Par Pacific Holdings

Q4 2020 Earnings Conference Call

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Presentation

Operator
Greetings and welcome to the Par Pacific Holdings Fourth Quarter Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by 0 on your telephone keypad. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on your telephone keypad. To withdraw your question, please press star, then 2. Please note this event is being recorded.

It is now my pleasure to introduce your host, Ashimi Patel, Manager, Investor Relations for Par Pacific Holdings. Thank you, Ms. Patel, you may begin.

Ashimi Patel
Thank you, Sarah. Welcome to Par Pacific's Fourth 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 Officer 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, 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. It goes without saying that 2020 was an extremely challenging year for all of us. Last February on our earnings call, it was inconceivable that global consumption of crude oil would drop from 100 million barrels per day to 80 million barrels per day over the span of a few weeks. Our 2020 financial performance reflects the resulting collapse in prices and margins, despite our actions to reduce costs and preserve liquidity.

Full-year adjusted EBITDA was a loss of $86.7 million, and our adjusted net loss was $4.69 per share. I'm pleased with the way our team responded to the pandemic. We implemented additional layers of safe workplace practices and identified multiple areas to reduce costs. We also finished the year with our best safety and environmental performance.

We accomplished our cost control objectives while successfully completing two major turnarounds, and we expect 2021 CapEx to be less than $45 million. Based on this estimate, the current market outlook, and good operational performance, we will generate free cash flow for 2021.

We had a busy fourth quarter, completing a turnaround in Wyoming, preparing for another in Washington, and bringing our renewables and logistics projects online. We received the first unit train of ethanol into our Tacoma facility in November, and we completed the Washington turnaround this month. With no major planned downtime, other than the second phase of the

Washington turnaround early next year, our refineries have a clear pathway to strong free cash flow generation for several years.

During the fourth quarter, several positive developments began to lift business profits despite weak cracks. Unfortunately, these positive developments were offset by a non-cash mark-to-market charge associated with the steep climb in RINs pricing.

Most of the notable improvements related to demand for our products. Hawaii lifted its 14-day quarantine mandate and passenger count data has been very encouraging. Holiday season arrivals were close to 40 percent of pre-pandemic levels, and that trend has remained steady this year. Current Hawaii jet fuel demand is the sweet spot for our production capability at the Par East refinery. In all our markets, we continue to see recovery in ground transportation fuels as COVID-19-related restrictions are lifted.

At this time, improving market cracks are the biggest factor to stronger financial performance. On that note, the 2021 calendar strip for our Singapore 3-1-2 market index has improved more than $2.50 per barrel since mid-November. With the outages from the current cold, we expect the North American inventories to rebalance and believe a return to more normal cracks on the mainland is ongoing.

Retail was a strong contributor to overall earnings during the quarter and for the year. Overall, our retail business unit adjusted EBITDA has grown at a 28 percent compound annual growth rate from 2017 to 2020. We started the rebranding of our PNW retail locations through our proprietary 'nomnom' brand. This action allows us to optimize our fuel supply arrangements, launch a loyalty program, and upgrade our point of sale to permit the latest pricing and marketing solutions. We were also pleased to announce the sale and leaseback of 22 of our Hawaii retail real estate locations for approximately $116 million, at a very attractive valuation. We closed on most of these properties this week.

Today we are a stronger company. We're well positioned to return to profitability as the economy recovers and demand returns to 2019 levels. Our leverage to distillate cracks is significant. A $2.00-per-barrel improvement is equivalent to $1.00 per share of additional free cash flow. We benefit particularly from the jet fuel market, with more than four times the exposure to jet cracks than the rest of the industry.

The pandemic environment has been challenging for the refining sector, with many permanent plant closures. however, we believe that the commercial improvements we have accomplished, coupled with our cost-cutting initiatives, position us well, as vaccination rates climb, cases drop, and global demand recovers.

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

Joseph Israel
Thank you, Bill. Not many could envision the unprecedented challenges that the refining industry faced last year, and yet, with minimum preparation time, our team has done a tremendous job through 2020 to adjust operations, execute our planned turnarounds, cut our cost structure, while achieving our best safety and environmental performance on record.

Now, with regards to the fourth quarter, in Wyoming, our team successfully completed the planned major turnaround. The refinery, which re-started early in November, is well positioned for an estimated five-year cycle before the next major turnaround. Our Wyoming 3-2-1 index in

the fourth quarter was $18.45 per barrel, and our refinery throughput, including the turnaround impact, averaged approximately 7,000 barrels per day.

