look at the things which are related with extended downtime, third-party outages, and your own inventory actions, what was the impact in fourth quarter, and what's your baked-in impact in first quarter?

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

Josh. Well, like I said, there are a lot of things. There are a lot of variables that are going into that, including unplanned outages in our system, and so when we look at that, the biggest impact from that is simply the fact that we ended the year with very low -- and I mean like wet tank bottoms on caustic inventories, and so that is serving now to present a little bit of a volume issue for us in the first quarter related to being able to meet the demand that we see, and that's why we're so confident in the momentum that we see around caustic pricing, but you're really -- it's really difficult to give you any more details than that.

I think there's a lot of misconception out there about the marketplace and what we see in terms of supply and demand, things are tighter than what people believe, and I think that's one of the things that we are going to continue to realize as we go through the first quarter and into the second quarter, we're going to start to see that movement in pricing that reflects the situation in the market.

Operator

Matthew DeYoe, Bank of America.

Matthew DeYoe Bank of America - Analyst

I feel like the prior kind of commentary for 2026 epoxies, we were expecting something around \$80 million in cost savings, of which over half was supposed to come from just the Dow contract lapse at Stade.

Clearly, you're talking about modest profitability -- this wouldn't be the first case, productivity is lost through the cycle, but I'm just trying to clarify if that's what's happening here or if we should expect those savings to be more ratable in '27, I'll let you expand from there.

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

Listen, so what we had said back at Investor Day, that \$80 million, remember that was our cost-out target for 2028. So that -- you're going to realize a very big chunk of that \$40 million to \$50 million is going to be realized in 2026. So you are going to see Epoxy last year, \$50 million-ish EBITDA negative.

We're going to be positive this year. I mean I do expect that that's going to be the result in 2026. So you're going to see a meaningful improvement in our earnings. Most of that are things that we're doing to help ourselves in cost reduction and efficiency improvements. Just to be clear, we're not seeing any significant improvement in the Epoxy market.

Demand is still subdued. Margins are still weak. That environment has not changed. So all of this improvement that you're seeing is a result of what we've done. And so it's not getting lost anywhere. You're going to see that positive impact coming through in 2026.

Operator

Mike Sison, Wells Fargo.

Michael Sison Wells Fargo Securities LLC - Analyst

Just curious when you think about improving EBITDA sequentially throughout the year, what do you think needs to happen? Obviously, demand would be great, but you have a lot of cost savings. Can you maybe just give us a feel of what could happen heading into 2Q, 3Q, that could really maybe improve the EBITDA level from where we're at now?

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

Well, listen, like I have said, we are going to be really focused on everything that we can do to ensure that we're becoming a more efficient company, reducing our costs in the face of a very difficult market that we're in today.

I am more bullish on what we expect to see around caustic pricing. The cost reductions, you're going to start to see that come through here in the first quarter, particularly around the Epoxy business. We've talked a lot about that, and then, frankly, we've got to execute on this turnaround in Freeport. It's starting here in the first quarter, at the end of the quarter, and it's going to go into the second quarter. So that headwind is going to stay there in Q2 related to the VCM turnaround.

So we have to execute that very well, and the team has done a great job preparing for that, planning for that. I've reviewed where they are in terms of being prepared, and we've got to make that a reality now. So execution, running the assets reliably and safely and executing this turnaround, those are the things that we can control, and that's what we're going to be really focused on to deliver those cost reductions, and then as we see demand recover in Q2 and pricing improve in Q2, that's going to give us some momentum, but we're not going to quantify that at this point.

Operator

Matthew Blair, TPH.

Matthew Blair Tudor Pickering Holt & Co Securities LLC - Analyst

Could we circle back to this mention of higher energy costs. I think it was on slide 9. We normally think of Olin as fairly hedged on a quarter-over-quarter basis. So is this just a function of rolling to a new year? Or has anything changed on your overall hedging strategy?

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

Todd, do you want to take that one?

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

Yeah. No, great. Thanks for the question. Yeah, you're right. We are -- we continue to be a hedger. One quarter out, we're very heavily hedged generally on a rolling four-quarter basis, and so without the spike in natural gas that you saw associated with the winter storm and cold weather here in January, we would have expected, based on our hedges that natural gas and our power costs would have been higher. Candidly, that will be exacerbated by the unhedged component here in January associated with that spike in gas price that we saw.

