

Par Pacific Holdings, Inc.

Q1 2025 Earnings Call

May 7, 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

Alexa Petrick

Goldman Sachs – Equity Research Analyst

Jason Gabelman

TD Cowen, Research Division – Director & Analyst

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

Ryan Todd

Piper Sandler – Managing Director of Integrated Oils, E&P, Refining and Biofuels

Management Discussion Section

Operator

Good day, and welcome to the Par Pacific First Quarter 2025 Earnings Conference Call. 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 like now to turn the conference over to Ashimi Patel, Vice President of Investor Relations. Please go ahead.

Ashimi Patel

Thank you, Allen. Welcome to Par Pacific's first 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.

First quarter adjusted EBITDA was \$10 million and adjusted net loss was \$0.94 per share. First quarter results reflect off-season conditions and the impact of the Wyoming outage.

Market conditions are improving, and our combined index is up by \$6 per barrel so far this quarter. The Asian market remains narrowly balanced and our outlook for our Hawaii refining business is strong. Meanwhile, the West Coast is benefiting from reduced supply from planned and unplanned maintenance, which is also tightening the western portions of the Rocky Mountain region. As we near the completion of the Montana turnaround, we are focused on safely and reliably increasing rates for the summer driving season.

Our Retail business continues to deliver solid results. Quarterly same-store fuel and in-store revenue increased 0.5% and 1.8% compared to the first quarter of 2024. Underlying profitability also improved as demonstrated by our last 12 months total adjusted EBITDA exceeding \$80 million for the first time.

We made considerable progress on key strategic objectives during the quarter and opportunistically reduced our shares outstanding by 5% compared to the end of 2024. We are well on our way to achieving our strategic priorities for the year.

In Montana, we remain on time and on budget and are nearing mechanical completion of the turnaround. 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.

In Wyoming, I would like to recognize the efforts of the team in safely bringing the facility back to full rates approximately one month early compared to our initial plans. Thank you all.

In Hawaii, SAF project construction is progressing to plan, and we remain scheduled for start-up in the second half of the year. We have received and set major equipment and are proceeding with on-site work to complete the project. Despite policy uncertainty, our outlook for the project remains constructive due to the flexibility and structural advantages of the project. On-island commercial interest from airlines and other customers is encouraging as we move towards commissioning the project.

And finally, we have progressed cost reduction efforts and are confident in achieving our previously stated targets.

We remain in an excess capital position with ending liquidity of \$525 million after completing share repurchases and progressing major strategic items in the quarter. Our current share count is now below 52 million, a level we haven't seen since 2019. Since then, our business has become fundamentally stronger. We benefit from structural earnings improvements in places like Hawaii, a broader geographic footprint, and business segment diversity, all of which contribute to a more durable earnings profile. We are well-positioned to manage the business through a range of environments while accretively growing our per share earnings power. Our free cash flow outlook is improving due to solid demand in our niche markets and a significant decline in capital requirements in the second half of the year.

I'll now turn the call over to Richard to discuss our Refining and Logistics operations.

Richard Creamer

Thank you, Will.

First quarter combined throughput was 176,000 barrels per day.

In Hawaii, throughput was 79,000 barrels per day and production costs were \$4.81 per barrel. Throughput was impacted by a planned maintenance outage that included making final tie-ins for the Hawaii SAF project, reformer regeneration, and other routine maintenance. The completed activities paved the runway for our mid-year 2026 turnaround.

Washington throughput was 39,000 barrels per day and production costs were \$4.16 per barrel. Washington completed a reformer outage in Q1, and throughput is reflective of seasonal demand on the West Coast.

Shifting to Wyoming, I'm very pleased to report that the refinery safely returned to normal operations in late April following the mid-February furnace incident. The return to refinery operations is a full month ahead of our previous guidance of late May. In addition to Will's comments, I want to take a moment to acknowledge the local team in Newcastle and the various support groups for their unwavering commitment to rebuilding and returning to operations safely and efficiently. Throughput in the first quarter was 6,000 barrels per day and OpEx was elevated by \$6 million due to the outage. We expect an additional \$4 million in the second quarter.

Finally, in Montana, first quarter throughput was 52,000 barrels per day and production costs were \$10.56 per barrel. As previously mentioned, the refinery team began the FCC and alky turnaround in early April and are now nearing mechanical completion with restart forthcoming. There have been a minimal amount of discovery items and critical path objectives have tracked to schedule. I can report that the turnaround is wrapping up on schedule and within cost targets. Oil in restart should occur in mid-May, ahead of the summer driving season in the Rockies.

Following the Montana activities, we have no major maintenance across our system for the remainder of the year. We are pleased with our progress to date on completing our first half focus on turnarounds and projects. This is setting the stage for the second half of reduced spending and a focus on building flexibility and reliability.

