Par Pacific Holdings, Inc.

Investor Conference Call

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CORPORATE PARTICIPANTS

Ashimi Patel – *Director of Investor Relations*

William Pate – *President and CEO*

Will Monteleone – *EVP and Chief Financial Officer*

CONFERENCE PARTICIPANTS

Carly Davenport – *Goldman Sachs Group, Inc.*

Matthew Blair – *Tudor, Pickering, Holt & Co.*

John Royall – *JPMorgan Chase & Co.*

Jason Gabelman – *Cowen and Company, LLC*

Sunil Sibal – *Seaport Global Securities, LLC*

Paul Cheng – *Scotiabank*

Operator
Good day and welcome to the Par Pacific Investor Conference Call.

All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key, followed by "0".

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*", then "1" on a touchtone phone. To withdraw your question, please press "*", then "2". Please note, this event is being recorded.

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

PRESENTATION

Ashimi Patel
Thank you, Betsy. Welcome to Par Pacific's Investor Conference Call.

Joining me today are William Pate, President and Chief Executive Officer, and Will Monteleone, EVP 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.

We are sharing user-controlled slides via the webcast for today's call and the presentation can also be found on our website under the Investors tab.

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

William Pate
Thank you, Ashimi. As noted on the second slide, we were pleased to announce yesterday the $310 million acquisition of the ExxonMobil Billings 63,000 barrel per day refinery and the associated logistics system. We also signed a long-term ExxonMobil branded fuels marketing arrangement to supply approximately 300 regional locations.

The Billings operation will add significant scale to our business, increasing total throughput capacity to 218,000 barrels per day, and enhancing our fully integrated downstream network in the upper Rockies and Pacific Northwest.

As noted on Slide 3, this acquisition brings many strategic benefits. After the transaction, we expect to have among the highest exposures of any public refiner to discounted heavy Canadian crude.

Given our existing footprint, the commercial opportunities and expected cost savings, we expect significant synergies in excess of $30 million per year.

With our share price trading at less than 4x current year earnings, it's difficult to complete an accretive transaction, but with our current cash position, we expect this acquisition to be immediately accretive on both a free cash flow and earnings per share basis.

The Billings operations are a perfect fit with our strategy of being an owner-operator of market leading downstream systems in niche markets. Prior to the pandemic, we completed a string of successful acquisitions, beginning with our Hawaii refining and retail businesses. We then added mainland exposure to our portfolio and began building out a network in PADDs IV & V, through our Wyoming and Washington refining and Northwest retail acquisitions. These investments have generated strong returns and have built the foundation for the next phase of our growth.

I'll now turn the call over to Will to review the transaction and financial highlights.

Will Monteleone
Thank you, Bill. Back to Slide 2, we expect to fund the $310 million purchase price with cash on hand and existing credit lines, based on liquidity of approximately $495 million as of September 30. This liquidity includes approximately $409 million of cash on hand, and we continue to generate significant cash each month in the current market environment. We expect to fund the hydrocarbon inventory with a new working capital facility.

On Slide 4, we've laid out our expectations for pro forma midcycle earnings uplift. We believe midcycle adjusted EBITDA for our existing operations to be approximately $300 million. We expect annual Billings midcycle adjusted EBITDA of $140 million, including synergies, implying a 2.1x adjusted EBITDA multiple. On a combined basis, we expect pro forma midcycle adjusted EBITDA of $440 million and approximately $95 million in normalized maintenance capital and turnaround outlays. We anticipate strong free cash flow generation from the combined company.

I want to note the $35 million of additional forecasted logistics adjusted EBITDA. As previously stated, our gross debt target is based upon 3x to 4x adjusted EBITDA from our logistics and retail operations. With this incremental contribution, we are comfortable with gross debt in the range of $500 million to $600 million. Gross debt as of 9/30 was $519 million. Based on our current outlook, we anticipate being at the bottom of our targeted range upon closing of this acquisition in the second quarter of 2023.

Turning to the refining highlights on Slide 5, the 63,000 barrel per day refinery is highly complex and processes a slate of discounted Western Canadian and Rocky Mountain crude oils, including approximately 49% Western Canadian heavy crudes. The refinery's production yield includes approximately 48% gasoline and 28% distillate, with the ability to increase distillate production up to 31%. The transaction also includes a 65% interest in an adjacent cogeneration facility. We are evaluating renewable fuels conversion opportunities to supplement the refinery's conventional fuels production.

Moving to the logistics highlights on Slide 6, the acquisition includes an expansive network of crude and product midstream assets across the upper Rockies and Pacific Northwest, including the wholly owned 55,000 barrel per day Silvertip crude oil pipeline, a 40% interest in the 750-mile Yellowstone Clean Products pipeline, and seven refined product terminals.

