

Par Pacific

Q1 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

Ashimi Patel – *Senior Manager, Investor Relations*

William Pate – *President and Chief Executive Officer*

Joseph Israel – *President and Chief Executive Officer, Par Petroleum*

Will Monteleone – *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Jason Gabelman – *Cowen & Co. LLC, Research Division – Director and Integrated Oil, Refiners, and LNG Analyst*

Manav Gupta – *Credit Suisse AG, Research Division – Research Analyst*

Matthew Blair – *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division – Managing Director of Refining and Chemicals Research*

Neil Mehta – *Goldman Sachs Group, Inc., Research Division – VP and Integrated Oil & Refining Analyst*

Phil Gresh – *JP Morgan Chase & Co, Research Division – Senior Equity Research Analyst*

PRESENTATION

Operator

Good day, and welcome to the Par Pacific First Quarter 2021 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing star, then zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on a touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would like to turn the conference over to Ashimi Patel. Please go ahead.

Ashimi Patel

Thank you, Matt. Welcome to Par Pacific's First Quarter Earnings Conference Call. Joining me today are William Pate, President and Chief Executive Officer; Will Monteleone, Chief Financial Officer; and Joseph Israel, President and Chief Executive Office of Par Petroleum.

Before we begin, note that our comments today may include forward-looking statements. Any forward-looking statements are subject to change and are not guarantees of future performance or events. They are subject to risks and uncertainties, and actual results may differ materially from these forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements. And we disclaim any obligation to update or revise them.

I refer you to our investor presentation on our website and to our filings with the SEC for non-GAAP reconciliations and additional information.

I'll now turn the call over to our President and Chief Executive Officer, Bill Pate.

William Pate

Thank you, Ashimi. Good morning to our conference call participants. Our first-quarter results reflect the continuing demand suppression brought out by the global pandemic. However, we noted several positive developments in the United States during the first quarter: an increase in vaccination rates, improving mobility trends, growing employment, and increasing business openings. These factors indicate that our industry is at a key inflection point.

First quarter adjusted EBITDA was a loss of \$43 million, and adjusted net loss was \$1.55 per share. These results included a \$47 million non-cash prior period mark-to-market expense. In March, we were pleased to see substantial improvement in our refineries' profitability. This was a welcome change, and market conditions continue to improve early in the second quarter.

Air travel to Hawaii increased significantly with the advent of Spring Break. This growth boosted our logistic segment utilization and profitability as neighbor island demand approached normal. Passenger arrivals to the state are now approximately 65% of pre-pandemic levels, primarily driven by increases in domestic travel from the U.S. mainland. International arrivals continue to lag domestic trends due to lower vaccination rates in key nations like Japan. Despite the slow international tourist recovery in Hawaii, we can operate our refinery in the range of 85,000 barrels per day and easily place all of our refined product in local markets.

On the mainland, product cracks have improved seasonally as inventories have returned to normal levels and refined product demand recovers. Cracks are improved over prior year, even when adjusted for the record RIN's prices. The Texas freeze knocked out a number of refining units, and as a result,

inventories are now at normal and even low levels in some paths. Wyoming has particularly benefitted from the improving environment.

We expect our retail segment to rebound from the weaker Q1 performance as crude oil prices stabilize and traffic volumes increase. Our Northwest retail unit began rebranding to our proprietary nomnom convenience store brand this winter, and we expect this initiative will boost segment profit in coming quarters.

In Washington State, several pieces of legislation have been passed to help reduce greenhouse gas emissions. If these bills are signed by Governor Inslee, they will enact cap and trade limitations on greenhouse gas emissions and low-carbon fuel standard regulations similar to the California framework. We expect these regulations will have a significant impact on the industry, although establishing the regulatory framework will take time. We're confident that our operations are well positioned for these new regulations given our low Scope 1 greenhouse gas emissions, our newly-completed renewables logistics system, and our unique product yield.

During the first quarter we closed two significant transactions to continue to increase our liquidity. We completed a \$116 million sale lease-back of certain real estate properties and an \$87 million equity issuance. Our liquidity and net debt position are in the best shape since the closing of our Tacoma refinery acquisition in January 2019. Our current liquidity of \$287 million is substantially greater than the liquidity levels at the end of 2019 when we faced three major turnarounds and unbeknownst to us, a historic refining downturn.

Our net debt position is also down to \$462 million, more than \$45 million below our net debt level at year-end 2019. Overall, we anticipate improving profitability as the economy recovers. Forward cracks in Singapore are in steep contango, anticipating increasing demand. Going forward, we expect much of the global demand growth to be distillate.

