S&P Global
Market Intelligence

Owens Corning NYSE:OC

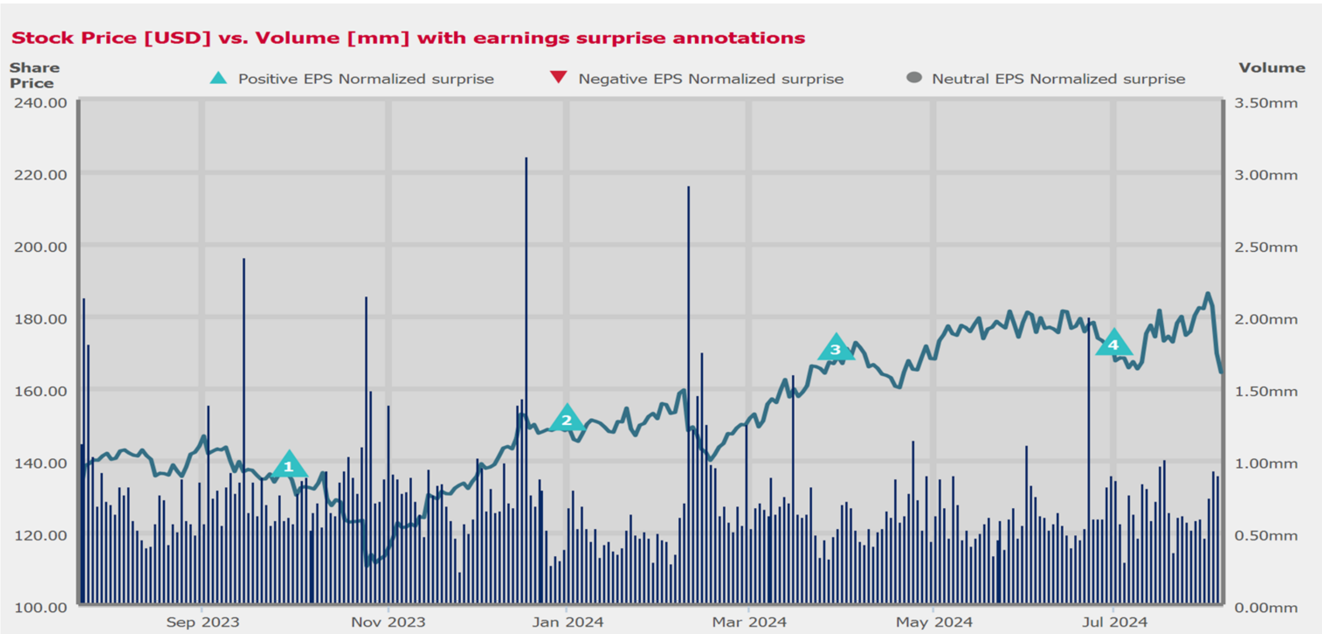
FQ2 2024 Earnings Call Transcripts

Tuesday, August 06, 2024 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2024-			-FQ3 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	4.35	4.64	▲6.67	4.21	15.46	16.78
Revenue (mm)	2924.81	2789.00	▼(4.64 %)	3097.06	11238.86	12628.70

Currency: USD
Consensus as of Aug-06-2024 12:35 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2023	3.86	4.15	▲1 7.51 %
FQ4 2023	2.86	3.21	▲2 12.24 %
FQ1 2024	3.09	3.59	▲3 16.18 %
FQ2 2024	4.35	4.64	▲4 6.67 %

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Call Participants

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Todd W. Fister
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Presentation

Operator

Hello all, and welcome to Owens Corning's Second Quarter 2024 Earnings Call. My name is Lydia, and I will be your operator today. [Operator Instructions].

I'll now hand you over to Amber Wohlfarth, Vice President of Investor Relations, Corporate Affairs, to begin. Please go ahead.

Amber Wohlfarth
Vice President of Corporate Affairs & Investor Relations

Good morning. Thank you for taking the time to join us for today's conference call and review of our business results for the second quarter 2024. Joining us today are Brian Chambers, Owens Corning's Chair and Chief Executive Officer; and Todd Fister, our Chief Financial Officer. Following our presentation this morning, we will open this 1-hour call to your questions. [Operator Instructions]

Earlier this morning, we issued a news release and filed a 10-Q that detailed our financial results for the second quarter 2024. For the purposes of our discussion today, we have prepared presentation slides summarizing our performance and results, and we'll refer to these slides during this call. You can access the earnings press release, Form 10-Q and the presentation slides at our website, owenscorning.com. Refer to the Investors link under the Corporate section of our home page. A transcript and recording of this call and the supporting slides will be available on our website for future reference.

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

Second, the presentation slides and today's remarks contain non-GAAP financial measures. Explanations and reconciliations of non-GAAP to GAAP measures may be found in our earnings press release and presentation available on the Investors section of our website, owenscorning.com. For those of you following along with our slide presentation, we will begin on Slide 4.

And now opening remarks from our Chair and CEO, Brian Chambers. Brian?

Brian D. Chambers
President, CEO & Chair

Thank you, Amber. Good morning, everyone, and thank you for joining us. During our call today, I'll begin with an overview of our second quarter performance and provide an update on our two big strategic moves to reshape Owens Corning into a more focused building products company. After that, Todd will go into more detail about our financial results for the second quarter, and then I'll come back to discuss the market environment and our outlook for the third quarter.

Turning to our overall performance in Q2. Owens Corning continued to deliver outstanding financial results within a very dynamic market, demonstrating the broad capability of our team, the value of our product offering and the earnings power of our company. In addition to delivering another quarter of strong operating performance, we completed the acquisition of Masonite, expanding our portfolio of branded residential building products and continued the review of our glass reinforcements business. Both of these strategic moves are key parts of our ongoing transformation to a more focused residential and commercial building products company that leverages key ownership advantages to accelerate our growth and increase our earnings. I'll share more about our transformational efforts in a few moments.

