Methanex Corp - Q3 2026 Earnings Call ***(Proofread Transcript)***

Call Participants

EXECUTIVES

Operator

Robert Winslow
Vice President of Investor Relations

Rich Sumner
President, Chief Executive Officer

Dean Richardson
Senior Vice President, Finance & Chief Financial Officer

Presentation

Operator

[Call starts abruptly] today. At this time, I would like to welcome everyone to the Methanex Corporation Third Quarter 2026 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the conference call over to the Vice President of Investor Relations at Methanex Corporation. Mr. Robert Winslow, please go ahead.

Robert Winslow, Vice President of Investor Relations

Good morning, everyone. Welcome to Methanex's third quarter 2026 results conference call. Our 2026 third quarter news release, management's discussion and analysis and financial statements can be accessed through our website at methanex.com. I would like to remind listeners that our comments today may contain forward-looking information, which by its nature is subject to risks and uncertainties that may cause the stated outcome to differ materially from actual results. We may also refer to non-GAAP financial measures and ratios that do not have any standardized meaning prescribed by GAAP, and are therefore unlikely to be comparable to similar measures presented by other companies.

Any references made on today's call reflect our 63.1% economic interest in the Atlas facility, our 50% economic interest in the Egypt facility, our 50% interest in the Natgasoline facility, and our 60% interest in Waterfront Shipping. To review the cautionary language regarding forward-looking statements and to find definitions and reconciliations of non-GAAP measures, please refer to our most recent news release, MD&A, annual report and investor presentation, all of which are posted on our website under the Investor Relations tab.

I will now turn the call over to Methanex's President and CEO, Mr. Rich Sumner, for his comments, followed by a question-and-answer period.

Rich Sumner, President, Chief Executive Officer

Thank you, Robert, and good morning, everyone. We appreciate you joining us today to discuss our third quarter 2026 results. With the third quarter average realized price of $510 per tonne and produced methanol sales of 2.3 million tonnes, our third quarter adjusted EBITDA was $543 million, and adjusted net income was $284 million. The third quarter adjusted EBITDA, which includes a $10 million accrual for restructuring activities at our New Zealand operations, decreased the second quarter of 2026, primarily due to a lower average realized price, partially offset by increased sales volumes of produced methanol. These outstanding operating results drove record levels of cash flow generation for our business, and I will speak more about our capital allocation priorities in a moment.

Starting with the methanol market, the ongoing Middle East conflict continues to have an unprecedented impact on the industry, given the region would normally supply 15 to 20 million tonnes, representing 30% to 35% of the

internationally traded methanol market. The ongoing conflict continues to significantly restrict this supply and has resulted in elevated industry pricing, inventory, drawdowns, and ultimately demand destruction required to balance the market. This pressure continued and became more severe as we moved through the third quarter. After absorbing the short-term release of supply during the temporary ceasefire in mid-June to early July. We've seen very little supply able to reach the market, and as a result, there was increasing pressure on methanol prices, particularly in Asia and China regions, with a significant fly-up in September resulting in spot price increases of $100 to $150 per tonne in these regions. As a result, we saw increasing pressure on downstream demand, particularly in Asia-Pacific, through the third and into the fourth quarter to balance the market.

We estimate that the Middle East supply into the market is currently at approximately 5% to 10% of normalized annual levels, and this has been balanced with the shutdown of all coastal methanol-to-olefins demand in China and the reduction in demand in other regions, including the Middle East, Southeast Asia, and India. We estimate current annualized industry demand to be approximately 90 million tonnes, or a reduction of 10 to 15 million tonnes. As a result of these supply pressures, we are currently seeing methanol spot pricing in the Atlantic region at $500 to $550 per tonne. Asia ex-China at $550 to $650 per tonne and China at approximately $500 per tonne.

Looking ahead, there remains significant uncertainty as to how long the industry dynamics and pricing environment could last. We're carefully monitoring the factors and related timeframes required for our normalization in the methanol industry, as well as macroeconomic impacts from an elevated global energy environment. We're unaware of any specific material damage to methanol production facilities in the Gulf region, and the full impact of potential disruptions to regional natural gas and related infrastructure remains unclear.

