# Par Pacific Holdings, Inc.

Q4 2024 Earnings Call

February 26, 2025

## Corporate Participants

Ashimi Patel - Par Pacific Holdings, Inc., Vice President-Investor Relations & Sustainability

William Monteleone - Par Pacific Holdings, Inc., Director, President & Chief Executive Officer

Richard Creamer - Par Pacific Holdings, Inc., Executive Vice President-Refining and Logistics

Shawn Flores - Par Pacific Holdings, Inc., Chief Financial Officer & Senior Vice President

## Conference Call Participants

Jason Gabelman

TD Cowen, Research Division – Director & Analyst

John Royall

JPMorgan Chase & Co, Research Division – Executive Director

Manav Gupta

UBS Investment Bank, Research Division – Analyst

Matthew Blair

Tudor, Pickering, Holt & Co. Securities, LLC, Research Division – Managing Director of Refiners, Chemicals & Renewable Fuels Research

## Management Discussion Section

## Operator

Good morning, and welcome to the Par Pacific Fourth Quarter Earnings Conference Call for 2024. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Ashimi Patel, Vice President of Investor Relations. Please go ahead.

## Ashimi Patel

Thank you, Drew. Welcome to Par Pacific's fourth quarter earnings conference call. Joining me today are Will Monteleone, President and Chief Executive Officer; Richard Creamer, EVP of Refining and Logistics; and Shawn Flores, SVP and Chief Financial Officer.

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, Will Monteleone.

**William Monteleone**

Thank you, Ashimi, and good morning, everyone. 2024 adjusted EBITDA was $239 million and adjusted net income was $0.37 per share. Operational performance was strong with record refining throughput, improvements in personal and process safety, and record logistics and retail adjusted EBITDA. The durability of our results in a challenging refining market reflects the benefits of our diversified business model and the unique markets we serve. Importantly, I would like to recognize the strong performance of our Hawaii Refining business unit.

Earlier this month, our Wyoming facility experienced an operational incident resulting in damage to the crude heater furnace. We were most thankful that no one was seriously injured during the event. I would like to commend the entire Wyoming team for their dedication and resilience in maintaining the facility in subzero temperatures for nearly a week. The team is currently working diligently to restore the plant to full operations before Memorial Day. Richard will provide more details on our plans.

Following nearly nine months of declining refining margins, several factors are now contributing to a more optimistic refining outlook. Current supply and demand balances remain tight, allowing for unplanned events to drive outsized moves in margins. Higher European natural gas prices are contributing to an increased global refinery cost curve and encouraging a shift from natural gas to oil. Chinese policy continues to drive an inward focus, causing utilization rates of independent refiners to drop into the low 40% range. Additionally, operational challenges have reemerged on an impressive industry performance in 2024. Altogether, this creates a more encouraging backdrop than the last nine months.

I'd like to spend a few minutes on our retail segment. This business continues to deliver exceptional results. 2024 adjusted EBITDA was up over 10% from 2023. Notably, our in-store progress is starting to shine. In-store gross margins grew 11% versus 2023, and fuel volumes continue to expand, driven by strong same-store sale results in our legacy portfolio. Full year contributions were also bolstered by our successful new to industry sites in Hawaii and the Pacific Northwest.

We are focused on executing several key projects that drive enhanced earnings power to the business. 2025 will be a busy year. Critical focus areas include executing the Montana FCC and alky turnaround safely, on time, and on budget. Two, restarting the Wyoming unit safely and on time. Three, successful startup of our Hawaii SAF unit in the second half of 2025. And four, achieving the cost reduction targets we laid out last quarter.

We are in the final stages of the Billings turnaround preparation and remain focused on crisp execution. This outage reflects Montana's last major planned turnaround for the next four to five

years. It also signals the transition of our efforts towards enhancing flexibility and competitiveness. The foundation of this business will always be safe and reliable operations.

In Hawaii, SAF project construction is progressing on plan and remains on schedule for startup in the second half of the year. Foundations have been poured, and we anticipate deliveries of major equipment over the next two months. Commercially, we are observing strong interest in the project. Our established network enables us to supply fuels to the Western markets, benefiting from carbon incentive programs while simultaneously offering SAF to the emerging Asia-Pacific market.