This logistics network dovetails perfectly with our strategy of ensuring we can fully distribute our products to end users. The Yellowstone Products Pipeline has long been a critical artery for serving the Montana and Washington markets. Seven connected terminals broaden our reach within the region.

Now to Slide 7. We have a long-term arrangement to supply Exxon-branded locations in the PADD IV & V regions, traditionally served by the Billings refinery. As a result of this arrangement, more than 75% of our clean products production will be under contract to Exxon branded or Par retail operated locations. We're excited to add the strength of the Exxon brand to our portfolio.

I'll now turn it back to Bill.

William Pate
Thank you, Will. We can't envision a better fit to our current asset base than the Billings operation. This acquisition significantly expands our mainland refining capacity. The Yellowstone pipeline and Washington terminals allow us to move clean products into Washington to leverage our market position in that region.

We also intend to work with the Billings team to develop capital projects that improve reliability and increase production, and we hope to supplement conventional production with renewable feedstocks.

In closing, I would like to welcome the dedicated and highly skilled Billings employees to the Par Pacific team. My colleagues and I were able to spend some time with the team onsite yesterday, and we're confident that there are even more opportunities for growth than we realized, as we work with the local team to unlock the site's potential. We look forward to expanding our company and capabilities together.

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 "*", then "1" 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 "*", then "2".

At this time, we will pause momentarily to assemble our roster.

The first question today comes from Carly Davenport with Goldman Sachs. Please go ahead.

Carly Davenport
Hey, good morning. Thanks so much for taking the questions.

I wanted to just start on the midcycle EBIDTA view. Can you just talk about the assumptions driving that and perhaps, what you think might be drivers that could cause that to surprise to the upside or downside?

Will Monteleone
Yeah, sure, Carly. This is Will. I think, first and foremost, we're basing our numbers assuming annual throughput of about 50,000 barrels per day, which is consistent with historical throughputs in non-turnaround years. And with respect to market conditions, what we've done is we really looked over the last six years and we've excluded 2020 and we've excluded 2022 as outliers, really in either direction.

And you can look at it differently and it would imply a market environment where the RVO-adjusted 3:2:1 Gulf Coast cracks versus Ice Brent would average about $8.00, per barrel. And Brent versus WTI was about $4.00, per barrel.

So keep in mind, though PADD IV pricing's at a premium to Gulf Coast, given transportation constraints. And so, that's one of the key drivers to the overall margin contribution and uplift. But I think it ties back to a more, we'll say, midcycle or average market environment is the way that we're thinking about these numbers.

William Pate
And Carly, if I could add to that, as Will referenced, our view of midcycle correlates to roughly an $8.00 per barrel range for the U.S. Gulf Coast RVO-adjusted crack. If you look at the current forwards for 2023, it would correlate closer to $14 per barrel.

Carly Davenport
Got it. Great, appreciate that color. And then, just stepping back, as you think about the broader business, you've talked historically about wanting to scale the refining business in the PADD IV & V region which you're obviously doing with this deal.

So, when you think about the scale of the business and the mix that you would view as optimal, where do you think this transaction kind of puts you, relative to that optimal level?

William Pate
I think it certainly gives us the scale that we need. It gives us some diversification from a site perspective. And obviously, it's a big transaction for us. It doubles our capacity on the mainland. So, our focus is really going to be integrating the transaction and growing from here and ensuring that we get all the value out of this transaction.

Carly Davenport
Awesome, thanks so much for the time.

William Pate
Thank you.

Operator
The next question comes from Matthew Blair with Tudor Pickering Holt. Please go ahead.

Matthew Blair
Good morning, Will and Bill. Congrats on the deal. Could you talk about just like how this came about, about any background, how long were you talking to Exxon to your end? Was this a directly negotiated deal or a competitive auction bid?

William Pate
We've been very clear that this area is an area of interest for us, really, since we acquired the Wyoming refinery, Matthew.

I think you're aware of that, and I don't want to speculate about Exxon's process or their rationale. But we engaged in a conversation with them, and I think that we both decided that, frankly, this asset's a better fit for us than for them, given the scale of their business and overall refining

system and given the opportunities for us. And so, I think we directly negotiated with them a price that met the value where they were willing to part with the asset.

Matthew Blair
Sounds good. And when was the last major turnaround, and are there any upcoming major turnarounds that we should be aware of?

Will Monteleone
Matthew, this facility operates a little differently than our existing sites in that in our current facilities we really conduct plant-wide turnarounds.