Turning to our operations, we continue to deliver strong production results in the third quarter with total equity methanol production of 2.1 million tonnes. Starting in North America, we produced another record volume of methanol this quarter, reaching 1.6 million tonnes across Canada and the United States. Geismar and Medicine Hat continue to run at full rates, producing 1,007,000 tonnes and 140,000 tonnes, respectively. At Beaumont, after completing cooling tower repairs early in the quarter, we produced 199,000 tonnes of methanol and 83,000 tonnes of ammonia. Our equity share of production at the Natgasoline facility joint venture was 221,000 tonnes.

In Chile, we produced 221,000 tonnes in the third quarter. As expected, production was lower in the third quarter as we undertook single-plant operation through most of the period, reflecting the seasonal reduction in natural gas availability from Argentina during the Southern Hemisphere winter. Late in the quarter, we restarted two-plant operations as planned in Egypt facility. Our third quarter production was similar to that of the second quarter, with plant operating at full rates through the Egyptian summer.

In New Zealand, we produced 156,000 tonnes in the third quarter following a planned winter outage in the second quarter to supply gas to the New Zealand electricity sector. The plant was restarted in July. As previously disclosed, we have entered into an agreement commencing in the first quarter of 2027 to sell our remaining gas entitlements through the end of the decade and are planning to indefinitely idle the New Zealand operations at that time.

For 2026, our expected equity production continues to be approximately 9 million tonnes of methanol. Actual production may vary depending on timing of turnarounds, gas availability, unplanned outages and unanticipated events. As previously discussed, we continue to operate under significant industry supply pressures, resulting in an elevated pricing environment and based on October and November contract price postings and current spot pricing, we expect our average realized price range for these two months to be approximately $525 to $550 per tonne. Assuming current pricing levels are sustained through December and produced sales volumes are similar to those of the third quarter. We expect adjusted EBITDA to be higher in the fourth quarter than the third quarter. Continued strong methanol production, underpinned by attractive natural gas feedstock in the current methanol price environment, is driving very strong cash flow generation for our business, and we ended the third quarter with over $900 million in cash in this strong pricing but uncertain industry and macroeconomic environment.

We're continuing to focus the majority of free cash flow towards our deleveraging targets, while also allocating a modest proportion to shareholder returns. Subsequent to the third quarter, we repaid $300 million of our 2027 senior notes, and we expect to redeem the remaining $400 million in the fourth quarter. In addition, yesterday we announced board approval to initiate a normal course issuer bid under which we may purchase and cancel up to 5% of our shares outstanding. These actions reflect our disciplined approach to capital allocation as we move towards our balance sheet leverage target of 2x to 2.5x adjusted debt to adjusted EBITDA while also providing returns to shareholders.

Our priorities remain unchanged. Safely and reliably operate our assets cost effectively, operate our global supply chain to provide unmatched security of supply to our customers, complete the integration plan and capture the synergies and focus on conversion to cash through the business to deliver value for shareholders. We'd now be happy to answer your questions.

Question And Answer

Operator

[Operator Instructions] Our first question comes from the line of Hassan Ahmed with Alembic Global Advisors. Hassan, your line is open.

Hassan Ahmed, Analyst, Alembic Global Advisors

Rich a question around obviously fairly elevated methanol prices. And I know you touched on this in your prepared remarks as well, but just wanted to get a better sense of, at these pricing levels, what you guys are seeing potentially in terms of demand destruction, potentially also in terms of a supply response? Are there any talks about incremental capacity, how we should think about that as well?

Rich Sumner, President, Chief Executive Officer

Yeah. Thanks, Hassan. We're in terms of supply response. Like I said, I think where we are today is that the demand is effectively absorbed this kind of level of Middle East supply. We said on the Q2 call we were working through that temporary ceasefire. There was volume in the market, and we actually saw pricing in China in the low $300 levels during that period. Our view was that after the ceasefire ended, that unless something changed, we were going to run up against a demand pressures and that was going to become more severe through the quarter.