Looking ahead to the second quarter, we expect Hawaii throughput between 81,000 and 85,000 barrels per day; Washington between 40,000 and 42,000 barrels per day; Wyoming between 13,000 and 15,000 barrels per day; and Montana between 44,000 and 47,000 barrels per day, which reflects reduced rates during the turnaround. This results in a system-wide throughput between 178,000 and 189,000 barrels per day.

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

Shawn Flores

Thank you, Richard.

First quarter adjusted EBITDA and adjusted earnings were \$10 million and a loss of \$50 million or \$0.94 per share.

Our Refining segment reported adjusted EBITDA loss of \$14 million in the first quarter compared to a loss of \$22 million in the fourth quarter.

In Hawaii, the Singapore 3.1.2 averaged \$13.12 per barrel and our crude differential was \$4.99, resulting in a Hawaii Index of \$8.13 per barrel. Hawaii margin capture was 109%, including a combined \$4 million benefit from price lag and product crack hedging. Looking to the second quarter, our Hawaii crude differential is expected to land between \$5 and \$5.50 per barrel.

In Wyoming, our index averaged \$20.31 per barrel and capture was 98%, near the top end of our guidance range. Favorable capture reflects higher sales volumes relative to throughput, driven by a drawdown of refined product inventory during the outage. Under FIFO accounting, the capture impacts of the refinery downtime will be primarily reflected in our gross margin from early March to mid-May.

In Montana, our index averaged \$7.07 per barrel and capture was 71%, driven by lower product yields as we approach the turnaround. Looking to the second quarter, we expect margin capture impacts of the FCC and alky turnaround to be partially mitigated by a drawdown of clean product inventories.

Lastly, our Washington index averaged \$4.15 per barrel and capture was 50%. Increased refinery maintenance and below average product inventory levels have lifted margins in the Pacific Northwest and Northern Rockies. Quarter-to-date, our Washington and Montana market indices have improved by approximately \$8 and \$14 per barrel, respectively, compared to the first quarter.

Moving to the Logistics segment. First quarter adjusted EBITDA was \$30 million, in line with our mid-cycle run rate guidance. Strong system utilization in Hawaii and Montana offset lower pipeline throughput in Wyoming.

Our Retail segment reported adjusted EBITDA of \$19 million during the first quarter compared to \$22 million in the fourth quarter. The above mid-cycle results continued to reflect improving in-store performance and strong fuel margins.

Corporate expenses in adjusted EBITDA were \$24 million in the first quarter. On our broader cost reduction initiative, we remain on track to achieve \$30 million to \$40 million in annual savings

relative to 2024. Excluding the Wyoming repair expenses, consolidated operating costs totaled \$203 million or a \$22 million reduction relative to the first quarter of last year.

Turning to cash flows. Cash used in operations was \$1 million. This includes \$28 million of turnaround expenditures and a \$42 million working capital inflow, primarily driven by a reduction in prepaid assets, which returned to typical levels during the quarter.

Cash used in investing activities totaled \$41 million, primarily driven by capital expenditures.

Shifting to capital allocation, we repurchased \$51 million of common stock in the first quarter, reducing basic shares outstanding by 5%. We will maintain an opportunistic approach to share repurchases, adapting to changes in our share price and cash flow outlook.

Gross term debt as of March 31 was \$642 million or 3.2 times our Retail and Logistics LTM EBITDA, at the low end of our 3 to 4 times leverage target. With \$525 million of liquidity as of March 31, our balance sheet remains well-capitalized with excess liquidity to support our strategic priorities moving forward.

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

Question and Answer Section

We will now begin the question-and-answer session. Our first question comes from Matthew Blair of Tudor, Pickering, Holt. Please go ahead.

Analyst: Matthew Blair

Question – Matthew Blair: Great. Thank you and good morning, and congrats on repairing Wyoming and getting it back up. Could you talk about the factors that came in better than expected and allowed you to restart it about a month earlier compared to your original guidance?

Answer – Richard Creamer: Yeah. Matthew, this is Richard. The team there in Wyoming, supported with some of the other Par resources from other plants, really stepped up and really drove the activities. And, the third-party contractors that we had both on-site and off-site supporting us with materials and resources stepped up in a big way as well. So, just an efficient team effort to pull together and respond to the incident and bring it back online. It was a great effort overall.

Answer – William Monteleone: Matthew, only thing I'd add is just a strong response from the team during kind of immediately following the event. We had some really cold weather following the event. The team did a great job of stabilizing the plant, preventing any additional damage.

Question – Matthew Blair: Sounds good. And then, the follow-up is on the crude differential picture. Currently seeing quite tight heavy Canadian discounts. Could you talk about the factors driving those tight discounts? And what's your outlook for the remainder of the year?