First, I'll begin with a review of our safety performance. Our global team made additional progress in our safety performance with a recordable incident rate of 0.46 for our legacy Owens Corning business in the second quarter. 3/4 of our facilities have operated injury-free in 2024, more than half have done so for over a year.

Combined with the positive first quarter, our number of recordable injuries year-to-date is 40% lower than the same time last year. As we add our new Doors business to the company, which is not included in this data, consistent with Owens Corning's unconditional commitment to safety, a priority of our integration team is advancing safety processes, systems and culture through our Safer Together operating framework. We look forward to carrying out this work through the remainder of the year and integrating Doors safety data into our overall reporting in early 2025.

Financially, in the quarter, we continued to achieve earnings that are structurally higher and more resilient. In Q2, the company delivered an adjusted EBIT margin of 21% and an adjusted EBITDA margin of 27% with net sales that grew as a result of the acquisition of Masonite. With this performance, our team has achieved a significant milestone of delivering 16 consecutive quarters of mid-teens or better adjusted EBIT margins and 20% or better adjusted EBITDA margins. Sales and margin growth generated adjusted diluted earnings per share of $4.64 in the second quarter, our strongest results to date. In addition, we generated $336 million of free cash flow, returning $52 million to shareholders through dividends in the quarter.

Moving on to our businesses. Each of our segments performed well in the quarter relative to market conditions. In Roofing, our strong margin performance was driven by positive price realization and favorable mix as ARMA market shipments moved lower versus prior year as expected based on more normalized storm demand. Insulation revenues increased slightly over prior year as the segment continued to perform well in North America, which partially offset a weaker macro environment in Europe. Positive price, favorable mix and lower delivery costs were key drivers of the segment's performance in the quarter. Our recently added Doors segment contributed to our top and bottom line growth for the second half of the quarter as we began our integration process. And in Composites, as expected, we saw lower but stabilizing demand and pricing in our glass reinforcements business, while demand and pricing in our nonwovens business remains solid.

These results highlight the value our team delivers to our customers and shareholders as we maximize operating performance within our businesses, while continuing our strategic shift to be a more focused company. We are capturing opportunities in our core markets and investing in new capacity and product categories where we can leverage our durable ownership advantages. This drives value creation by strengthening our market-leading businesses to grow faster and achieve higher margins and stronger free cash flow. In addition, we continued to transform the company through significant initiatives and investments that position Owens Corning for future growth.

Turning to Slide 5. One of those initiatives, the acquisition of Masonite, is key to our long-term growth strategy. The addition of the Doors product line expands our leadership position in residential building products through a complementary category that extends our offering of essential building materials and grows our revenue base from residential building construction to approximately 70% of the company. Through durable ownership advantages, including our brand leadership, commercial strength, product and process innovation and operational expertise, we can drive improved financial results and strengthen this market-leading residential building products business.

The doors and door systems category is a great fit for us given our customer and channel positions, especially in wholesale distribution and home centers. Our track record in applying material science innovation to drive value and differentiation and our effective use of sourcing and manufacturing operating systems to optimize production networks, which improve service and quality while reducing cost. We continue to get positive customer feedback as we discuss the addition of Doors to our product offering.

As we near 90 days post closing, we see tremendous opportunities to leverage the capabilities of Masonite and Owens Corning to build a new OC. As we work through the integration process, we remain focused on providing great products and service to our customers while combining our businesses. We have a strong team in place leading this work and are making considerable progress in achieving our planned $125 million in enterprise cost synergies, while ensuring we maintain the competitive strength that have allowed the Doors business to be successful and support future growth.

We have captured early wins through sourcing synergies, including price harmonization for general equipment and maintenance parts, lateralizing volume discounts with shared suppliers and leveraging the strength of our network to improve transportation costs. We look forward to opportunities ahead for Owens Corning through this new product platform, as we benefit from our expanded portfolio of market-leading products to advance our enterprise strategy, and deliver even greater value for our customers and shareholders.

And now I'll turn to the strategic review of our glass reinforcements business. As a reminder, our glass reinforcements business is part of our Composites segment and manufactures, fabricates and sells a wide variety of glass fibers. While we hold a leading market position in several key regions and product applications, the business serves customers in industrial segments outside the residential and commercial building products space, where Owens Corning is focused today and into the future. Since the announcement, our team has made good progress in evaluating options to both maximize value to shareholders and determine the best growth path for the business. While we were not able to share more details today, we will provide additional updates throughout the second half of the year.

As we sharpen our focus through these strategic moves, we also continue to make targeted investments in our existing businesses to increase capacity and meet the growing demand for our products. Most recently, this has included a glass nonwoven plant expansion, which we are beginning to bring online a new coating facility, a new FOAMULAR NGX insulation plant and a new laminate shingle production capacity to complement the other line upgrades we have made throughout our roofing manufacturing network.

We've also been enhancing our U.S. fiberglass insulation network by making smart investments that improve productivity and flexibility in a cost-effective way. The market demand for our products is robust, and the ongoing secular trends in housing and energy efficiency indicate strong potential for growth. Given this long-term demand outlook for our insulation products, as we shared during our last call, we continue to evaluate options to expand capacity within our existing manufacturing network. This investment will further support a cost-effective and flexible network designed to meet future needs for our fiberglass insulation in both residential and commercial applications. We expect to share more on this capacity expansion as we finalize the details over the next few months.