Refined product demand softness is now largely concentrated in jet fuel. The largest domestic jet fuel markets, like the United States and China, are rapidly recovering to pre-pandemic levels. Remaining demand recovery will largely revolve around international travel as countries open their borders to other markets.

While there is a limited global recovery underway, there are occasional setbacks, like the current surge in India. Volatility is high as the market attempts to identify recovery trends. Nonetheless, after the market is fully recovered, we expect a balanced market, with high utilization as a result of the refinery closures during the pandemic.

At this time, I'll turn it over to Joseph to discuss our operations in more detail.

Joseph Israel

Thank you, Bill. In the first quarter, our system demonstrated safe and reliable operations, along with a smooth execution of our planned turnaround in Washington. No additional major maintenance is planned for the rest of the year for our entire system. Demand recovery has supported margins improvement in our three markets, which has accelerated with typical seasonal trends, mostly for our Wyoming and Washington refineries. Our cost structure and contractual repositioning, mainly in Hawaii, continue to support our margins capture.

Our Wyoming 321 index in the first quarter was \$20.97 per barrel, and our refinery throughput averaged approximately 15,000 barrels per day. Our realized adjusted gross margin in the quarter was \$2.35 per barrel, including an approximately \$8.50 per barrel of prior period mark-to-market expense.

Our production cost was slightly elevated at \$8.10 per barrel due to timing. But as mentioned in the past, we are expecting to average close to \$6.50 per barrel on an annual basis. So far in the second quarter, our Wyoming 321 index has averaged over \$28 per barrel, and we are well-positioned to supply the strong demand as we transition to the gasoline season in the Rocky Mountains. Our second quarter throughput target is in the 17,000 to 18,000 barrels per day range.

In Washington, we executed our planned 20 days oil-to-oil turnaround on time and on budget. Our first quarter Pacific Northwest 5221 index was \$11.46 per barrel on an ANS basis, and our refinery throughput, including the turnaround impact, averaged approximately 32,000 barrels per day. Our realized adjusted gross margin was a negative \$1.33 per barrel, including an estimated negative \$1.30 per barrel of turnaround impact, and an approximately \$3.38 per barrel prior period mark-to-market expense. Production costs were \$4.36 per barrel in the quarter. So far in the second quarter, our 5221 index has averaged close to \$15 per barrel, and our planned throughput is approximately 39,000 barrels per day.

In Hawaii, our Singapore 312 index in the first quarter was \$3.80 per barrel on a Brent basis, and our realized crude differential averaged \$1.02 per barrel premium to Brent. Our throughput averaged approximately 81,000 barrels per day, and our realized adjusted gross margin was a negative \$0.46 per barrel, including an approximately \$3.57 per barrel of prior period mark-to-market expense. Our production costs were \$3.97 per barrel, including approximately \$0.40 per barrel of nonrecurring maintenance and transition cost from Par West.

With a fresh wave of COVID in Asia, demand recovery has slowed down and our Singapore 312 index has averaged approximately \$3.65 per barrel so far in the second quarter. However, tourism and activities surge in Hawaii, mainly from the U.S. mainland, is triggering higher demand for our products. Our estimated crude differential is \$1.92 per barrel premium to Brent, and our second quarter throughput target is in the 82,000 to 85,000 barrels per day range. The refinery team is focused on bottlenecking opportunities to support crude flexibility as we increase utilization and get closer to our 94,000 barrels per day nameplate capacity. In summary, we are excited to put turnaround activities behind and maximize our asset utilization as we transition back to positive profitability territory.

And with that, I will turn the call over to Will to review our consolidated results.

Will Monteleone

Thank you, Joseph. First-quarter adjusted EBITDA and adjusted earnings were a loss of \$43 million and \$84 million, or \$1.55 per fully-diluted share. Focusing on accounting items first, refining results include a \$47 million prior period mark-to-market expense related to the 2019 and 2020 Renewable Fuel Standard compliance years. In addition, Wyoming refining results benefitted from a \$7 million first-in, first-out benefit in a rising price environment. Impacting our GAAP results was a \$64 million gain related to the sale of certain Hawaii retail real estate as well as approximately \$1.5 million in debt extinguishment costs related to redeeming property level financing.