Answer – William Monteleone: Sure, Matt. I think at the highest level; you're in an excess pipeline capacity position out of Canada for the time being. And ultimately, I think that's allowing

the inland trend of Hardisty differentials to reflect just a looser than normal transportation situation. And so, I think right now, there's probably a \$7 to \$8 spread between the value of Canadian heavy at Hardisty versus on the Gulf Coast, and that's probably pipeline cost at the moment. So, I think it suggests a quite tight market as you're mentioning. And ultimately, I think that's something that's likely to persist until you see production increase sufficiently to absorb the pipeline capacity that's in place in Canada.

Question – Matthew Blair: Great. Thank you.

Operator

Our next question comes from Ryan Todd of Piper Sandler. Please go ahead.

Analyst: Ryan M. Todd

Question – Ryan M. Todd: Thanks. So, there's been quite a bit of moving pieces looking at West Coast markets and, by extension, Asian markets, including asset outages and announced closures. Can you talk about what you're seeing in terms of knock-on effects in your West Coast and Rockies markets in terms of supply/demand, and maybe even what you think the potential impact of rising product imports from Asia to California could mean for your Hawaii market?

Answer – William Monteleone: Hey, Ryan. It's a good question. No, I think overall, you're seeing a need for increased product imports from Asia, and I think that has ultimately pushed the market into sort of persistent import parity. And for us, that's a favorable outcome for our West Coast position in Tacoma. It also benefits, our sales profile that's in Eastern Washington and the western edges of the Rocky Mountain markets where our Montana business has a significant position. So, I think those are the two areas that are most impactful, and I think there's some knock-on effects to Hawaii as well. But across the board, I think a tighter West Coast market benefits us in a number of ways.

And we're strategically on the periphery of California, but we're not in California. We've tried to position ourselves to participate in that market when it is attractive and then, ultimately, continue to try and operate really low-cost assets so that when the market is unattractive, we can ride through and ultimately put ourselves in a great spot to capitalize on the upside.

Question – Ryan M. Todd: Thanks. Yeah, I think probably close to California but not in California is the ideal place to be. Maybe a second question. You bought back \$51 million in stock in 1Q which I think was probably higher than most expected. Can you talk about how you're thinking about capital allocation right now? How much are you willing to utilize the balance sheet? And how much does your expectation of a significant inflection in free cash flow play into how you're approaching it?

Answer – William Monteleone: Sure, Ryan. So, look, our balance sheet is in good shape, and we're in an excess capital position and it gives us dry powder. And on top of that, I'd just say our outlook's improving. And really those things give us the flexibility to be opportunistic. Really that means there's a combination of price and outlook where you're going to see us be aggressive. That means in a certain price and outlook environment, we're going to reduce our activities. I think that's the key

to thoughtful capital allocation— it's to be dynamic and incorporate the factors. Our balance sheet is in a really good spot so we can continue to be aggressive, if we're given the opportunity.

Question – Ryan M. Todd: Great. Thank you.

Operator

Our next question comes from Alexa Petrick of Goldman Sachs. Please go ahead.

Analyst: Alexa Petrick

Question – Alexa Petrick: Hey. Good morning, team, and thank you for taking my question. I know it's still somewhat early, but can you talk about what you're seeing in demand for Q2 so far? Are there any data points around China or Asia more broadly that you can share as we think about the market?

Answer – William Monteleone: Yeah. So, Alexa, I think, in all of our niche markets, we're seeing steady to increasing demand across each one of the product categories. And overall, observation of the Singapore market is that Chinese exports have remained pretty flat year-over-year, and ultimately, the Singapore market is supplying significant portions of the West Coast and other parts of the world. And thus, you're seeing what I characterized as broadly mid-cycle or slightly above mid-cycle margin conditions in the Singapore market. And then simultaneously, I think you're seeing an emerging looser waterborne crude market, given what OPEC's posture shift has been.

Question – Alexa Petrick: Okay. That's helpful. And then just a follow-up on Refining. Any color you can give on how we should think about capture rates directionally just given turnaround and some of these moving pieces?

Answer – Shawn Flores: Hey, Alexa. It's Shawn. Yeah. I'll walk you through each of the sites and sort of how to frame up Q2.

I think in Hawaii, we continue to reiterate our 100% to 110% guidance. I think clean product freight rates have held in nicely. And as Will mentioned, I think there will be some knock-on benefits to a stronger West Coast as it relates to how it impacts Hawaii.

In Tacoma, with the improving market conditions, you'll start to see the percentage capture come closer in line with our guidance of 85% to 95% moving forward.

In Montana, obviously, Q2 will be a little noisy with the FCC and the alky turnaround. But as I mentioned in my prepared remarks, we should be able to mitigate a lot of the lower production turnaround impacts from drawing refined product inventories across our logistics network. We signaled capture of 90% to 100%, and I think it's fair to assume probably slightly lower than that given the turnaround activities.