And we've seen now all coastal MTO operations shut down. That's the first time we've seen that since the MTO sector started up. So, that's 9 to 10 million tonnes of demand right there in a normalized annualized that's out of the market today. And about 3 to 4 million tonnes in Asia-Pacific. That would be Middle East, Southeast Asia, India operating at lower operating rates.

So, as of today, pricing levels are already above MTO affordability, well above marginal cost of production. And, we're watching it really closely as to where that demand pressure is. We think that it's largely into other applications in China. Fuel applications may be under pressure. Acetic acid was under pressure. We think that that's had a little bump here recently as well. So we're watching it really closely.

We have found this balance today of, I think, 12 to 14 million tonnes effectively being absorbed under demand. Of course, there's still risk in the 5% to 10% getting out of the Strait. October was one of the we saw attacks on ships, being the highest through October. And there could be even more pressure on that supply. But as of today, we've found this balance and that's where pricing is at. So we saw that kind of lift up into September and our forecast for our guidance for the months of October and November are more reflective of that September being rolled through Q4.

Hassan Ahmed, Analyst, Alembic Global Advisors

Very helpful, Rich. And as a follow-up on the buyback. Obviously, the balance sheets improving extremely rapidly. How should we think about the balance between further deleveraging and further returning cash to shareholders? Is there a specific leverage threshold at which you start getting a little more aggressive with buybacks?

Rich Sumner, President, Chief Executive Officer

Yeah, I think a few points there. I think first and foremost, the earnings levels are driving great, great free cash flow in our business. I just want to recognize that having G3 running sustainably and having the OCI assets smoothly integrated, and then having all of our other assets running reliably are the basis for such free cash. Such good free cash flow generation. As it relates to leverage, we've set the leverage target at 2x to 2.5x an adjusted debt to adjusted EBITDA level. We're progressing really well there as it relates to the buybacks. When we think about buybacks, we're really pleased to have announced that. We think that gives us a lot of flexibility. We do think that buybacks represent the most attractive return when we can say we're buying back at conservative mid-cycle types of valuations or below. So I think we'll be looking at that.

We'll likely enter into the buyback with flexibility to go up if we see the share prices come off and also pull back if the share price has also a really good performance. So, we've got a lot of flexibility right now. The focus of the majority of the is to deleveraging. And we think that that provides a lot of downside protection to our business as well as more optionality on other ways of deploying capital.

Hassan Ahmed, Analyst, Alembic Global Advisors

Very helpful. Rich, thank you so much.

Operator

Our next question comes from the line of Laurence Alexander with Jefferies. Laurence, your line is open.

Laurence Alexander, Analyst, Jefferies

Good morning. Curious about what you're seeing in terms of the impact of the current methanol price surge on long-term decision-making. And I guess the areas that might be most visible would be the cadence of orders for new fuel-flexible ships. But curious if you think if you're seeing are you seeing any of the end markets where longer-term decisions that would affect the structural trend in methanol demand are being delayed in a significant way because of what's going on and how long the war has gone on.

Rich Sumner, President, Chief Executive Officer

Thanks, Laurence. I would say not yet. The commitments to ships are still happening. And in fact, there's a decent amount of ships already in the water that aren't burning methanol today and really haven't been because the economics of methanol to conventional bunker fuels like VLSFO and heavy fuel oil have really not been there. And so we haven't seen an uptick in the use of methanol for those dual-fuel vessels. The vessel commitments remain other downstream sectors. The MTO sector is obviously one that is now effectively phased out of this current market. And the wave of those capacities had already come off. So, it's interesting, what's happening in this market is we're starting to see some downstream producers in Europe who we thought would be phased out operating because of constraints around the Middle East. So there's definitely a lot of short-term dynamics happening. I don't think it's resulting in yet a change in long-term downstream capital deployment, but it's something we'll certainly watch.

Laurence Alexander, Analyst, Jefferies

And then secondly, can you give a sense for how much of the -- or maybe at what levels or how quickly? Let's put it this way. How quickly does the areas of demand destruction likely flex back if methanol prices come down? So I guess thinking there's like the MTO, there's the DME, there's some of the other markets that have curtailed a little bit. There's the marine fuel. Can you just give a sense for what chunks of capacity might have a lag response to lower prices as opposed to a quick response?