Shifting to segment results. Retail segment adjusted EBITDA contribution was \$8 million compared to \$16 million in the fourth quarter of 2020. The reduction was largely driven by margin compression in a rising price environment while volumes remained below pre-pandemic levels. The month of March showed a material improvement over the early part of the quarter, with margins stabilizing and volumes beginning to grow compared to recent months.

Same-store sales fuel volumes were down roughly 13%, while merchandise sales were up approximately 3% compared to the first quarter of 2020. The logistics segment adjusted EBITDA

contribution was \$16 million, up \$7 million from the fourth quarter of 2020. The improvement was driven by a full quarter of Hawaii neighbor island demand growth as well as increased Wyoming sales post-turnaround. Washington throughput was marginally impacted by the turnaround activities during the quarter. Hawaii neighbor island activity levels increased throughout the quarter culminating in March. Looking forward, a full quarter of March-level demand would bode well for the second quarter Hawaii contributions.

The refining segment recorded segment adjusted EBITDA loss of \$55 million. The prior period non-cash mark-to-market expense of \$47 million was spilt, \$26 million in Hawaii, \$10 million in Washington, and \$11 million in Wyoming. Excluding the prior period mark-to-market expense, the refining segment adjusted EBITDA would be a loss of \$9 million. Notwithstanding a rapidly increasing price environment that squeezed Hawaii refining's gross margins on fuel oil, we continue to see improvements in our adjusted gross margins relative to our benchmark indices. Washington results were negatively impacted by compressed margins on asphalt in a rising flat price environment, as well as lower sales due to turnaround activities. Wyoming saw improvement throughout the quarter, with volumes and margins expanding steadily.

Laramie generated adjusted EBITDAX of \$54 million and net income of \$40 million for the first quarter of 2021. The largest driver of this improved financial performance was gas price realizations of \$6.83 per Mcf related to favorable market positioning during Winter Storm Uri.

First-quarter cash consumed from operations was \$31 million. Excluding the impact of RINs and deferred turnaround expenditures, net working capital was a use of approximately \$8 million. Capital expenditures were \$8 million, and accrued deferred turnaround expenditures were \$6 million, totaling approximately \$14 million. Accrued cash interest equaled \$16 million.

Our quarter-end liquidity totaled \$287 million, made up of \$215 million in cash and \$72 million in availability. This reflects the completion of the \$116 million sale lease-back, repayment of the \$53 million in property-level obligations, and the issuance of \$87 million in common stock. In addition, we have recently extended the J. Aron agreement by one month and expect to enter into a multi-year extension shortly. With our liquidity on hand, we are well-positioned to cash settle the upcoming convertible note if required, as well as consider other alternatives to reduce our funding costs.

First quarter total operating expense plus logistics segment cost of goods sold increased approximately \$4 million compared to the Q2 through Q4 2020 average. The increase was largely driven by increased R&M expense, utility costs due to higher flat prices, insurance, and approximately one month of lease expense associated with the sale lease-back transactions, partially offset by reduced logistics commitments and other cost savings initiatives.

This concludes our prepared remarks. Operator, I'll turn it back to you for Q&A.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If, at any time, your question has been addressed and you would like to withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

Our first question will come from Phil Gresh with JPMorgan. Please go ahead.

Phil Gresh

Ah, yes. Hi. Good morning. My first question would be just you—you commented a bit in the prepared remarks about how you see things trending here in the second quarter. Some of your peers have been willing to talk about April EBITDA performance. I wasn't sure if you'd be willing to lean out there and share any information there, and in particular, how things are going in Hawaii. It looked like if you back out the mark-to-market effects, it was a pretty strong capture rate in the first quarter, so any color there.

William Pate

Sure. Thanks, Phil. This is Bill. We're definitely seeing a pretty significant change in profitability, especially if you compare January and February to March and on. But I think we started to see really increased runs at all of our refineries in March, and by the end of March were really pushing the refineries, and operational reliability then becomes the key factor to achieving nameplate. And so, it's more a matter of market trends. And you can see that in all of our markets with our market indices, cracks have been improving, and we believe we can improve our capture over time. In Hawaii, it's largely related to some of the contractual improvements, but there are other factors as well.

Obviously, by increasing throughput at every refinery, we also think we can get our operating costs down to a more manageable level. So, I think we're at a point in the cycle where the profitability for our refining business will improve materially. And you started to see the improvement from logistics in Q1. I'd point out that improvement was really on the backs of increased throughput and sales in March, and so, we expect to see additional improvements in logistics going forward.