Our balance sheet remains well-positioned, allowing us to achieve our strategic objectives and invest through refining cycles. During the year, we repurchased nearly 5 million shares or 9% of our outstanding shares at attractive prices. A strong balance sheet affords us this flexibility and the accretive capital allocation will be demonstrated over the coming years.

I'll now turn the call over to Richard to discuss our refining and logistics operations.

**Richard Creamer**

Thank you, Will. Refining and logistics delivered 2024 annual system-wide throughput of 187,000 barrels per day. Each business unit contributed to excellent HSE and reliability performance.

For the fourth quarter, Hawaii throughput was a strong 83,000 barrels per day and production costs were $4.42 per barrel. We are developing a low cost, high return debottleneck project for execution during the 2026 turnaround.

Washington throughput was 39,000 barrels per day and production costs were $4.34 per barrel. Through 2024, the team delivered on cost management while maintaining safe operations. And we work to be the low-cost producer in the challenging West Coast.

Shifting to Wyoming, throughput was 14,000 barrels per day and production costs were $11.49 per barrel. Scheduled routine maintenance during the seasonally weak period contributed to low throughput.

Finally, in Billings, fourth quarter throughput was 52,000 barrels per day and production costs were $10.48 per barrel. Billings' operational availability continues to improve, demonstrating the value of our reliability investments. Some of our early low capital investments have had a material impact on the reliability of Billings, generating targeted results in 2024.

As Will referenced, Billings will be executing the FCC and alky unit turnaround beginning in early April. We will continue to operate the crude unit, along with the balance of the processing units at reduced rates for the first half of the second quarter.

Looking to the first quarter, let me begin by addressing the crude furnace incident that led to idling the Wyoming refinery on February 12. I'm most pleased that there were no injuries during and following the event and the refinery was secured in a safe condition. The team did an exceptional job responding to this event in the midst of extreme weather conditions. Based on our preliminary assessment, we believe that the refinery can restore partial operations, targeting 50% utilization by mid-April and full rates before Memorial Day and ahead of the summer driving season.

On the broader operational front, we see incentives to increase throughput during the first quarter due to improving market conditions. We expect Hawaii throughput between 79,000 barrels and 82,000 barrels per day while they conduct planned maintenance on the reformer. Washington will operate between 37,000 barrels and 39,000 barrels per day and Montana will operate between 48,000 barrels and 52,000 barrels per day. Wyoming ran at approximately 13,000 barrels per day during the first six weeks of the year and will be down for the remainder of the first quarter.

I'll now turn the call over to Shawn to cover the financial results.

**Shawn Flores**

Thank you, Richard.

Fourth quarter adjusted EBITDA and adjusted earnings were $11 million and a loss of $43 million or $0.79 per share. Full year adjusted EBITDA and adjusted earnings were $239 million and $21 million or $0.37 per share. The refining segment reported an adjusted EBITDA loss of $22 million in the fourth quarter compared to adjusted EBITDA of $20 million in the third quarter.

In Hawaii, the Singapore 3-1-2 averaged $11.69 per barrel, and the crude differential was $6.17, resulting in a Hawaii index of $5.52 per barrel. Hawaii margin capture was 133%, including a product crack hedge gain of $2 million and negative price lag impact of $5 million. Excluding these two items, Hawaii capture was 142%, reflecting favorable yield and lower product imports driven by strong refinery utilization. Looking to the first quarter, the Hawaii crude differential is expected to land between $4.75 per barrel and $5.25 per barrel.

In January, we published new market indices and benchmark capture ranges for our mainland refineries. The new indices are designed to better reflect local product pricing, regional crude costs, and other components of cost of sales.

Our Wyoming index was $13.36 per barrel and capture was 83%, including a negative FIFO impact of $2 million. Excluding the FIFO impact, capture was 96% consistent with our guidance range.

In Montana, our index in the fourth quarter averaged $5.75 per barrel. Margin capture was 64%, reflecting higher asphalt sales mix and seasonal discounting driven by record PADD IV refinery utilizations in the back half of the year. Montana production costs reached a quarterly low of $50 million or $10.48 per barrel. Looking ahead, we are encouraged by the improving clean product market in the Northern Rockies. Our Montana index in February has improved by over $10 per barrel compared to January.