Operator

Jeff Zekauskas, JPMorgan.

Jeffrey Zekauskas JPMorgan Chase & Co - Analyst

Can you quantify either the volume or the EBITDA benefits of the Braskem EDC arrangements for 2026? And for Todd, for 2026 for the full year, do you have any cash flow or free cash flow or working capital objectives?

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

Jeff, thanks for the question. So listen, we won't get specific on the Braskem arrangement. Again, that is one where it's a great partnership that we've created there. Like I said, we brought together us, Olin as the low-cost producer of EDC, together with the PVC leader in Brazil, and this is going to create value for both of us.

So it's going to allow us to get a higher value for our EDC versus selling it on the spot market and the export spot market, and it's going to allow them to have a better cost position to be able to compete with their PVC in Brazil. The other component of this, though, is around caustic. So we do have a larger footprint now on infrastructure, with caustic infrastructure in Brazil. So we've also inherited a lot of that infrastructure in terms of tanks and ports and access to be able to move caustic into the region, and so that's going to help us probably even more so than the EDC side of this. EDC prices have come down so much through the year. If you just think about -- if you go back to the first quarter of last year and that bridge that we were building earlier, vinyls pricing has come down significantly from the first quarter of 2025, and so as prices recover, that's going to be more of a tailwind, but we're not projecting any significant improvement in vinyls pricing in the near term.

So I would say, let's not get over our skis on that at this point. It's probably more of a caustic story, and we'll see a meaningful increase in our caustic sales into Latin America in 2026. We're not going to quantify what that looks like, but that's going to be a growth market for us.

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

Yes, and Jeff, talking about cash flow and working capital. As we look to 2026 compared to 2025, we will see a real tailwind associated with cash taxes. I'd say roughly in 2025, we spent \$167 million in cash taxes, and so we would expect 2026, I said to be a relatively cash-free tax year, plus or minus \$20 million. So that's a nice tailwind as we move into 2026. However, we did reduce working capital, excluding taxes by \$248 million.

We would expect that you will see some normal seasonal build in working capital in the first half of 2026, but we will be very disciplined, as you've heard, around inventory and our seasonal inventory build, and we will be very focused on continuing to maintain that working capital discipline that you saw in 2025, and so that is going to be something that we think we can maintain the levels of inventory that we have achieved in 2025 and 2026, if not improve upon that.

Operator

Peter Osterland, Truist Securities.

Peter Osterland Suntrust Robinson Humphrey Capital Markets - Equity Analyst

I just wanted to follow up on the Winchester discussion. Just given the plans you've laid out on pricing and cost actions and acquisition synergies. How much visibility do you have for margin improvement in the business during 2026? I mean I guess if you assume commercial demand and raw material prices don't meaningfully improve. Can you drive segment margins higher for full year '26 just through self-help?

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

Peter. Thank you for the questions. So there's a couple of ways I want to answer that question. One is we have taken cost out of Winchester. So if you go back to the fourth quarter, we did take out shifts. We have reduced staffing levels to be able to reflect that lower demand that we had talked about. Demand has gone back to kind of the pre-COVID levels.

So there's a big decline in that in the earnings of Winchester that is related to volume. The margin side of it is certainly related to a big part of that are cost increases. Yeah, there were some concessions around pricing as retailers had high inventories, and there was promotional pricing that was done to move that inventory. So we've got to recover both of those things.

The price increases that we have put out there in the first quarter for Winchester really just get us to recover those increased costs that we've seen. So unfortunately, I don't right now see that there's going to be a lot of improvement in the margin for Winchester, this is really going to be more about getting the costs passed through to hold the margins where they're at, which is not at a satisfactory level. So we -- sorry.

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

Candidly, we need more pricing to offset if copper stays at, I don't know, \$6.10 this morning, there needs to be more, right.

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

There's got to be more coming, just to hold margins where they are. So even with that, kind of green shoot that we're seeing around some improvement in commercial demand, we have got to stay focused on getting prices up to get margins recovered. They're still significantly below where we expect them to be, and -- our commercial teams are extremely focused on doing that.

Operator

Arun Viswanathan, RBC.

Arun Viswanathan RBC Capital Markets Inc - Analyst

I hope you guys are well. I guess understanding that visibility is somewhat limited. Just wanted to understand kind of the earnings trajectory from here. So obviously, Q4 and Q1 were impacted by some one-time impacts. You guys have rolled out the more aggressive cost management actions, but you're still seeing some significant headwinds there that you just discussed in Winchester and Epoxy is still kind of a negative EBITDA territory.