Given the complexity of this site and the number of units, you have more of a staggered turnaround schedule. And so, depending on the unit, you're operating every three to five years. And I think the best way to think about it is that our amortized turnarounds that we're thinking about over every three to five years is approximately $20 million.

And again, so, it's going to be lumpy, and I don't think it's appropriate for us to specify a precise turnaround schedule at this juncture, given we don't control the asset yet, but I think, for modeling purposes, the right way to think about it is the amortized turnaround numbers that we're giving you.

Matthew Blair
Sounds good. And then, so, the logistics EBITDA of $35 million, does that also include the marketing contribution, or would that be separate?

Will Monteleone
That's separate, Matthew. And I think we're really probably not going to break out marketing, as a separate segment. Again, I know some of our peers do. But ultimately, the logistics earnings stream is a combination of, ultimately, the Silvertip pipeline crude deliveries, a 40% interest in the Yellowstone products line, and then the terminals across Montana and Washington are really providing the base of that logistics earnings profile.

Matthew Blair
Great, thank you very much.

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

John Royall
Hey, guys. Good morning, congratulations on the deal.

If you could talk a little bit about the potential timing of synergies, how that phases in over time with the $30 million and then just any color you can provide over some of the various buckets that that might fall into.

Will Monteleone
Sure, John, this is will. So, really, three buckets of synergies, as we think about it. One is just overhead reduction. And again, this is indirect, non-Billings site specific overhead reduction. The second's really commercial. And the third is operating synergies.

So, with respect to timing, we'd expect to achieve the indirect non-Billings related overhead reduction, so approximately $15 to $20 million within the first year of ownership. And then with the additional $10 to $15 million to come over the next two years.

And when you think about the other components really it's, ultimately, we're looking at, commercially, a broader footprint across PADD IV and V to enhance our ability to push products into the highest net back markets. And then lastly, we're anticipating working closely with the Billings operating team to continue to improve overall plant reliability and enhance throughputs.

John Royall
Great, thank you. And then, can you just talk a little bit more about the opportunity set in renewable fuels? Are you envisioning some kind of coprocessing, and what kind of volumes would you expect there, potentially?

William Pate
John, I think it's still very early, and we certainly want to engage the team in Billings on this, but the facility actually has a 6,000 barrel per day hydrocracker that we think is an excellent candidate for conversion. We have a lot of work to do to understand the site balances and the logistics and the feedstocks before we would move ahead. But on the surface, it appears to be an attractive low-capital conversion candidate.

Probably, the key triggers would also be ensuring that the demand is there in the state of Washington because, if we're going to be producing renewables in Montana, we're going to want to be moving it into and taking advantage of our market position in Washington.

John Royall
Great, thank you.

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

Jason Gabelman
Hey, congrats on the deal and thanks for taking my questions.

I just wanted to first round out the discussion on maybe the midcycle EBITDA that you provided. It would be helpful if you could provide, per barrel OpEx and then what you're considering, in terms of a crude diff, relative to WTI. I think that would be helpful.

Will Monteleone
Sure. So, Jason, I think we're assuming, based on 50,000 barrels per day of throughput, and again, the nameplate on the plant, 63,000 barrels a day. So, we're assuming 80% utilization. That you're going to be running at OpEx per barrel of approximately $10.

And so, I think that's the starting point. And then, I think we've given you some of the crude diffs to be thinking about and again, we're going to be principally taking delivery of Canadian heavies off of the Express pipeline and a couple of the other pipes that originate out of Canada.

So, it should be relatively low-cost deliveries of heavy crude into the plant. And then, the other 35% is going to be more light and medium grades out of Canada. And then, some domestically sourced barrels that come up from the Rockies into the plant.

So, happy to work with you a little bit more on the diffs. But I think we're trying to give you a good indication of the overall feedstock mix that the plant can run.

Jason Gabelman
Yeah, yeah. And I appreciate you giving us the crude diet. Maybe if I ask the diffs question a different way, do you expect, in that midcycle EBITDA, just given WCS diffs are pretty wide right now, do you expect diffs to remain wider than, say, pipeline economics, or are you embedding pipeline economics in the WCS diffs?

Will Monteleone
I think we're embedding pipeline economics in there, and I think we're running, for our midcycle, probably assuming WCS crude diffs about a $14 differential, discount to WTI.

Jason Gabelman
Okay, that's helpful. My other question is, I just wanted to go back on the maintenance comment that you made because, I believe there was a fire in this site earlier in the year and Exxon has been in the market trying to sell it.

So, I'm just trying to understand, is your understanding that maybe there's some catch-up work that needs to get done and maybe maintenance is a little elevated in the near term, or do you expect the maintenance spending to be more ratable, in line with the guidance that you provided?