Lastly, our Washington index averaged negative $0.62 per barrel compared to adjusted gross margin of $1.05. Recent unplanned refinery outages, combined with already tight clean product inventories, have lifted West Coast margins in recent weeks. Our Washington index in February has improved by approximately $7 per barrel compared to January. With additional upcoming planned maintenance activities in the Pacific Northwest, our low-cost Tacoma system is well-positioned to capitalize on potential margin volatility.

Moving to the logistics segment, fourth quarter adjusted EBITDA of $33 million was a quarterly record driven by higher system utilization in Hawaii and lower operating costs in Montana.

Our retail segment reported adjusted EBITDA of $22 million during the fourth quarter compared to $21 million in the third quarter. Strong retail performance was driven by expanding fuel margins and lower operating costs in Hawaii.

Corporate expenses in adjusted EBITDA were $22 million in the fourth quarter, or a $1 million improvement compared to the third quarter. We launched our cost reduction initiatives in earnest during the fourth quarter and remain on track to achieve $30 million to $40 million in annual savings. Total quarterly operating costs across all segments, including corporate, totaled $206 million, or a $9 million reduction compared to the third quarter.

Moving to cash flows, net cash used in operations during the fourth quarter totaled $16 million, including a $20 million working capital inflow and deferred turnaround expenditures of $16 million. Excluding these items, cash used in operations was $20 million during the fourth quarter.

Cash used in investing activities totaled $48 million, primarily related to capital expenditures. Full-year deferred turnaround and CapEx totaled $209 million on a cash basis and $234 million on an accrued basis, in line with our original guidance of $220 million to $250 million.

Shifting to capital allocation, we repurchased $15 million of common stock during the fourth quarter. Full year repurchases totaled approximately 5 million shares, or 9% of total shares outstanding at year-end. In February, the Board of Directors reauthorized management to purchase up to $250 million of common stock. We will continue to use this authority opportunistically, adapting to changes to our cash flow and liquidity outlook. Gross term debt as of December 31 was $644 million, which remained below the midpoint of our term debt leverage target of 3 to 4 times retail and logistics EBITDA. With total liquidity of $614 million as of December 31, our balance sheet remains strong and is well-positioned to support our growth initiatives through margin cycles.

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

## Question and Answer Section

### Operator

We will now begin the question-and-answer session. The first question comes from Matthew Blair with TPH. Please go ahead.

**Analyst:** Matthew Blair

**Question – Matthew Blair:** Thank you. And good morning, everyone. You just mentioned the $250 million share repurchase authorization. Could you talk about how you expect to balance that and what the considerations are between additional share repurchases in 2025 compared to incremental debt reduction? Thank you.

**Answer – William Monteleone:** Sure, Matt. This is Will. Thanks for the question. So, I think first, the reauthorization is just opening up additional capacity for us. We had consumed the majority of the prior $250 million authorization, so I wouldn't read too much into that. That said, I think we will be continuing a dynamic approach to this. I would say we're comfortable with our balance sheet today, and are clearly watching the forward margin outlook and ultimately the liquidity cushion that we'd like to have as we think about balancing repurchases versus other alternatives. Again, as we think

about our balance sheet, we are well hedged on our inventory and continue to think that the ABL is an attractive way to finance our working capital.

**Question – Matthew Blair:** Sounds good. And then regarding the SAF project, since we have seen some other SAF projects that have been canceled recently, could you talk about what's giving you the confidence to continue moving forward here? And is there anything you can share on the expected mix between potential long-term contracts that are fixed margin compared to spot SAF sales?

**Answer – William Monteleone:** Sure, Matt. I think the key things about our project that make it competitive through the cycle and over the long-term, despite a lot of uncertainty in the renewable space, really comes down to the fact that it's inside the fence line of the refinery. So, our operating costs are very low relative to co-located or greenfield sites. So, I think that's one important factor. The second is when you really think about our logistics here, we've got a substantial advantage and that is in two fronts. One is our ability to utilize our existing marine freight and distribution with really no incremental cost. And then I think our pipeline and distribution network in Hawaii allows us to distribute to the point of sale, blended SAF and other materials.