As we invest for growth, we will continue to be strategic in our choices, focusing on markets and product lines where we can lead and add unique value. Over the past several years, we have proven our ability to grow our business while consistently enhancing shareholder value through a disciplined capital allocation strategy of returning approximately 50% of free cash flow to investors over time through dividends and share repurchases. As a result, in the past 3 years, we've more than doubled our dividend payout. And since 2020, we have bought back more than 20% of our outstanding shares. This demonstrates both the cash-generating power of Owens Corning and our disciplined approach to growing the business.

In closing, I want to thank our global teams for their consistent execution and drive to excel that has helped deliver another outstanding quarter and first half for our company. Through our talented people and highly valued customer partnerships, we continue to outperform the market as we transform and grow into an even stronger residential and commercial building products company for the future.

Now I will pass the call over to Todd for a detailed review of our second quarter results. Todd?

Todd W. Fister
Executive VP & CFO

Thank you, Brian, and good morning, everyone. As Brian mentioned, our outstanding results in the quarter and through the first half of the year, demonstrate the value being created through our enterprise strategy and operating model.

I'd now like to turn to Slide 6 to discuss the quarter in more detail. As a reminder, our financial results include the impact of the Masonite acquisition, which closed on May 15. We have established a new Doors reporting segment, where you can see the performance of the newly acquired business.

In the second quarter, we continue to build up the great results we delivered in the first quarter, growing enterprise earnings and expanding margin again in Q2. Adjusted EBIT of $588 million and adjusted EBITDA of $742 million grew versus last year by 10% and 12%. Adjusted EBIT margin was 21% and adjusted EBITDA margin was 27%. Part of the year-over-year growth can be attributed to the acquisition with the remainder coming from both commercial execution and manufacturing performance. Organically, adjusted EBIT and adjusted EBITDA were up 4% and 3%, respectively.

Adjusted earnings for the second quarter were $408 million, or $4.64 per diluted share compared with $388 million, or $4.25 per diluted share in the same quarter prior year. For the quarter, adjusting items totaled approximately $130 million and are excluded from our adjusted EBIT. They primarily include $62 million of Masonite acquisition-related costs and $47 million of restructuring charges, primarily related to actions taken in the Doors segment to begin to realize expected synergies.

Turning to Slide 7. Our capital allocation strategy remains unchanged. We are focused on generating strong free cash flow, returning approximately 50% to investors over time and maintaining an investment-grade balance sheet while executing on our business strategies to grow the company.

Looking at our cash generation and capital deployment during the second quarter, operating cash flow was relatively in line with prior year. Free cash flow for the quarter was $336 million compared to $372 million in the same quarter last year. The year-over-year decline was due to increased capital additions, which were $157 million in the quarter, up $35 million from prior year, as we make the targeted investments Brian mentioned.

Our return on capital was 14% for the 12 months ending June 30, 2024, which includes the acquisition impact of the Doors segment assets and earnings for the second half of the quarter. At quarter end, the company had liquidity of approximately $1.4 billion, consisting of $254 million of cash and $1.1 billion of availability on our bank debt facilities.

During the second quarter of 2024, we returned $52 million to shareholders through a cash dividend. Through the first half of the year, we have returned $234 million to shareholders through share repurchases and dividends. And as a reminder, we have 8.1 million shares available for repurchase under our current authorization.

After closing on the acquisition, we prioritize paying down debt incurred to fund the transaction and ended the quarter with debt-to-EBITDA of 2.2x, at the low end of our targeted range of 2 to 3x. At this level of leverage, we remain committed to returning cash to investors.

Now turning to Slide 8, I'll provide additional details on our segment results. The Roofing business delivered another great quarter, demonstrating the strength of our contractor engagement model to drive demand for our products and outperform the market. Overall, revenue was $1.1 billion, down slightly from last year due to lower volumes, which were largely offset by positive price and favorable mix. In the quarter, we saw good price realization in our April increase and demand for our shingles remain strong. The ongoing shift to laminates and favorable mix in components continue to be a tailwind in the quarter.

The U.S. asphalt shingle market on a volume basis was down 10% in the quarter compared to the prior year. The decline was primarily due to a tough comparison against the record level of manufacturer shipments in Q2 last year. Our U.S. shingle volume was down modestly, outperforming the market as demand for our shingles remain strong. As expected, overall segment volumes were also impacted by the strategic decision to exit our protective packaging business.

Outside of packaging, our roofing components volume was down as distributors reset inventory for these products in the channel. EBIT was $373 million for the quarter, up $35 million versus last year. The increase was primarily due to positive price and favorable mix, offsetting the volume decline. All of this resulted in an EBIT margin of 34% and EBITDA margin of 35%.

Now please turn to Slide 9 for a summary of our Insulation business. In the second quarter, the Insulation business delivered its highest EBIT and EBITDA margin performance since 2006. The results reflect structural improvements in the business and the strength of demand we are seeing for our fiberglass insulation products in North America.

Q2 revenues were $916 million, up slightly over prior year. Revenue for our North American residential insulation also grew in the quarter. Volume was up as demand for single-family homes remain solid. We also saw positive price realization in North American residential on previously announced pricing actions. In technical and global, revenue was similar to last year. While the ongoing demand in Europe remains challenged by the macro environment, revenue for our fiberglass technical insulation products in North America has continued to grow through strong end market demand and commercial execution.

Overall for insulation, EBIT in the quarter was $183 million, up $20 million compared to prior year. The EBIT growth was driven by positive price realization, lower delivery cost and favorable product mix. Input costs were fairly neutral for the quarter. As we shared in our last call, we did incur incremental costs associated with evaluating manufacturing investments to upgrade and modernize our U.S. fiberglass plants. Insulation delivered an EBIT margin of 20% and EBITDA margin of 26% in the second quarter.