So overall, things look pretty good. Retail, obviously, we had a rougher quarter, but keep in mind that was on the back of an almost a record quarter in Q4. Also, you're starting to see some of the impact of the sale lease-back because we closed that at the end of February. So that will be a factor going forward. And then, we started transitioning our Northwest retail stores to our own brand. And that has some disruption, but I do think going forward, as we transition to that brand, that actually allows us to change our supply relationship and improve our profitability. I think we're really well-positioned in all of our units as we move forward as long as the market cooperates, and we're starting to see that cooperation.

Phil Gresh

Okay, great. My second question would be a bit of a macro one, and I appreciate all of the updated color that you provided in the slides around sensitivities, etc. If I look at the Singapore crack spread relative to the two U.S. crack spreads, the two U.S. crack spreads have gotten back to the five-year average levels, or closer to it, whereas Singapore has lagged. And I think you touched on some of the factors there, but do you think that Singapore cracks can get back to normalized levels just with the demand recovery, or do you see supply factors in Asia needing to come to bear to help balance the market?

William Pate

Well, certainly there's been a significant increase in supply over the last year-and-a-half. But keep in mind, there's also been a lot of rationalization, and even in the last 24 hours Shell accelerated the reduction in their Singapore refinery. It's a 500,000 barrel-a-day refinery; they were supposed to ratchet it back to 300,000 barrels at the end of 2023, and they announced in the last 48 hours that they're going to do that at the end of July. So, we are seeing supply change in the market.

I'd also point out that when you look at the Singapore cracks, keep in mind; it does not include the impact of RINs. And so, a lot of the impact we're seeing in the mainland U.S. market is driven by higher RINs prices and higher agricultural prices, which drive ethanol and biofuels. You don't have that

impact in the Singapore market. And then the Singapore market, I think there's just more of an international factor there, given international travel, and the relationship of nations, and how locked-down the countries are there. So, I think that market will return to some kind of historical means, but we're in for a lot more volatility everywhere, whether it's the U.S. or Asia, just given all of the changes that are affecting the industry.

Joseph Israel

And let me add, it's somewhat the same in all of our markets, gasoline crack spreads, of course, are strong as consumers are back on the road. But really, the wild card is jet fuel recovery, as we lost 3 million to 4 million barrels per day of demand in 2020, and we're having a harder time to recover there, especially with international flights. And the challenge with jet fuel—and this is a global challenge—it pulls the diesel crack spreads down. Even with a very healthy demand profile year-to-date, it's hard for the diesel crack spreads to go up as long as the refineries need to continue to put jet fuel into diesel.

Will Monteleone

And to Joseph's point, I think what we typically track as a pretty good barometer of really that incentive is really just the jet regrade, basically the spread between jet fuel and Singapore diesel. And again, we've seen that narrowing over the last two weeks. And again, I think that's a positive indicator for the relative value of those two products. And ultimately, I think that's a pretty good barometer to watch with respect to ultimately when jet starts getting produced on purpose, is what I would say.

Phil Gresh

No, that all makes sense. Thanks a lot.

Operator

Our next question will come from Neil Mehta with Goldman Sachs. Please go ahead.

Carly Davenport

Hi, this is Carly on for Neil. Thanks for taking the questions this morning. I wanted to start off on retail. The quarter was a little lighter than normal there, and you touched on it a bit in the prepared remarks, but can you just walk through the moving pieces that impacted results in 1Q and then talk a little about how those dynamics have evolved into 2Q here across both your markets?

Will Monteleone

Sure. Carly, this is Will. Yes, I think first on the volume side, you can see in the first quarter our volumes even lagged where we were in the fourth quarter. Part of that is fewer days in the first quarter, but I think you also just had just a little bit of a lull that occurred in our markets. And as I referenced, I think we view March as being materially different than probably January and February from a volumetric standpoint.

Then you heard Bill reference this, we were also in the process in the Northwest of transitioning our brand, really during the early part of the quarter, and there is some disruption that occurs with that. And then, the probably additional impactful pieces, the rapid increase in crude prices compressed margins, as we typically see street prices are sticky, and supply costs moved faster, so in a rapidly rising price environment like we were in in Q1, we tend to see margin compression. Those are the biggest factors that impacted the compression on the retail side. And as Bill referenced, the stabilization of the crude flat prices as well as the ongoing recovery in our markets is positive for a rebound on the retail segment.