William Pate
Jason, let me handle this, first. Let me first just note that the impact of the March 2022 fire is, I think, behind us. The refinery is back up, it's running at normal operations. Reliability has been high recently. And the incident has been fully investigated and root causes certainly have been identified and remediated. And I think this is one of those events that probably, will be shared broadly within the industry.

I'd also note, just in terms of maintenance, this is going to be one of the more challenging of our existing plants to operate. You think about the combination of cold weather conditions, a heavy, sour crude diet, a fluid coker operation. All that creates a need for a lot of routine maintenance that will also reduce mechanical availability. And as Will noted, we've targeted this assuming 50,000 barrels per day, or an 80% utilization. We hope to do better. We plan to invest in the plant to try to make it better, and we expect to work closely with the team there to devise strategies that improve on these results.

But to be very clear, our synergies today do not include any assumption that we increase throughput or reliability. This is just more upside.

Jason Gabelman
Got it, great. Thanks for the color, and congrats on the deal, again.

William Pate
Thanks, Jason.

Operator
Next question comes from Sunil Sibal with Seaport Global. Please go ahead.

Sunil Sibal
Yeah, hi, good morning, and congratulations on the transaction. So, a couple of questions for me.

I think you mentioned 40,000 barrels per day on Express pipeline. Could you indicate how long you have been, or how long has been your nomination history on that pipeline?

Will Monteleone
I don't think we'll get into the specifics of the commercial terms on this call, Sunil. I think, suffice it to say, there's adequate modes of transportation to get grade of crude in the refinery. And again, I think we're comfortable with the position on Express and other lines in and out of the facility.

Sunil Sibal
Okay. And then, with regard to the other logistics assets that come with the acquisition, I think you mentioned $35 million of EBITDA. What portion of that EBITDA is from contracts from third parties? Could you indicate that?

Will Monteleone
So, I think at the end of the day, the Yellowstone product pipeline is a FERC common carrier line. And so, again, the 40% ownership in that is probably, you could look at that as third-party, although we are clearly a significant shipper on that line with our production facility. And then, largely, we'll be moving our own products via our own proprietary facilities, in and out.

So, I think I would say it's largely serving the existing distribution of products from the Billings refinery.

Sunil Sibal
So, no counterparties, essentially Billings refinery then. Correct?

Will Monteleone
That's correct.

Sunil Sibal
Okay. And then, last one for me. What kind of throughput has the refinery seen over the last couple of years?

Will Monteleone
I think we just look at this as the, we'll tie it back to the 50,000 barrels per day, on average number. And this is the way that we're modeling on a go forward basis in our assumption.

Sunil Sibal
Okay, got it. Thanks for all the clarity.

Will Monteleone
Thank you.

Operator
As a reminder, if you have a question, please press "*", then "1" to be joined into the question queue.

Next question comes from Paul Cheng with Scotia Bank. Please go ahead.

Paul Cheng

Thank you, good morning. A simple quick question. With the prior agreement with Exxon, how long is the duration and then do you have an evergreen renewable agreement or that it will expire at some point? And also that in that agreement, who's actually going to retain the RIN when you sell to the service station, you or Exxon?

Will Monteleone
Paul, I don't think we'll get into the term. But I think, suffice it to say, long term. And we think long term means more than ten years.

And so, and then I think, just with respect to the RINs, ultimately, we look at the majority of the fuel that we're going to sell is blended. And so, our net RIN position will be a little bit shorter than we currently are. But I think we largely expect to retain the RIN and get full blend value for the fuel that we're selling.

Paul Cheng
Thank you. And also, can you talk about the liability. Common package in the industry is under your watch, my watch, but Exxon has done the deal in the past where that all the liability has been transferred to the new owner, even on the magazine liability.

So, can you discuss that? What's the arrangement, here?

William Pate
Yeah, Paul, we're not going to get into too much detail on the liabilities. But yeah, it's clearly a clean break structure.

As I look at it, really all of our refining operations, at this point, are heavily regulated, and they all have significant obligations to reduce the risk of environmental release. And sites like this also bear obligation associated with just the long term of operations.

Exxon has a strong team to manage their obligations. They've done a great job of managing the risk on this site. And we're comfortable with the environmental obligations that are being borne by the site, based on our view. And we don't think it's any different than the risk and obligations for environmental risk than any of our other sites.

Paul Cheng
Alright, will do. Thank you.

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

William Pate
Thank you, Operator. And thank you, everybody, for joining us, today. The Billings team and their assets are the perfect fit for our operations with multiple advantages for our combined enterprise.

And we look forward to closing this transaction next year.

Have a good day.

Operator

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