Rich Sumner, President, Chief Executive Officer

Yeah, I think, in a lot of ways, we've seen the Coastal MTO sector be almost a big, big, big kind of buffer against the Iranian supply. Iran usually imports about 9 to 10 million tonnes into coastal markets. And that's the kind of downstream demand from coastal MTO. So there's almost like a balance there. And we would expect that if supply gets released, that segment is there to start up, and it would largely have to be at lower methanol price to be competitive today.

And then on the other sectors, it'll be mainly into traditional chemical applications, acetic acid operations, potentially localized formaldehyde demand that would pick up. And so there may be a little bit of stickiness just because of the volumes. There aren't typically as big. And we need to get that absorbed so we could see volatility. Whereas we've seen pricing run up, we could see supply come on pricing lag demand pick up. So we are watching things very closely and obviously carefully managing through this environment, which is part of the reason why we think our focus on the balance sheet makes a lot, a lot of sense right now. And then, obviously, really focused on continuing to deliver such great results from our business.

Laurence Alexander, Analyst, Jefferies

Thank you.

Operator

Our next question comes from the line of Matthew Blair with TPH. Matthew, your line is open.

Matthew Blair, Analyst, TPH

Hi. Thanks and good morning. Some of the natural gas production trends in Argentina have been pretty promising, and I was wondering if you expect your Chile methanol production to be higher in 2027 and in 2028 as a result of this, or are there any pipeline constraints or any other bottlenecks that would prevent you from capitalizing on that?

Rich Sumner, President, Chief Executive Officer

Thanks, Matthew. No, no, there's not constraints on our side. We've got more than enough pipeline capacity to bring gas into our plants for full rates year-round as it relates to Argentina. We would agree about the positive developments there. There's a lot. The Vaca Muerta continues to be developed, production continues to increase and pipeline infrastructure is being progressed to continue to improve the natural gas balances in that country.

And in fact, if you saw that TOTAL came out with a commitment of $10 billion into Argentina. Part of that's in the Vaca Muerta. And part of that is also in the Tierra del Fuego basin, offshore gas close to our plants. So a lot of positive developments. I think time frames to bring both the infrastructure in line with the production, as well as get other things happening in the country, is over the next few years. That also aligns to the current planned gas regime that covers exports in the country. And so we think it's probably going to take that time until we start to see the opportunity to have year-round gas. And that's what we're working towards. And we're really optimistic about that. But right now, we're going to continue to guide when we come out with our numbers, and we'll give guidance for next year in the coming quarter here. It'll likely be at the more 1.4-million-tonne level for Chile for '27.

Matthew Blair, Analyst, TPH

Sounds good. And then the Q3 realized methanol pricing in your system seemed better than expected. Was there a one-time boost from selling the New Zealand natural gas commitments, or any other factors that we should be thinking about?

Rich Sumner, President, Chief Executive Officer

I don't know. Certainly nothing to do with our gas, really. When we look at the pricing, we saw through the third quarter of significant boost up in especially in the Asia-Pacific regions, where China lifted up and Asia-Pacific ex-China lifted up by $100 to $150 a tonne. What you'll see is that that September pricing a bit of uplift around the world as well. So that September environment is carrying forward into the fourth quarter. September really lifted us up. If you look at our ARP from July, August, September was the highest. And that's what's continuing into the fourth quarter.

Matthew Blair, Analyst, TPH

Sounds good. Thank you.

Operator

Our next question comes from the line of Ben Isaacson with Scotiabank. Ben, your line is open.

Ben Isaacson, Analyst, Scotiabank

Thank you very much and good morning, everyone. Two questions for me. Rich first one on capital allocation. If you're a cash flow, strength continues. You'll achieve your balance sheet targets very, very quickly. And beyond the 5% buyback, which I estimate you can achieve every few weeks if you wanted to. Is there any focus or consideration on deploying growth capital? And is there any consideration on revisiting the dividend?