In Wyoming, I called out the FIFO accounting impact to the outage. We typically have a one-month lag on FIFO, and so the 60 to 70-day downtime that we had will really impact early March, so in Q1, and then extend into mid-May.

Question – Alexa Petrick: That's helpful. I'll turn it back. Thank you all.

Operator

Our next question comes from Jason Gabelman of TD Cowen. Please go ahead.

Analyst: Jason Gabelman

Question – Jason Gabelman: Hey. Good morning. Thanks for taking my questions. I wanted to follow on maybe on thinking about 2Q and more broadly the company's margin profile in a declining oil environment, and I was hoping you could just remind us of some of the moving pieces as oil prices fall. I believe there's a lag effect on diesel pricing in Hawaii. I believe your OpEx in Hawaii is somewhat tied to crude oil prices. I imagine some of the headwinds around asphalt and co-products may improve a bit with declining crude prices, and then also the impact of a market moving from backwardation to contango. Thanks.

Answer – Shawn Flores: Hey, Jason. Yeah, it's Shawn. I think that there's more tailwinds than headwinds in a falling flat price environment. You noted the price lag exposure we have in Hawaii on our utility sales. A significant cost component in all of our refineries is fuel burn, and that's really caused by the flat price of crude, and so that will decrease in a lower flat price environment. Asphalt netbacks tend to improve on falling flat prices just given the stickiness of wholesale and retail asphalt prices. On the risk management side, just keep in mind we sort of maintain a fully hedged position on our hydrocarbon inventory. And so typically, across the industry you would see headwinds in a falling flat price, but we're well-hedged and not expecting significant net working capital noise in Q2 related to flat price.

Question – Jason Gabelman: Okay. Great. That's all helpful color. My other question is just on the SAF project. As you approach start-up and I imagine you'll have a ramp-up in the second half of the year, some of your larger peers have discussed some weakness in SAF, particularly in the European market. Just wondering if that market is developing in line with your expectations, if your position on Hawaii gives you a unique opportunity to capture margin that others won't be able to, and just overall thoughts on the earnings profile of that project. Thanks.

Answer – William Monteleone: Yeah. Jason, it's Will. I would say notwithstanding a lot of policy uncertainty that's in the space right now, we're remaining constructive on the Hawaii project. And it really has more to do with our view on cost positioning in the space, and it's really three items I'd point to.

One, the operating expense profile is going to be very competitive relative to our peers given that it's inside the plant and we're able to leverage our existing infrastructure, resources, and personnel there. The second really is on the capital cost side. We're at roughly \$1.50 per gallon constructed, which I think is one of the lowest I've seen in the space. And the third is really on the transportation side. Given we have available logistics, we're able to efficiently distribute to customers in Hawaii with a very low incremental cost. And then alternatively, we have our own distribution network in Washington that allows us to monetize products over our own infrastructure, which is an enviable position to be in. So, again, I think we've got several options there.

And then broadly, on the customer side, I would say we're seeing encouraging interest from

international airlines, principally in the Asia-Pacific region. And that's a little bit of a differentiated solution than placing SAF into Europe right now.

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

Operator

Our next question comes from Manav Gupta of UBS. Please go ahead.

Analyst: Manav Gupta

Question – Manav Gupta: Good morning. You have been a company which has grown through very smart M&A. And I was just wondering, even if we ignore Refining for a minute because that's where things can be tricky, like, would you be open to small bolt-on deals that can grow your Logistics business as well as your Retail business for the right price and the right threshold?

Answer – William Monteleone: Yeah. Manav, this is Will. I mean, what I would say is there's very few opportunities that we've seen that come close to competing with the capital allocation alternative of repurchasing our stock. And I think the single best capital allocation alternative we have is in that area today. So that's kind of how we think about the market at this moment.

Question – Manav Gupta: Perfect. My second question is, again, on the Retail side, I mean, we are in an uncertain macro. Are there any sign of recessionary demand that you have seen out there in any region, which – it's early, but are you seeing underlying demand to be totally resilient despite these macro headwinds or there are some signs of weakness in some markets?

Answer – William Monteleone: Sure, Manav. Yeah. We've not seen any reductions in demand across any of our markets. We operate in some different niches, but I think that's kind of the broad sense right now is it's flat. And on the Retail side, I'd just point out that it can be a little bit counter-cyclical where the retail business tends to outperform in any type of a down-market. So, I would just broadly characterize demand both in the store and at the pump as flat to slightly up.

Operator

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

William Monteleone

Great. Thank you, Allen. We're encouraged by the improving market backdrop and remain focused on execution as the key to driving shareholder value. Thank you for joining us today.