William Pate

And Carly, this is Bill. I'd just add one other thing, which is especially with respect to gasoline in

Hawaii, it's really consumed largely by the local population. So, the employment trends are probably the bigger driver of gasoline consumption, particularly for our network because we tend to be Oahu focused. And so, even as we see passenger arrivals ramping up in the neighbor islands, that's not going to have the kind of impact on gasoline volumes that we'll see on jet. And what we really watch when we think about gasoline volumes returning to normal, we're really watching a return to employment because that's what puts people back on the road in Oahu. And that's probably going to lag and really depend on the international arrivals and a return of the tourist population and the shopping population, if you will, in Honolulu.

Carly Davenport

That's helpful, thank you. And then the follow-up is around RINs. And I appreciate you breaking out the mark-to-market impact there. We had the Supreme Court oral arguments in the last couple of weeks, so I'd love to get your read on the key take-aways from that process thus far, and ultimately how you see Par's exposure to RINs obligations to really the 2019 to 2021 compliance years.

William Pate

Yes. This is Bill. I'll start, and I'll let Will cover any of the granularity. But first of all, I think the Small Refineries counsel did a great job of explaining why the law permits small refiners to demonstrate hardship to seek an exemption at any time. And so, as you know, this has been the EPA's established policy since the inception of the RFS back in 2007. And it's been that way under three different administrations, two Republican and one Democratic administration, and only in the last few months in the wake of the Tenth Circuit opinion has the EPA changed that stance.

We certainly expect the Supreme Court to reverse the Tenth Circuit, and I think when that happens, the EPA will grant us our waivers for 2019 and 2020. Will can cover how we account for that, but I think that's why we have referenced the mark-to-market in a different way, and I think the factors that are driving pricing are somewhat related to these issues. Unfortunately, RINs—and this is probably unfortunate for a lot of administrative regulations—it's become more of a political instrument than a consistent policy. And the only thing worse than government regulation is government regulation that's become a political football.

Will Monteleone

Carly, with respect to the accounting for the RINs, as we referenced the \$47 million mark-to-market, our net liability at the end of the first quarter was roughly \$126 million based on a \$1.38 average RIN price. And so, I think one thing you should just keep in mind as well, as we look forward to managing this, is ultimately the renewable fuel standard allows you to defer settlement for up to two consecutive compliance years. So, what this would do, is this would allow us to defer settlement of our '21 compliance year until the 2023 time frame.

I'd say, based on our operations and commercial activities, we estimate our year-end 2021 RINs would be valued at approximately \$100 million, holding prices constant as of 3/31. And so, I think with this asset available to support our prior period settlement obligations, we think our net cash requirement, to the extent the court rules against us, would be substantially less than \$125 million. And again, as Bill said, as the oral arguments recently occurred, I think we expect the Supreme Court to reverse the lower court's decision and for the EPA to grant us the waivers for the '19 and '20 years.

Carly Davenport

I appreciate the color. Thanks.

Operator

Our next question will come from Matthew Blair with Tudor, Pickering, Holt. Please go ahead.

Matthew Blair

Hi, good morning, everyone. Joseph, I was a little surprised at the crude diff guidance in Hawaii. It looks like it's getting more expensive for you by about \$0.90 per barrel in Q2 compared to Q1. Are there any particular crudes that are moving against you here? And could you also talk about how tanker costs are trending for you?

Joseph Israel

Good morning, Matt. It's not a question of quality and different type of crude that we are running this quarter versus a prior quarter. Just remember the two, three months lag that we have on our crude pricing and the crude that we'll be running in the second quarter has already the positive impact of the recovery around the world, and it's built in the price. You can see it on the flat price as well as the differentials.

Will Monteleone

Yes, Matt, this is Will. As Joseph referenced, the crude that we consumed during the first quarter was largely procured or committed to during the late third or fourth quarter of 2020, so reflecting probably more of the challenging market environment. And so again, I think we're seeing the shape of the curve also shift from contango to backwardation, so those are the major factors that drive the modest increase on the crude diff side. And on the freight side, I think it's been relatively stable. So again, I don't think anything to call out there.

Matthew Blair

Sounds good, thanks. And then Laramie put up excellent EBITDA numbers, \$54 million compared to about \$12 million last year. But I guess through your accounting, that doesn't affect Par's EPS, but could you just talk about the economic benefits to Par, and what is Laramie going to do with that extra cash generated? Does that go to debt reduction or increase growth? Yes, just overall state on Laramie would be great.