I think we have a substantial advantage on both of those fronts. And the other part just comes down to capital. Right? At the end of the day, it's a $92 million project and it's inside of a $1.50 per gallon. And so again, I think as we look across the space, those are the things that drive us to continue ahead. I think commercially, we're in a unique spot to have the flexibility to monetize the product into the West Coast through our own system, while we are in more merchant negotiations for SAF placement with airlines, both domestic and international. We've got two great alternatives to work from. So those are the key things that we think about in a project and really what will drive the forward value there in the earnings.

**Question – Matthew Blair:** Great. Thank you.

**Operator**

The next question comes from John Royall with JPMorgan. Please go ahead.

**Analyst:** John M. Royall

**Question – John M. Royall:** Hi. Good morning. Thanks for taking my question. So, I think you had mentioned on the last call that you had some turnaround work at Wyoming that's scheduled for 2026. Does this outage present an opportunity to get some of that work done now while you're down? And then part two is thinking about your month or two of running at 50%. What are the units that are going to take a little bit longer to restart or just a little more color on that ramp in April, May will be helpful.

**Answer – Richard Creamer:** Sure, John. This is Richard Creamer. We are taking a look at the turnaround coming up in 2026 in Wyoming to see if there's opportunities to pull work scope forward into this outage. It's a little early to say definitively the impact that that's going to have. We do have some catalyst life issues that probably drive us to continue planning an outage in 2026. I don't think it takes us away from the need for that. The second question?

**Answer – William Monteleone:** On the unit ramp-up.

**Question – John M. Royall:** Yeah. The ramp in April, May from 50%.

**Answer – Richard Creamer:** Yeah. That part, we expect to be able to start up the crude unit at reduced rates and maintain that at 50%. That will allow us to continue to run all of our other process units, although at reduced rates. And then the continued work to get us from April through May is rebuilding the heater, the main heater for the crude unit, which would allow us to get up to the full rate. So, we would expect to be able to operate the refinery in its full condition at the end of May and reduced rates beginning in the middle of April.

**Question – John M. Royall:** Okay. Thank you. And then my follow-ups on Laramie. You've talked about potentially monetizing that asset before. We're now in a time where there's something of a bull case kind of forming around gas and maybe the market finds gas a bit more interesting than it did say, a year ago. Is now a good time to be thinking about potentially divesting and monetizing that asset?

**Answer – William Monteleone:** Hey, John. This is Will. So, I think first and foremost, I mean, we're pleased with how the business is performing. You can see the balance sheet is in a very good place. We gave you that information. And they're in a net debt position that's about $90 million, producing about 100 million cubic feet a day. And Laramie really has some attractive attributes to it, to think about, right? So, it's got ongoing cash flow, and it's got a very deep inventory of locations. So, I agree with your comments that the macro conditions here are more favorable than they've been in some time. Laramie still remains non-core to our business. I think a key focus for us is aligning with our partners really to maximize unitholder value there over time. So, I would say we are seeing increased interest in the region and in the space. We're seeing capital opportunities come in on less than 100% interest on some of the drilling locations that we've got, and I think are encouraged by the capital formation and interest in the gas business today, certainly better than I've seen it in the last five years. So, it still remains non-core to us, but it doesn't mean it's not valuable. And ultimately, I think we're working with our key partners there to drive a unified corporate decision to maximize value.

**Question – John M. Royall:** Thank you.

**Operator**

The next question comes from Jason Gabelman with TD Cowen. Please go ahead.

**Analyst:** Jason Gabelman

**Question – Jason Gabelman:** Yeah. Good morning. Thanks for taking my questions. I wanted to go back to the Wyoming outage, and I was wondering what your insurance coverage is from lost profit and then cost to fix the asset if you're fully covered on both those fronts. And then also if you have to go out into the market and buy some product to cover whatever contractual shortfalls you may have.

**Answer – Shawn Flores:** Hey, Jason. It's Shawn. I'll cover the first question. Now, I think we won't get into the specifics around our insurance policy. But what I can say is we have adequate property coverage that will pay out above certain thresholds. Importantly, we intend to manage the incremental costs within our CapEx guidance that we previously provided of $210 million to $240

million for the full-year. Ultimately, lost profits will depend on how the market responds over the coming weeks. And I think the simplest way to think about the impact of foregone margins is just by taking our Q1 throughput guidance. Richard mentioned that we ran at 13,000 barrels a day through the 12th of February. That implies about 6,000 barrels a day for Q1. Now it's probably 7,000 barrels to 9,000 barrels below our typical run rates for Q1 quarter. And so that will give you a sense of the lost production. And then we've provided capture guidance of 90% to 100% against the Wyoming index. And so that's the simple math of the value of that lost production and how we're thinking about it. The same math will apply as we ramp up in Q2.