So if I look at Q1, it looks like that's going to be in the \$60 million range or so, and then, obviously, you'll have seasonal uplift in Q2 and Q3, but then Q4 will also be back down. So I struggle to kind of get above maybe \$450 or so on the year. Am I kind of being a little bit too punitive there? Or what kind of one-time costs would you call out to kind of maybe increase from that base? Any kind of comments would be helpful.

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

Arun, Thank you for your question. So listen, I think there are obviously a lot of puts and takes. This is a very heavy year for us in terms of turnaround. This is probably the peak year that we've ever seen. We had a high year last year. We've had a higher year this year, and then we'll see some relief in 2027. So turnarounds are a real headwind, are a real headwind for us in 2026, but as we go through the year, yes, you will see the seasonal improvement in Q2, Q3, especially around water treatment as those markets come back. That is going to happen. We are going to see momentum around caustic pricing. We don't expect to see any improvement in vinyls.

I mean I've already said that. I think that's just -- that's one where we've got to stay focused on being disciplined, but I do want to go back to the cost comments and the question. We are not rolling out anything new or more aggressive on our cost reductions. What we are talking about in terms of our cost reductions, we were talking about at our Investor Day in 2024.

We are delivering on what we had talked about back then, and what we see now is we actually have visibility. We believe by 2028, we can exceed that \$250 million of savings that we had talked about. So this isn't something new.

This is something that our organization is completely committed to. We have changed our performance metrics in terms of how we're rewarding our executives, our site leaders. So now our sites each have part of their part of their STIP, their short-term incentive is driven off of their specific performance around safety, reliability, cost performance and yields. We are driving that discipline through the organization, and that accountability, and that ownership, and what I'd love to see is the organization is responding to that and delivering that.

That's not something that's new. That's something that we've been talking about for the last year, and what you're seeing is the fruits of that are going to be borne out here in 2026.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews Morgan Stanley - Analyst

My questions have been answered, so I'll pass it along.

Operator

John Roberts, Mizuho.

John Roberts Mizuho Securities USA LLC - Analyst

Thank you. So slide 16 shows that caustic soda prices declined sequentially in the December quarter. So I assume you ended the quarter lower you began, and I think slide 15 says the price increases don't really start until the second quarter. So the March quarter caustic price will be down sequentially. I just wanted to confirm that because you were talking earlier about rock bottom inventories and tightness in the market, but it kind of doesn't seem to be consistent.

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

So listen, yes, we've got -- some of that is mix in terms of what you're seeing. We are seeing caustic pricing moving higher in the quarter, and that's in our system, and that's all that I can really comment on.

There is a lag that we see that you've got monthly pricing, you've got quarterly pricing and some pricing that's on a lag, and so you're going to start to see that really pick up in the second quarter compared to what you saw in the fourth quarter.

John Roberts Mizuho Securities USA LLC - Analyst

It was only down 3%?

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

Sorry, John, what was that?

John Roberts Mizuho Securities USA LLC - Analyst

The ECU PCI encompasses both price and power cost, right? So that's already in that 3% decline in the ECU PCI. So -- the difference between the 3% decline in the ECU PCI and the 60% decline in EBITDA was all volume and the Dow stranded costs?

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

No, that's more reflective of mix that you see in that PCI. So I mean that's -- frankly, that's noise more than anything.

John Roberts Mizuho Securities USA LLC - Analyst

So the ECU PCI doesn't encompass mix effect. It's a constant mix.

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

John, I think -- this is Todd. No, I think Ken said mix -- it is all chlorine derivatives, not just the ECU comment. It is all chlorine derivatives, including all the epoxy chlorine derivatives as well as all the chlor alkali chlorine derivatives and as well as caustic soda. So it is all encompassing, and so you can see changes in mix, and as you heard, as in our commentary, we did have some more favorable mix in our Epoxy business.

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to Ken Lane for closing statements.

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

Thank you, Bailey, and thank you, everyone, for joining us today. We appreciate your interest in Olin, and we look forward to speaking to you at our first-quarter 2026 earnings call. Thank you very much.

Operator

Thank you for attending today's presentation. You may now disconnect.

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