Our realized adjusted gross margin in the quarter was $1.58 per barrel, mostly driven by an estimated $9.00 per barrel of turnaround-related missed opportunities. Our production costs were $17.26 per barrel, including approximately $1.70 per barrel of unfavorable turnaround impact. Our cost structure in Wyoming remains favorable, and we are expecting to average under $6.50 per barrel, on annual basis,as we increase throughput to meet demand.

Weather-related outages, mainly in the Gulf Coast and Midwest, have created product shortages in the market, which is supporting Rocky Mountain's refining margins these days. Our Wyoming 3-2-1 index has averaged approximately $17.00 per barrel so far in the first quarter, and our target throughput is approximately 14,000 barrels per day as we start preparing for the gasoline season.

In Washington, our fourth quarter Pacific Northwest 5-2-2-1 index was $11.26 per barrel on an ANS basis. Our refinery throughput averaged approximately 39,000 barrels per day, and our realized adjusted gross margin was a negative 51 cents per barrel. Production costs were $3.47 per barrel in the quarter.

Earlier in the month, the refinery team successfully executed our planned 20-days turnaround works, and no additional major maintenance is planned for the rest of the year. So far in the first quarter, our 5-2-2-1 index has averaged approximately $10.25 per barrel, consistent with off-season environments in PADD 5. The index has trended up in the past week due to strong support for West Coast products, and especially LA Diesel. Our planned throughput, including the turnaround impact, is in the 30,000 to 32,000 barrels per day range.

The completion of the renewables logistics project is giving us new capabilities in the strategic Pacific Northwest market. The equipment is currently in ethanol service, mainly for our system use, and we are evaluating several growth opportunities there.

In Hawaii, our Singapore 3-1-2 index was $2.63 per barrel on Brent basis, and our realized crude differential in the quarter averaged $2.25 per barrel, premium to Brent. Our throughput averaged approximately 79,000 barrels per day, and our fourth quarter realized-adjusted-gross margin was a negative 17 cents per barrel. Our production costs were $3.27 per barrel.

Our Singapore 3-1-2 index continues to slowly improve, averaging over $4.00 per barrel so far in the first quarter and reflecting the demand recovery in Asia. Our crude differential in the first quarter is also trending to the right direction and is estimated around $1.21 per barrel, premium to Brent.

With our improved cost structure and contracts in Hawaii, we are estimating our implied EBITDA breakeven point around $4.50 per barrel for the Singapore 3-1-2 index, when crude differentials are around $2.00 per barrel. As a reminder, the index averaged approximately $10.80 per barrel in the three years prior to the pandemic.

Our throughput target for the first quarter is in the 82,000 to 84,000 barrels per day range.

In summary, 2020 is over. We are proud of the efforts, focus, and performance demonstrated by our team during the challenging times, and as we transition to the recovery phase, we are very excited about our improved positioning and margins outlook across our system.

And now I'll turn the call over to Will to review consolidated results.

Will Monteleone
Thank you, Joseph. Fourth quarter adjusted EBITDA and adjusted earnings were a loss of $34 million and $75 million, or $1.41 per fully diluted share.

Focusing on accounting items first, impacting the adjusted earnings and EBITDA, the Washington refining results have been reduced by the $6 million reversal of the prior quarter LIFO layer of liquidation. Impacting our GAAP results was an $18 million non-cash asset impairment recorded on the Par West assets.

Shifting to segment results, Retail segment adjusted EBITDA contribution was $16.5 million, driven by strong margins and seasonally improving volumes. Same-store sales volumes were down roughly 16 percent, while merchandise sales were approximately flat compared to the fourth quarter 2019.

Gasoline demand in Hawaii increased approximately 5 percent, to the 85 percent range of pre-COVID levels, versus the prior quarter. Merchandise performance, particularly in the Northwest has remained strong.

The Logistics' segment adjusted EBITDA contribution was $9 million, down $3 million from the third quarter of 2020. Hawaii activity began to increase with the reopening of the state; however, it was more than offset by reduced contributions from Wyoming and Washington locations. Wyoming volumes were reduced due to the turnaround activities. Washington results were impacted by lower sales activity during the quarter. Looking forward, our Hawaii logistics volumes are stabilizing, and other than the first quarter Washington turnaround activities, we expect steady improvements across this segment during 2021.