**Answer – William Monteleone:** Commercially, Jason, we're comfortable meeting all our contractual obligations and don't see any concerns on that front.

**Question – Jason Gabelman:** All right. Great. That's helpful. And my other question just on capture, kind of diverging trends at Hawaii and Washington. Hawaii has been really strong this year above guidance levels, wondering if there's something structural driving that. Is it just kind of measuring capture over a lower base crack or are you able to do something in the asset to generate more value? And then conversely, in Washington, which has been a weak earner the past few quarters. Just some more color around what's driving that weakness. And if you see any green shoots given the outages on the West Coast.

**Answer – Shawn Flores:** Yeah, Jason. Great question. And I'll start with Hawaii. I think our normalized capture guidance is 100% to 110% since the refinancing in June. Now, if you looked at our capture since then, we're averaging in the 120% range. So certainly, above the stated guidance. I think the key driver there is clean product freight. We look at the Singapore to West Coast, which is averaging $5 to $5.50 a barrel. If you compare that to a longer-term average, it's in the sort of $3.50 to $4 range. And I think as long as we continue to see support by clean product freight, given our contractual structure in Hawaii, I think it's reasonable to assume that we can maintain capture above the 110% level. I think in Washington, keep in mind, we updated our regional index in January. We provided refreshed guidance of 85% to 95% against that new index. Asphalt continues to be weak. A lot of this has to do with overall paving demand and seasonality and then just general weakness in the West Coast, but feel confident that given our low cost structure there and both unplanned and planned maintenance in PADD IV and the Pacific Northwest, we're well-positioned to take advantage of volatility over the coming months.

**Question – Jason Gabelman:** Great. That's helpful. Maybe if I could just sneak in another one in quickly. Just thoughts on M&A. Obviously, the company has a track record of growing through acquisitions. Curious what you're seeing across your areas of operation on M&A opportunity.

**Answer – William Monteleone:** Hey, Jason. It's Will. I think, overall, most of our focus this year is internal. We are really focused on execution, and I think that's the key to driving shareholder value. And I think ultimately, we look at any opportunity that's presented to us but given our current cost of capital and where our share price is, it would need to be a truly spectacular opportunity to compete with our alternatives right now. So again, I think it continues to be something we look at. But I would just say it's a very high bar to clear at the moment.

**Question – Jason Gabelman:** Understood. Thanks for the answers.

**Operator**

The next question comes from Manav Gupta with UBS. Please go ahead.

**Analyst:** Manav Gupta

**Question – Manav Gupta:** Good morning. I'd just like a quick clarification. I think, I heard you say that the Washington index is about up $7 in February since obviously the start of the downtime at the competitor asset, if you could first confirm that. And then also, how do you see this tightness on the West Coast play out just in the scenario? I mean, if the California refinery could be down six months or so, how would that benefit overall the PADD V dynamics and could that be a tailwind for you guys, if you could talk about it?

**Answer – Shawn Flores:** Yeah, Manav. I'll cover the first question. That is correct. We'll put out the full February average index pricing over the next week or so. But month-to-date, in February, we're up $7 versus January.

**Answer – William Monteleone:** And I mean, Manav, on the West Coast supply and demand, I think there's heavy maintenance already scheduled at some of the larger refiners, both in the Pacific Northwest and also down in Southern California. I think depending on the duration of the downtime that's unplanned, it could have some potential impacts to keep the market tight through the summer. I think you're going to test the limits of arbitrage volumes in for CARB gas. And I think unplanned is always very difficult to sort of get the supply chain built quickly enough to solve the problems. So, lots of uncertainty on what the timeline looks like there, but certainly something that is worth watching closely over the coming weeks.

**Question – Manav Gupta:** Thank you so much. I'll turn it over.

**Operator**

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

**Will Monteleone:** Thank you, Drew. We're encouraged by the improving market backdrop and remain focused on execution as the key to driving shareholder value this year. Thank you for joining us today.

**Operator**

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