Rich Sumner, President, Chief Executive Officer

Yeah. Thanks, Ben. Right now, obviously, I said our focus is around deleveraging. And you're right, we're making really good progress there when it comes to growth capital. Of course, we're always interested. Can we find a value-accretive growth for shareholders when it comes to organic growth? Our position still remains the same notwithstanding the current methanol price environment. We'd have a lot of hesitation thinking that we're at a price that we need over a 20-year time frame at mid-400s or maybe slightly below to make long-term investment economics work for organic growth. And that's largely because we've still seen a very hot market out there. And so the cost to build are still very high as it relates to M&A activity.

We know that that's very opportunistic and assets don't trade. We would obviously look at something, but we're going to be very disciplined about the way we would look at anything. And we would measure that return over other capital deployment like buying back our own production through share repurchases. So, our focus continues to be on debt. We've got lots of flexibility, like I said, which is great. We think that as we're de-leveraging, we're creating a more resilient and giving ourselves down cycle protection for the company. And we're creating more flexibility to buy, to step in and do buybacks at a bigger level, if it makes sense. So, I think right now we've got our head down, and we're running the business safely, reliably, continuing to produce results. And then we'll deploy capital and make those decisions when we get there.

Ben Isaacson, Analyst, Scotiabank

Great. Thank you. Yes. Sorry.

Rich Sumner, President, Chief Executive Officer

You did ask about the dividend. We do we think a dividend is an important piece of our capital allocation. We want it to be meaningful. We aren't our primary return of capital. We want to deploy through the flexible buybacks. We remain committed to the dividend level. And as we're buying back shares, we would look to maintain that level by increasing the dividend to shareholders.

Ben Isaacson, Analyst, Scotiabank

Thank you, Rich. And my follow-up question. CF Industries recently gave some very compelling arguments as to why mid-cycle nitrogen prices should be higher for longer. And all of its arguments had nothing to do with nitrogen, but they were based on capital costs, logistics, inflation, et cetera. So Rich, you talked about $350 mid-cycle for several years. Do you still believe that's the right mid-cycle going forward? And if not, what should it be? Thank you.

Rich Sumner, President, Chief Executive Officer

Yeah. So thanks, Ben. I think, obviously in our industry, where we want to be is getting pricing to support growth. The challenge for us is the -- and we would have seen this actually pre-war is the general petrochemical markets. This is not methanol in particular. It's the markets around methanol. Our market, we've got very good supply-demand balances pre. This is on pre-war levels very tight industry market. But we have downstream consumption around us. That has a lot of excess capacity combined with a slower growth demand environment. So, for us, we have to see where we are long-term. But certainly the olefin sector was pointing to balance not until the end of the decade or beyond.

What happens out of this remains to be seen. And we're going to continue to evaluate that. But I think the hard part for us lifting above that is seeing some healthier markets downstream. Of course, this dynamic is bringing new fundamentals into that industry that we have to better understand. So I think the big thing for us is the health of our downstream markets that support reinvestment. And, our view is that that would get progressively better over time. And as that gets better, we think that lifts our mid-cycle pricing. And so, that's the way we're looking at it. We're monitoring things very closely.

Ben Isaacson, Analyst, Scotiabank

That's perfect. Thanks so much.

Operator

Our next question comes from the line of Joel Jackson with BMO Capital Markets. Joel, your line is open.

Joel Jackson, Analyst, BMO Capital Markets

Thanks. Not to beat a dead horse Rich. But you, amazingly, are paying back $700 million of debt, as you know, in the second half of this year. If this second half year methanol price earnings, if your earnings in this second half of the year repeat again in the first half of next year, you would have another, what, $700 million to deploy? Would we assume that the full buyback here, that people have feared $1 billion and the rest deleveraging? Would you look to upsize the buyback? The NCIB, like I know you're talking about, you'll make the decisions when you come to it. What if in the next six months earnings levels stay the same? You have another $700 million to deploy. How does that work buyback versus de-leveraging?