Moving to Slide 10, I will provide an overview of the Doors business and results since completing the acquisition. Overall, the business performed as expected as we navigate through dynamic market conditions for Doors in North America and Europe. As Brian shared, the integration is progressing well, and we are on track with our synergies. From mid-May through the end of the second quarter, the business generated revenue of $311 million. Note that prior to closing on the acquisition, Masonite completed the divestiture of its architectural segment. There is no revenue or earnings from architectural included in the results for the Doors segment.

EBIT for the quarter post acquisition was $34 million, including $11 million of impact from purchase accounting. Some of that impact was offset by $6 million of onetime benefits. In order to share a clearer view of Doors' performance in this quarter and to exclude the impact of the purchase price accounting, post-acquisition EBITDA for the quarter was $61 million. The acquisition and restructuring costs are not included in the segment results. Overall, Doors generated an EBIT margin of 11% and EBITDA margin of 20% in the second quarter.

Slide 11 provides an overview of our Composites business. In the second quarter, the strategic review of our glass reinforcements business progressed, and the business continued to perform well relative to the challenging macro environment. Overall, end markets continued to be softer than prior year with signs of stabilization sequentially. Volume declined and lower glass reinforcement pricing were consistent with the impacts we saw in the first quarter. Revenue for the quarter was $546 million, down 12% compared to prior year.

EBIT for the quarter was $61 million, down $26 million from prior year. While EBIT was impacted by lower glass reinforcement prices, delivery cost was favorable. We also remain proactive in adjusting production to match demand. Despite the higher production downtime from lower demand, we more than offset that impact through positive manufacturing costs. Overall, Composites delivered an 11% EBIT margin and 19% EBITDA margin for the quarter.

Moving on to Slide 12. I will discuss our full year 2024 outlook for key financial items, which have all been updated to include our Doors segment. General corporate expenses are now expected to range between $255 million and $265 million, up from our prior range of $240 million to $250 million. Interest expense is now estimated to range between $210 million and $220 million, including the impact of additional interest expense on the higher debt from the acquisition and less interest income on our lower cash balance. The prior interest expense estimated range was between $70 million and $80 million. Our 2024 effective tax rate is expected to remain unchanged between 24% to 26% of adjusted pretax earnings. Next, capital additions are expected to be approximately $650 million, in line with depreciation and amortization. Previously, capital additions and depreciation and amortization were both expected to be approximately $550 million.

Now please turn to Slide 13, and I'll turn the call back to Brian to further discuss our outlook. Brian?

Brian D. Chambers
President, CEO & Chair

Thank you, Todd. Our second quarter results demonstrate the work our teams have done and the actions we have taken to strengthen Owens Corning and generate higher, more resilient earnings. We are a company that continues to outperform prior cycles with opportunities for additional growth.

As we move through the third quarter, we expect North American building and construction markets to remain healthy. In the U.S., we see ongoing demand for single-family new construction given the overall need for housing, and the high price and low availability of existing homes for sale. We also expect nondiscretionary repair and remodeling activity and the need for our brand in the channel to drive continued strong demand for our Roofing products. We expect more discretionary repair and remodeling activity to remain softer in the near term, primarily impacting demand for our Doors products.

Outside North America, we anticipate macroeconomic trends and geopolitical tensions will continue to result in volume pressure. Overall for the company, we expect third quarter revenue growth of low 20%. We anticipate revenues from our legacy OC business similar to prior year, plus a full quarter of sales for our new Doors segment. For EBIT, we expect to deliver high-teen margin for the enterprise with an EBITDA margin of low 20%.

Now consistent with prior calls, I'll provide a more detailed business-specific outlook for the third quarter. Starting with our Roofing business, we anticipate our revenue to be flat to slightly down. Coming into the year, the industry was servicing carryover storm demand from 2023. As we have worked through most of that demand, [in-year] storms have come down from the historical high levels we saw in 2023. As a result, absent any major tropical storms, we expect ARMA market shipments to be down mid- to high single digits for the third quarter in 2024 with demand for our shingles relatively flat.

For components, we anticipate additional volume headwind from what we saw in the second quarter due to the continued impact from more normalized purchases and inventory levels of these products at distribution, and we will continue to realize the impact of exiting our protective packaging business. As a reminder, this business had approximately $100 million of revenue annually. We expect positive price from our previous announcements and favorable mix to largely offset the impact of lower components volumes. Compared to Q3 of last year, we also anticipate input cost inflation. Overall for Roofing, we anticipate EBIT margin in the low 30% range.

Moving on to our Insulation business. We expect revenue to be up low to mid-single digits with positive price, favorable mix and relatively flat volumes. In our North American residential insulation business, we anticipate realization of the price increase that was implemented in June, and volumes to be up slightly versus prior year. In technical and global, we expect revenue to be up modestly versus prior year, driven primarily by ongoing favorable mix, similar to what we saw in the second quarter. We expect volumes for technical and global to be relatively flat, with volume growth in North America offset by lower year-over-year volumes in Europe, where demand continues to be challenged by the market environment.

For the overall Insulation business, we anticipate input materials and delivery to be relatively neutral in the third quarter, with price costs remaining positive. Also in the quarter, we expect to incur some incremental costs as we continue to evaluate investment options to upgrade and modernize our U.S. fiberglass manufacturing network. Given all this, we expect to generate high-teen EBIT margin for Insulation in the quarter.

Before I get into the outlook for Doors, I would like to share a little more detail about this segment. The business is North American focused with nearly 90% of its revenues in the U.S. and Canada. In addition, the business is about equally split between new construction and repair and remodeling activity. While new construction demand trends are similar to our residential insulation business, repair and remodeling demand tends to be more discretionary and is currently being impacted by the near-term pullback in spending being seen across the industry.