Will Monteleone

Matthew, you're correct, it doesn't impact our financial results. Ultimately, I believe Laramie's management plans to take that incremental cash that was generated and use it to pay down debt. And again, I think Laramie is in a position where ultimately its capital structure is improving, but this is still a very challenging backdrop for a natural gas producer, notwithstanding the impressive quarter that they had. And so again, I think we're continuing to work with Laramie management and the other stakeholders there to ensure that we maximize our potential value of our equity stake there over time.

Matthew Blair

Great. Thank you very much.

Operator

Our next question will come from Manav Gupta with Credit Suisse. Please go ahead.

Manav Gupta

Hi. I just had a couple of quick accounting questions. I think your mark-to-market number on RINs, you are indicating is \$47 million. When we looked through your adjusted EBITDA calculations, and the number over there is RIN loss in excess of net obligation at about \$29 million, can you just help me reconcile those two numbers, \$47 million versus \$29 million?

Will Monteleone

Sure, Manav. This is Will. So, keep in mind, it's really two separate issues. And I think to understand

the non-GAAP adjustment, you first need to understand our GAAP accounting. And so again, our GAAP accounting today is our liability for our RINs are carried at market. So in a rising price environment our liability is increasing. Our assets are carried at cost, so the asset value is not increasing. And what that non-GAAP adjustment reflects is really in a rising price environment us increasing the value of our RIN assets to a market price.

So again, it's not related to the \$47 million. The \$47 million reflects the fact that we have an open RIN position for the 2019 and 2020 years, and the price increase. And so again, that's what the \$47 million represents, is really the balance sheet item related to our prior period open position.

Manav Gupta

Okay, that's very clear. And just what is the open position in terms of number of gallons? Not the dollar amount; what's the actual gallon open position at this point of time?

Will Monteleone

We're not going to share the volumes, but just the dollars is approximately \$125 million.

Manav Gupta

And you said that's 3/31. Okay. Thank you for taking my question. Thank you.

Operator

Again, if you have a question, please press star, then one to be joined into the queue.

Our next question will come from Jason Gabelman with Cowen. Please go ahead.

Jason Gabelman

Yes, hi. Thanks for taking my question. I first wanted to ask on the equity raise that you did, can you just talk about the logic behind it? It seems like liquidity seems to be in a pretty good position right now, so why did you decide to go ahead and issue more shares? And can you just elaborate on where you're going to potentially use those proceeds? And I have a follow-up. Thanks.

Will Monteleone

Sure, Jason. Thanks for the question. Yes, I think the principal thought process behind the equity raise was really trying to give us the tools that we need to avail ourselves of lowering our cost of senior debt funding. Again, if you look at our weighted average cost of debt capital today, it's around 8.5%, which is substantially higher than, I think, most of our peers. And so again, I think what the capital raise avails us of is ultimately the pathway towards reducing our cost of debt capital. So, I think that's the principal thought process behind improving our liquidity and also the path forward that we're evaluating. It also gives us additional flexibility in the way in which we could address the convertible note that matures in June.

Jason Gabelman

Are you able to pay down certain debt without much friction cost?

Will Monteleone

Yes, we do have prepayable debt, and we do have debt that can be called per the indentures or credit agreements.

Jason Gabelman

All right, can you just let us know which one those are?

Will Monteleone

We're not going to get into the specifics of which instruments we'd use to pay down, but I think debt reduction and lowering our funding cost is, I think, one of our principal financial objectives this year.

Jason Gabelman

Got it. And then my second question just on the Hawaii margin. It does seem like the margin strengthened, excluding the RIN mark-to-market impacts. Are you seeing any benefit from these new commercial contracts that you mentioned would be kicking in in the first quarter? And can you give us any indication of what the magnitude of that benefit was, and if that's sticky and is going to continue into the future?

Will Monteleone

Sure. Jason, this is Will. I think the best way to measure that is to look at our Singapore 312 index that we publish, subtract the crude differential that we provide, and look at what we'll say is the available margin in the market and compare that against our adjusted gross margin per barrel. And I think what you'll see is in Q1 a trend that really started in Q4, but that ultimately our capture, our adjusted gross margin relative to those indices is improving, and that reflects the contractual improvements that we've been discussing over the last several quarters.

Jason Gabelman

Great. Thanks.

CONCLUSION**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to William Pate for any closing remarks.

William Pate

Thank you, operator. We ended the first quarter with our refineries running at their highest level since the beginning of 2020, and product cracks are moving upward as the world returns to normal. We look forward to increasing profitability on the back of these trends as we enter the summer driving season. Have a good day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.