Rich Sumner, President, Chief Executive Officer

Thanks, Joel. I appreciate the question. we're thinking ahead, obviously, but we're also monitoring things very closely. Things can change very quickly. And we think the other side of this can have a lot of volatility. And there's also risks. So we're managing things very carefully. The good problem or a good challenge you pose is for us will be a look at what do we think provides the best return. And we do think that the buyback will be a part of that. We also think that as we look at if we're deleveraging, into the low end of our range or even slightly beyond that, that provides downside protection. And it also provides more optionality for capital deployment. So we've got a lot of flexibility in our choices. And we're managing things really closely. The buybacks will certainly be a part of that. And we just have to make decisions about the proportion of that as we progress here. But, let's get there, and we'll make those decisions as we continue to produce great results for shareholders.

Joel Jackson, Analyst, BMO Capital Markets

And just a couple of housekeeping questions. Just I wanted to ask you, there was in some of the trade journals every week. There were a couple discussions about Beaumont over September, October, a couple multi-day outages that then seemed to restart. So want you to comment on that. If there's anything at Beaumont we should be thinking about, you have to comment about Beaumont earlier. And then also, I'm sure you saw the news today or yesterday that a bunch of nitrogen producers are getting cut gas maybe 20% in November. Would your operation Egypt be facing similar constraints? Could you talk about that?

Rich Sumner, President, Chief Executive Officer

Yeah. So first on Beaumont really nothing to report there. The big challenge that we work through, and the team did a great job bringing us back online was the cooling tower repairs that were executed in Beaumont, but nothing major to report there at all. As it relates to Egypt facility, we continue to run our plants at full rates. We continue to monitor the gas grid balances and are in communication with our gas suppliers, but we're continuing to run at full rates today, and you'll see our results as we move into our fourth quarter reports.

Operator

Our next question comes from the line of Steve Hansen with Raymond James. Steve, your line is open.

Steve Hansen, Analyst, Raymond James

Yeah. Good morning, guys. Thanks for the time. I recognize that you've got this leverage target threshold or range. But is there any reason you wouldn't just drive your leverage down much lower in the current environment? Just again, recognizing the broader macro environment is pretty unique right now. And the cash flow is so strong. Why not just take leverage closer to zero?

Rich Sumner, President, Chief Executive Officer

Yeah, I think it would require a good sustained. Pricing environment for sure. Steve, I appreciate the question here. And that's something we're looking at. We wouldn't have thought we would be accelerating as quickly as we are. Certainly with the production levels, the attractive gas pricing as well as the high methanol pricing that we're in right now. And we're continuing to focus there. And it's accelerating very quickly. But again, there's lots of uncertainty as to what the other side of this looks like once things do normalize and what that new normal looks like. So, but to your point, we think that moving de-leveraging provides that downside protection through the cycle for which is a great position for us to be in. And it provides optionality as well. So certainly, further debt repayment will be a portion that we would look at as long as we're in this extraordinary situation that we are in today.

Steve Hansen, Analyst, Raymond James

Okay. Very helpful. And just a quick follow-up just on the North American production. Could be quite strong. You've had the OCI assets under your belt for a while now and spent some time under the hood. Are there additional opportunities that that brings on a brownfield basis or an efficiency basis where you could spend capital again? While the cash flow stream is quite rich here, I'm just trying to get a sense for how these assets could be optimized, from what you understand so far.

Rich Sumner, President, Chief Executive Officer

Yeah, I appreciate that question, Steve. We're very happy with the way the integration has gone. Just talking about both the assets, the Natgasoline facility, kudos to the team there that's delivered the record production over the last year. And our JV structure is working really well. We're working extraordinarily well with our JV partner there. And that, we think it's got tons of methanol experience together. And of course, we've run that technology in Trinidad. So that's running in terms of bottleneck. That's a world-scale plant. Don't see a lot of options in capital or bottleneck at that site.

In Beaumont, again, really pleased with the production results as well as the integration of that site into our global asset management framework. And the teams are working really well there as it relates to the bottleneck that there's probably some we certainly need to spend capital. And that's from a risk perspective. That was something we're planning for when we get to the next turnaround, because we are always identifying where we need to spend money. And then there could be some bottleneck opportunities there. We are looking at ammonia and is there some chances for us to spend some money to increase volumes there? So some interesting things that we're looking at. Obviously, the safe, reliable operations of the asset are critical, and our teams are working really hard on all that.