With that additional background on Doors, I'll turn to the third quarter outlook. We expect top line performance to be down high single digits from a run rate adjusted Q2, driven by continued market pressure. For EBIT, we would not expect the $6 million of onetime benefits we saw in the second quarter to repeat in the third quarter. And we would also expect a full quarter of purchase accounting, partially offset by early synergies we have started to realize, in line with the run rate we saw in Q2. Overall for

Doors, we anticipate EBIT margins of mid-single digits. To get a view of the business without the impact of purchase accounting, we would expect EBITDA margin in the mid-teens.

And in Composites for the third quarter, we anticipate overall revenues to be down low to mid-single digits versus last year. While we continue to see spot prices stabilize sequentially within our glass reinforcements business, we expect overall pricing to step down year-over-year, similar to what we saw through the first half. with both contract pricing and spot pricing lower than last year. Given demand conditions we are seeing in the market, we expect the decline in pricing to be partially offset by higher volumes in both North American glass reinforcements and nonwovens.

During the quarter, we expect the nonwovens business to continue to perform well with solid demand and pricing even as we absorbed some incremental start-up costs with the commissioning of our new Fort Smith nonwovens line. For the third quarter, we expect EBIT margin in Composites to be around 10%, consistent with our performance through the first half.

With that view of our businesses, I'll turn to a few enterprise items. As I shared at the start of the call, over the past few years, we've been on a journey to accelerate our growth and strengthen the earnings power of Owens Corning by reshaping the company into a more focused residential and commercial building products leader. Through the first half of 2024, we've made meaningful progress to further our transformation through significant initiatives and investments that position Owens Corning for future growth in both new and existing product segments.

As we integrate Masonite and look at additional opportunities to invest organically and inorganically, we will continue to be disciplined operators, focusing on markets and product lines where we can build leading positions through our customer and channel knowledge, material science and innovation capabilities and manufacturing and process expertise. We believe the addition of our Doors business and the review of strategic alternatives for glass reinforcements are the latest examples of how we are using this disciplined approach to reposition and grow the company. We have an incredibly strong balance sheet, which we leverage to execute on the Masonite acquisition.

Going forward, we remain committed to strong free cash flow generation and a balanced capital allocation strategy. In the first half, our team delivered outstanding results. As we move to the second half of the year, we will continue to stay focused on delivering value for our customers and shareholders through great execution and outperforming the market in our legacy businesses, while successfully integrating Masonite and continuing the strategic review of glass reinforcements.
With that, we would like to open the call up for questions.

Question and Answer

Operator

[Operator Instructions]. Our first question today comes from Michael Rehaut with JPMorgan.

Michael Jason Rehaut
JPMorgan Chase & Co, Research Division

I'd love to get an update, maybe a little more detail on the Doors synergies. You said broadly that -- with Masonite, you said that remains on track, and you highlighted some early areas of progress that you've been able to achieve off the bat. I was wondering if perhaps you could give a kind of where we are within that $125 million projected synergy target, where we are today in terms of, let's say, percent that you've kind of gotten under the -- you've been able to start to achieve? And how we should think about the progression of achieving those savings over the next several quarters?

Brian D. Chambers
President, CEO & Chair

Thanks for the question. Let me start by just saying how excited we are to add the Doors business to the overall company. We closed this deal mid-May, and our teams did really great work from signing to close in a little over 90 days. And we finished that up mid-May.

Since closing, we've been very busy welcoming our new colleagues at the company. We've been visiting sites, we've been meeting with customers and beginning the integration process. So I think we're very pleased with how things have come together in terms of the initial start.

To your question on the progress on the enterprise, $125 million in synergies, I'd say we're making really good progress. We're not getting into the specifics of how we're chunking that out. We had talked earlier on about getting most of these realized by the end of year 2 in terms of a time line for completion. I'd say we're progressing very well on that time line. The teams have come together.

I talked about in my prepared comments some of the initial sourcing synergies, where we've got some leverage around transportation costs. We've got common vendors, where we're able to extend terms and programs, and that's giving us some initial lift in some of the capture of synergies. So I think that work around the sourcing front is progressing as planned. We continue to look at other opportunities, and we feel like we're going to be on track for that $125 million of enterprise synergies over that 2-year time frame.

I think one thing I would add as well that is not included in the [express] synergies, it's something we're also just getting started on is really looking at the commercial and revenue growth opportunities. And we're early days into this. But -- and we remain very excited when we look at the innovation agenda that we've got, combining our material science capabilities, our technologies, our study capabilities, our sound and energy capabilities. We really feel like we've got a great innovation agenda that we've reset the business.

And we're looking now as we look across the customer base. All the customers I've met with and the team meets with, we continue to get great feedback on the opportunities in front of us to be a more impactful provider of roofing, insulation doors now to our builders, to our distributors and work with them to help them grow their business.

So we're excited about some of the opportunities on the revenue side and growth side. Those are going to be a little bit longer as we've always talked about, but we continue to see more opportunity as we get further along in the integration process.

Operator

Our next question comes from John Lovallo with UBS.

John Lovallo
UBS Investment Bank, Research Division

The $311 million in revenue from Doors in the quarter, what was the actual full run rate for the quarter? And it would seem to imply maybe down kind of low to mid-20% range in the third quarter. So I'm curious, what was the impact from the architectural divestiture? And how are you thinking about Doors volume versus price in the third quarter?

Brian D. Chambers
President, CEO & Chair

Yes. On the $311 million, I guess, I'd ask you to go back to probably the Masonite Q2 results of last year, and that's going to break out the architectural segment in more detail in terms of revenue and margins. And we closed mid-May. So a good assumption is going to be take about 1/2 of that in terms of run rate revenues and margins, and that would have been the impact of the architectural divestiture on our $311 million in terms of the run rate that we picked up post close of the business. So that's, I think, a pretty good way to frame the revenue side and the margin impact around the architectural divestiture.