Steve Hansen, Analyst, Raymond James

Appreciate the time.

Operator

Your next question comes from the line of Nelson Ng with RBC Capital Markets. Nelson, your line is open.

Nelson Ng, Analyst, RBC Capital Markets

Great. Thanks. Just along the lines of capital allocation and paying down a bit more debt. So obviously, after you pay down the October 2027 debt, are there any difficulties paying down the $700 million of December 2029 debt? I presume that would be next on the list if you were to further deleverage.

Rich Sumner, President, Chief Executive Officer

Yeah, I'm going to turn. Thanks, Nelson. I'm going to turn that over to Dean Richardson, our CFO, to speak to that.

Dean Richardson, Senior Vice President, Finance & Chief Financial Officer

Yeah, sure. Good morning, Nelson. No, there's no difficulties. I think it's fair to answer. First of all, we have some debt at Natgas that we include our share in our adjusted debt. And so, work with our partner there to optimize that structure. And then when it comes to our bonds, we've got a '29 and a '32. And, we have different options there as to how, if we wanted to deploy capital to those, we could do that fairly easily through open market or tender offers or other avenues. So lots of options. And we're looking at the best way to deploy that for the company.

Nelson Ng, Analyst, RBC Capital Markets

Okay. Got it. And then just finally on, I think you've touched on de-bottlenecking a bit. So you've touched on Beaumont and or the OCI assets in terms of them operating well, but for your other facilities, is it safe to say that all the low-hanging fruit in terms of de-bottlenecking or incremental expansions have been already looked at. And it would if you were to expand capacity would be something more material?

Rich Sumner, President, Chief Executive Officer

Yeah. I think that's a fair characterization, Nelson. Obviously, we are always looking at ways we can continue to invest in our sustaining capital to ensure reliability of our plants. And, of course, look for are there opportunities that we can spend capital to increase efficiency to create? But these are not big capital items. These are part of our regular capital programs, which is included in our estimate of $150 million in capital a year. So I wouldn't say there's any big opportunities that are in the hopper around big de-bottlenecks other than we are looking at some things around the ammonia, but even that doesn't represent huge capital outlay.

Nelson Ng, Analyst, RBC Capital Markets

Okay. And then just one last question in terms of winding down New Zealand. And I think you mentioned you'll be selling or winding down those gas contracts starting early next year. Is that an asset or a liability, or do you expect to receive any proceeds from ending those contracts?

Rich Sumner, President, Chief Executive Officer

Yeah, you can think of that as a small asset. Just in terms of that contract itself, we've been foreshadowing gas in New Zealand for the deterioration in our gas outlook there for quite some time. We were operating plants at minimum operating rates. Our team has done a fantastic job operating it with a lot of uncertainty safely and reliably. But we got to a point where we had to make decisions there to create certainty because of that deterioration. So you can think of that contract as something to create that certainty. And we were able to monetize that position, but it's not a meaningful or a material cash inflow that we're anticipating, but we do expect to receive some cash under that agreement.

Nelson Ng, Analyst, RBC Capital Markets

Got it. Okay, thanks. I'll leave it there.

Operator

Your next question comes from the line of Hamir Patel with CIBC Capital Markets. Hamir, your line is open.

Hamir Patel, Analyst, CIBC Capital Markets

Hi. Good morning, Rich, you've benefited from having no turnarounds this year. Can you update us on the turnaround schedule for '27 and '28?

Rich Sumner, President, Chief Executive Officer

Thanks, Hamir. Yeah. We didn't have turnarounds this year. So most of our capital spend has been online work. But we have had some pre-spending for our '27 turnaround. So you can think we usually say around 2 to 3 turnarounds a year. We'll be at the higher side of that in 2027. And our capital expenditure for next year, where we usually guide around $150 million, will be higher than that next year, but not significantly higher because we have pulled some of that capital into this year. The second half of this year. So yeah, that's the profile. And obviously, these things will go up and down each year given timing.

Hamir Patel, Analyst, CIBC Capital Markets

Okay, great. And Rich, I noticed in the intra-quarter language that you use around expected prices. There was also a reference to a spot pricing. Does that imply that perhaps you've increased your exposure to the spot market? And can you just remind us what percent of your sales are spot?