As we look going forward into the quarter, I think we -- the Q2 performance, I think, the business performed very well relative to the market, in line with our expectations. We saw volume trend trending down in the first half as we see some more challenging market conditions. This is a category that's got a little bit more discretionary aspects to, particularly the repair and remodeling parts of the business. We saw those volume declines kind of coming through the first half of the year.

And in our third quarter guide, we're expecting that, that's the kind of market conditions we're going to face into here in the third quarter. So we're going to continue to see some volume pressures as consumers are making some more discretionary choices around some of their investments in home repair and remodeling.

We also see distributors buying cautiously in terms of managing inventories as we work through this high interest rate environment. But in the near term, we've guided through that in our third quarter call that we expect to hear and see some near-term volume pressures. But again, medium term, long term, we think this is a great category to complement our roofing and insulation products. We're bullish on new construction continuing to grow. We expect that interest rates are going to move down, and that's going to open up repair/remodeling, existing home sales, renovation projects that doors are an essential part of those projects going forward.

So in the near term, we're managing through some choppy market conditions. But in the medium term, long term, we feel very good about the product category and the position we'll have [in it].

Operator

Our next question comes from Stephen Kim with Evercore ISI.

Stephen Kim
Evercore ISI Institutional Equities, Research Division

Question, I guess, related to Insulation, the Insulation segment. I was curious if you could give us a sense for, when you look at the European business, I know that Paroc has had some issues and so forth. Was that a meaningful effect on the adjusted numbers that you report, either on the sales or on the margin?

And if you could -- maybe just looking at North America, you talked about -- you alluded to the capacity expansion. I think you used the word flexible. You're looking for a solution that's kind of flexible across both commercial and residential. That sounded like it might be something other than fiberglass. So maybe we're talking more like spray foam or something like that. Just curious if you could maybe give us a little more color on what you meant by the flexibility in your capacity expansion in North America.

Todd W. Fister
Executive VP & CFO

Thanks, Stephen. I'm happy to take both of those. So let me start with the global and technical piece and the trends that we're seeing in Europe. Overwhelmingly, what we're seeing in Europe right now is the impact of weak macros in Europe and, in particular, in the geographies where we have the strongest footprint in the Nordics and then in Central and Eastern Europe.

As we've talked about before, Europe really hasn't rebounded the same way we've seen North America rebound. Europe has not sorted through inflation and interest rates the same way we've seen North America rebound and be strong. So I think the good news in Europe is there are some green shoots in Europe overall, more in Southern Europe now where we are seeing a more positive outlook.

It may take a couple of quarters for that to make its way into Northern Europe and the Nordics, where we really haven't seen those green shoots yet from a macro standpoint. I would say, though, our team is executing very well in this European environment. They've done a great job around cost control, around productivity, around really positioning our business to win going forward with the right products and the right customers, the right geographies and the right cost structure. So we continue to really like that business long term as we see the macros strengthen.

When we look at flexibility around what we're thinking with our project for North America, it's really around how do we flexibly leverage existing space that we have in existing facilities to really serve our big fiberglass markets in North America. A number of our products cross res and commercial, and we can sell products made on shared lines into both of those markets. So when we look at flexibility, there's a couple of elements. It's how do we make sure we leverage our existing cost structure in existing facilities as effectively as we can to make sure anything we add is both capital and cost efficient long term; but then how do we make sure we're really well positioned to serve both the attractive commercial side of that business as well as the residential side of the business as we go forward.

Operator

Our next question comes from Kathryn Thompson with Thompson Research Group.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Masonite was a leader in the pricing for the door industry overall, very transformational. And as you transition Masonite into Owens Corning, how are you balancing that price and volume from a strategic focus going forward? And what steps are being made to retain market share in key channels for the Masonite product? And finally, just tying into that, are there any type of crossover synergies with your Composites business with Masonite?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Kathryn. So they have been a leader in terms of price and value. I think it's a very complementary product line to how we approach our value and value pricing in our product categories as well. So I think it's a very similar approach in how we look at creating value for our customers through innovation, service, through quality, through marketing tools that help support them and help them win and grow. So we always start with a fundamental belief that in order to gain price and capture price and hold price, we have to create more value for our customers. And that is done through that innovation, commercial strength, pull-through demand trends in ways that we're helping our customers win and grow the market, and pricing has been part of that equation going forward.

So I think we feel very well positioned to continue to do work across the Doors category as well as across the company around bringing value to our customers through those kind of innovation and commercial tools. So I think we're in a good spot there.

We always balance price/cost. We always balance competitive pricing in the markets relative to share, where we look to gain price premiums for the additional value we're bringing to a customer. We also always look against the competitive landscape and making sure we're maintaining a range of that price value that is consistent with holding and maintaining our market share position.

So again, that philosophy, I think, holds true with the Doors category. That's how we're going to manage that business going forward, very consistent with how we have been managing our Roofing business and our Insulation business with respect to those items.

In terms of the synergies of our own Composites, we do see opportunities. As I said, one of the attractions of Masonite to us was our long-standing partnership to supply fiberglass in the development and then production of fiberglass exterior doors. We continue to see opportunities around our material science capabilities when we look at particularly the fiberglass exterior door category to bring innovation and to look at production processes that are very efficient and cost effective. So that is something that we are leveraging as we go forward on the integration, and we see that as opportunities as we grow more in the exterior fiberglass doors part of the business.

Operator

Our next question comes from Matthew Bouley with Barclays.

Elizabeth Ann Langan
Barclays Bank PLC, Research Division

You have Elizabeth Langan on for Matt today. I just wanted to touch on Insulation pricing. Are you seeing any traction with the insulation -- the June insulation price increase so far? And could you speak to what degree there could be risk that this price increase doesn't flow through without a more favorable interest rate environment?

Todd W. Fister
Executive VP & CFO

Thanks, Elizabeth. So let me give a little bit of context on what we're seeing with res this year. So our res pricing this year has had a bit of an unusual shape, where we had a Q4 increase from last year that got pushed into Q1. And then we have another increase in the market, a June increase in the market.

Right now, we're seeing solid realization on both of those increases, the first and then also the June increase. I would describe it as in line with historic realization we've seen on price increases, maybe a bit higher than history, but generally in line.

As we've shared before, typically in markets where we see utilization in the 90% range, we've seen an ability for price increases to stick in the market. We continue to believe the industry -- the fiberglass industry has capacity to serve in that 1.4 million to 1.5 million starts range. Right now, it might even be the low end of that range because the strength in single-family homes has been so good, and single-family homes have more pounds of insulation per start than we would see for multifamily units. So we see utilization is healthy now for our res business, and we're seeing pricing in line with history.

Operator

Our next question comes from Sam Reid with Wells Fargo.

Richard Samuel Reid
Wells Fargo Securities, LLC, Research Division

I wanted to touch on Roofing for a second. You called out distributor inventory resets on the components side of the business here. Any sense as to where those distributor inventories sit now? And then it does sound like based on your commentary that, that destock pressure might continue into the third quarter. I think that's contemplated in your guidance. I know you only guide one quarter out, but is there any risk we see a continuation of that dynamic into the fourth quarter?

Brian D. Chambers
President, CEO & Chair

Thanks, Sam. Our Roofing business just delivered another outstanding quarter, as you saw in the results. And our team continues to execute well. There still continues to be really strong demand for our products overall, which is where our shingles outperformed the quarter in terms of relative to ARMA shipments, and we've guided to that to continue here into Q3. So I think that's a phenomenon we expect to continue as we go into the back half of the year around our shingles.

In components, I'd say what we're seeing now is our components product lines are not on extended service cycles, unlike where our shingles still are. And I think what we've seen now in Q2 and we expect to see in Q3 is, as we're now we're starting to see some regional variations in market demand as some of the storm demand has been worked through and we're tracking to more normalized storm year. We're still seeing good fundamental repair/remodeling outside of storm demand. We're still seeing some good demand around new construction.

But I think what we saw on the components side especially is distributors now starting to look at products and locations and starting to reset inventories for the expected third quarter, fourth quarter volumes. So on an absolute basis, I'd say that the volumes for components are still very strong but when you compare them to last year's Q2, Q3, which were very high. And if you recall last year, we were seeing strong storm demand inventory levels being increased by distribution in Q2 to service storms. We saw that continue in Q3.

So part of the step-down we saw in Q2 and Q3 in components is relative to very strong demand last year. But on an absolute basis, even though we're seeing them step down on a year-over-year basis, they're still performing and we're still shipping at a very strong level relative to our strong shipping -- shingle shipments.

So I think we expect that to continue. But overall, the shingle market is still very healthy. We're starting to see some pockets in regions that are slowing down, parts of the Southeast, parts of Florida as some of that storm demand winds down. But overall, we expect a Q3 and Q4 back half of the year to another good Roofing year.

Operator

The next question comes from Mike Dahl with RBC.

Christopher Frank Kalata
RBC Capital Markets, Research Division

It's Chris on for Mike. Just following up on Roofing. Can you help size what your 3Q guide is assuming in terms of net price/cost in relation to what you saw in 2Q? And then given the expectations of continued inflation and success of pricing to date, is there opportunity for additional pricing actions in the segment this year?

Brian D. Chambers
President, CEO & Chair

Yes. I think through our guide on Q3, I talked about in Q2, we started to see some inflation in the business around asphalt, around minerals, around labor. The asphalt inflation is very typical to seasonality, generally in the summer months with higher paving demand, we see asphalt costs move up. We talked about that in terms of a Q3 guide, then we thought those inflationary trends were going to continue into Q3. But overall, we still expect with the April increase in price realization, to maintain a positive price/cost mix in Q3 relative to your question.

So we have the August increase that is in market. That's something that's just being implemented as we speak. So relative to history, I would say, when we've got good demand for our products, we continue to see good demand -- or good price realization. And given the demand environment we see in Q3, we'd expect to see some good realization from that, but that's early days in terms of just being out and into the market.

Operator

Our next question comes from Susan Maklari with Goldman Sachs.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

In Roofing, I wanted to talk a bit about the mix that you're seeing. As you think about the different components around some of that destocking that's happening, some of the moves, broadly speaking, in laminates versus asphalt shingles, any thoughts on how that will come through in the back half? And then how you're thinking about the impacts that, that is having on the margin side as well as the revenue?

Brian D. Chambers
President, CEO & Chair

Yes. Thanks, Sue. Clearly, the mix has been a positive driver in terms of improving our margins overall, and part of the performance of the business here over the last couple of quarters. And I'd say we've seen a pretty consistent theme in terms of mix being -- positive mix being driven by more laminate shingles versus strip shingles. We saw that continue to play out in Q2. And then just the mix of components, particularly with the exit of our packaging basis, that was a bit lower revenue and lower margin product line. So that combination of more laminate shingles versus strip and the components mix has been a positive impact in Q2.

We're guiding to another positive impact in Q3. I would say that the mix shift from strips to lams, we think that's going to continue to give us some benefits here in the back half of the year. And we continue to expect the components to continue maybe at a more moderate rate, but continue as we go forward, again, to comp against the comp on the packaging [fees].

So I'd say that's been a key part of the step-up in margins overall. Now in terms of our overall margin performance, while we've seen the benefits of the mix shift and the laminate shingles are going to continue to run at a very high level of mix. So that generally comes with some higher margins, and we expect that to kind of continue.