Rich Sumner, President, Chief Executive Officer

So we're not selling on a spot basis, we're selling under-term contracts and the two markets here that had the biggest impact are in Asia-Pacific and China and our Asia-Pacific region. So those contracts are term contract supply. But the pricing mechanisms have referenced to spot. So we had meaningful adjustments in both of those. We don't have that as much as in other regions in our sales portfolio.

Hamir Patel, Analyst, CIBC Capital Markets

Okay, great. That's all I had. I'll turn it over. Thanks.

Rich Sumner, President, Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Ahmed Abdullah with National Bank of Canada. Ahmed, your line is open.

Ahmed Abdullah, Analyst, National Bank of Canada

Thanks for taking my question. Just touching on those contract terms, are the current market conditions really allowing you to improve the pricing terms there, and how much of that improvement could persist as spot markets normalize?

Rich Sumner, President, Chief Executive Officer

Yeah. Our contracts are on a year-round basis, and we're in our recontracting period right now for 2027. So, too early to say how our contracts look for next year. Our sales and marketing team are always working on how do we continue to provide that reliable supply to our customers and also achieve the best terms possible we can in the market, but I wouldn't be expecting big, big changes for next year. Of course, we think that our supply position is providing great reliability of supply through a pretty, pretty tough time in the market. So we're into customer conversations and will continue to do that. And you'll see that as we move into 2027.

Ahmed Abdullah, Analyst, National Bank of Canada

Okay. Got it. And just on the current supply disruption. Have you secured perhaps new longer-term volume commitments that could remain after conditions normalize?

Rich Sumner, President, Chief Executive Officer

Maybe just want to make sure I understand the question. Is it that we would our commitments will be through. We're going to have regular annual commitments with customers. And, we would be doing that through any period of disruption or new supply into the market.

Ahmed Abdullah, Analyst, National Bank of Canada

Yeah. My question was around new customers and new volume commitments that were coming in to your books.

Rich Sumner, President, Chief Executive Officer

Yeah, we're going to be high-grading our we always look at our sales portfolio. And we always look at what contracts we come up. We wouldn't expect overall sales to be significantly different as we move into 2027, but we're always looking at which regions and which customers that we're going to be selling to. So we don't expect a significant change in that. And you'll see that in our 2027 results.

Ahmed Abdullah, Analyst, National Bank of Canada

All right. Got it. That's it for me. I'll get back in queue. Thank you.

Operator

Your next question comes from the line of Josh Spector with UBS. Josh, your line is open.

James Cannon, Analyst, UBS

Yeah. Hey, guys. This is James Cannon on for Josh. I just wanted to dig in on the supply-demand picture nearer term, particularly I think, as we get into fourth quarter, we typically see some capacity shutting down in China. How do you see that impacting the market going forward? Do you think there's risks skewed to the upside in pricing or something that you just see an incremental demand shutting down?

Rich Sumner, President, Chief Executive Officer

Yeah. Thanks, Josh. I think you've certainly got a point there. We do tend to see winter when we start to see restrictions on coal usage. So part of that will be what's the pull on coal domestically in China. What does that do to operations there? Do they get supply constrained? And does that apply further demand pressure? It's something that I think we're going to watch that really closely. It's interesting. We haven't really had to look at that because of the swings we've seen mainly in Iran have outweighed so much of the supply swings in the winter. So that's something we'll watch. And certainly coal prices are already at pretty high levels. Which would indicate that that market is pretty tight. So we'll continue to watch. Again, we're at $500 methanol price in China, which we haven't seen for quite some time. So we do have to be careful how high we push and how much damage that does to downstream demand. But again, that's another factor that's going to keep us tight through the winter months.

James Cannon, Analyst, UBS

Got it. Thank you.

Operator

There are no further questions at this time. I will now turn the call back over to Mr. Rich Sumner for closing remarks.

Rich Sumner, President, Chief Executive Officer

All right. Thank you for your questions and interest in our company. We hope you will join us in February when we update you on our fourth quarter and annual 2026 results.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect.

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