The components side of the business, we continue to see contractors selling in the home more complete systems. So that includes hip and ridge, starter, underlayments, all of those high-margin components. And so we continue to see attachment rates to our shingles increase and improve. So from a margin durability standpoint, we think these mix shifts are permanent in terms of moving into higher-margin product categories. And the mix shift with more components to shingles as part of system sales, we think that continues going forward. So we think it maintains -- it gives us a good maintaining base of margin performance and a little bit of upside here in Q3.

Operator

Our next question comes from Garik Shmois with Loop Capital.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Just following up on Roofing. Just to be clear, are you seeing destocking in shingles? Or is it just components? And then maybe just stepping back a little bit, I know you recently upped your long-term margin outlook in the segment, but you're running well ahead of that right now. So wondering what would have to happen for Roofing EBIT margin to get towards the mid-20% long-term view versus holding at this high 20s to low 30s percent level that you've demonstrated in the last several quarters?

Brian D. Chambers
President, CEO & Chair

Yes. Relative to destocking shingles, I'd say the destocking comment was more specific to our components, not our shingles. I would say, broadly, we continue to see pretty light inventory levels of our products and our brand in distribution. So we think that's going to continue to drive good sales here in the quarter.

I would say, though, across the country where you see some of the ARMA shipments stepping down. I do think that distributors are going to be more selective in the products and brands that they're buying in Q3, and I think they're going to manage inventories to whatever market outcome they're expecting. So there's not a destocking of our products. But I do think that distributors are going to be probably more cautious in managing inventories overall as we move into the third quarter and complete the year in Roofing.

In terms of the margin outlook, yes, we've delivered another quarter above 30%. We've guided to a third quarter to run at these similar margins. And as I've talked about in the past, I think there have to be a couple of factors that would start to walk down those margins over time. One is, I think we'd have to see a step-down in volumes, and that would result in some volume deleverage in terms of both shingles and components that could impact margin rates as we go forward.

And then I think we'd have to see a mix -- a negative price/cost mix start to evolve, relative to either higher inflation or pricing moves that would change that overall price/cost mix to a more negative stance over time. So I think that would be the combination, Garik, that would kind of lead to margins stepping down over time.

I will remind everybody, though, that there is a normal seasonality to the Roofing business. And I do expect that we're going to start coming into a more normal seasonality where we see some lower margins in Q4 and Q1 as we take maintenance and downtimes, stronger margins in Q2, Q3. The market overall has been very strong in the last couple of years. We haven't seen that typical seasonality. But I would say, when we talk about our longer-term guide, we're talking over kind of a 4-quarter average over a full year average. But quarter-to-quarter, we may see some quarters a step down below that just with normal seasonality.

Operator

Our next question comes from Phil Ng with Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

Can you provide a little more color on the strategic review on your Composites glass reinforcement business? Any color on level of interest in the multiples you're discussing? And then from a demand standpoint, certainly, it looks a little stronger, particularly in North American glass reinforcement. Any color on which end markets are standing out? Any restocking? And does that set you up for potentially some pricing momentum next year?

Todd W. Fister
Executive VP & CFO

Thanks, Phil. I'll take that one. In terms of the review, I'll say first, I mean, we're really happy with how the entire Composites business is executing right now and especially the glass reinforcements piece in what continues to be a soft macro environment. When you look at the relatively stable volume and price dynamics we saw in Q2 sequentially from Q1, we are seeing signs of sequential stabilization in the business.

As you said, we're continuing our review of alternatives for the business. We're pleased with the progress we've made to date in that, and we'll provide further updates as appropriate as we get further into the review.

In terms of the outlook for the business, you heard Brian's comments around what we expect to see in the quarter. Certainly, North America is a good market for us, and we've seen good demand there relative to some of the regions where we are seeing weakness in Asia and Europe in both our Insulation and Composites business. We would expect North America to continue to be a source of strength in the business as we go forward. And again, we'll update everyone as we make further progress on the review.

Operator

And our next question is from Gregory Andreopoulos with Citi.

Gregory Andreopoulos
Citigroup Inc., Research Division

Just during the prepared remarks, you spoke about kind of this strength in nondiscretionary repair and roofing kind of offsetting more discretionary demand in the Doors business. So I'm wondering if you could kind of zoom into Doors. How do you think about the exposure of the Masonite portfolio to discretionary versus nondiscretionary projects? And are there any kind of mix shifts underway that would suggest a shift towards the higher end or lower end of the mix, so entry-level doors versus premium doors?

Brian D. Chambers
President, CEO & Chair

Yes. I think overall, in terms of the discretionary, nondiscretionary pieces on Doors, I think we see that as more in that side of the portfolio in terms of particularly the R&R side of the business, where people are looking to choose or upgrade or replace an exterior door if they're making repairs on the inside. So we're seeing those trends kind of flow through in the order book. And we think those recover. But in the near term, given where consumer spending is trending and some of the cautiousness on investment, we see that impacting that R&R part of the business.

I think we've crossed the price lines of product categories. I think we've not seen major trends in that space coming through. I think price consciousness in terms of the material choice and door choice is always going to be a factor in it. But I can't -- I couldn't call out any specific trends we're seeing today in terms of any trade downs across the product line. I think we're just seeing general themes of cautiousness in terms of deferring purchases, pushing off projects, and we think that, that's going to come back. But certainly, that's creating some near-term headwinds.

Operator

We have no further questions in the queue, so I'd like to turn the call back over to Brian Chambers for any closing remarks.

Brian D. Chambers
President, CEO & Chair

Thanks, Lydia. I'd like to close by thanking everyone for making time to join us on today's call and for your ongoing interest in Owens Corning. And we certainly look forward to speaking with you again on our third quarter call. And I hope you have a great rest of the day. Thanks.

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