The Refining segment recorded a segment-adjusted EBITDA loss of $50 million. The largest factor impacting this segment was a mark-to-market of environmental credits of $23 million, principally related to increasing RINs prices. Our net RINs expense associated with this quarter's refining operations was $9 million. In addition, the Wyoming turnaround and seasonally reduced sales volumes impacted results negatively. Hawaii and Washington results were negatively impacted by compressed margins on heavy products in a rising flat-price environment.

The uncertainty surrounding the implementation of the Renewable Fuel Standard, as well as our historical status as an exempted small refiner, make managing this liability increasingly dynamic. The volatility created by inconsistent application of the RFS creates a substantial hardship for a small refiner. It's difficult for any efficient business to run if it's unclear what your costs are. We will continue to avail ourselves of all options to minimize this exposure.

Laramie generated adjusted EBITDAX of $15 million and net income of $4 million for the fourth quarter of 2020.

Fourth quarter cash consumed from operations was $63 million. Excluding the impact of RINs and incurred turnaround expenditures, net working capital was a use of approximately $13 million. Capital expenditures were $21 million and accrued deferred turnaround expenditures were $9 million, totaling approximately $30 million for the quarter.

The working capital reversal referenced in the third quarter has mostly occurred as of year-end. Accrued cash interest equaled $16 million. Full-year cash consumed from ops was $37 million, full-year capital expenditures were $64 million, and accrued deferred turnaround expenditures were $50 million, totaling approximately $113 million, consistent with the midpoint of our provided range.

Our year-end liquidity totaled $108 million, made up of $68 million in cash and $40 million in availability. We expect to receive approximately $116 million in proceeds once finalizing the Hawaii retail real estate sale leaseback transactions. After paydown of associated real estate obligations, we expect our net cash position to increase by approximately $62 million. In addition, we recently extended the Washington intermediation and expect to extend or replace the Hawaii facility shortly. With our liquidity on hand, we are well positioned to cash settle the outcoming convertible notes, if required.

Cost control across the organization remained strong during the fourth quarter as we registered our lowest consolidated quarterly OpEx, G&A, and logistics cost-of-sales number of the year, at $101 million. Our Q2-to-Q4 average ran at approximately $103 million, which is an annualized reduction of approximately $55 million from 2019.

Beyond just OpEx, we exceeded our initial $150 million COVID cash-outlay reduction targets by approximately $10 million, despite the increase in crude prices from when this target was set. As a reminder, total cash outlays include energy-related cost of sales, OpEx, and CapEx versus previously defined amounts. I'd like to thank the entire Par Pacific team for their focus and dedication across every location for this cost discipline.

We expect our overall cash outlays to be down during 2021 versus 2020, as our identified cost savings are partially offset by increases in energy costs, insurance premiums, and projected 2021 bonus compensation versus 2020. Our expectation for 2021 capital expenditures and turnaround outlays is between $35 million to $45 million, including between $10 million to $15 million for the Washington turnaround activities. We anticipate the combination of commercial contract improvements, cost containment, CapEx reductions, and markets healing to put us in a position to generate free cash flow during 2021.

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

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your telephone keypad. 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 2. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Neil Mehta with Goldman Sachs. Please go ahead.

Neil Mehta
Good morning, team, and thanks for taking the time. The first question I had was —

William Pate

Good morning, Neil.

Neil Mehta
Good morning, Bill, Will, and team. The first question I had was around Hawaii. It's such a critical part of your story, so can you talk about what you're seeing in terms of a real time recovery in Hawaii demand? And then any quantification that you can provide around the margin uplifts from either improving cracks and then also progress on more favorable contract terms?

William Pate
Yes, Neil, this is Bill. As I mentioned in my prepared comments, we've seen a reasonable recovery really in all products in Hawaii, and at this point, with respect to Par East, we're really running all out. As Joseph mentioned in his prepared comments, we're targeting 80,000 barrels per day-plus, which is as high as that refinery's run, and we really expect that refinery to be pushing the limits, frankly, going forward.

Any increases in demand at this point are likely to be addressed not through additional refining throughput but through imports. So, we're — as I mentioned, we're kind of in a sweet spot from a volume perspective. The demand from power gen really consumes all our fuel oil. The demand for jet is really fully loaded and obviously this depends a little bit on crude selection. And from a gasoline perspective, we're at this point among our — opposite our competitors, we're actually in an import mode. So, I don't see a major change.

I also — the nice thing is we're well balanced, and we're not in a position where we have to export any products. So, the key for us in Hawaii at this point does not revolve around volumes, but it revolves around cracks, and, as I mentioned, the market cracks that we focus on the most in Hawaii are Singapore. They're up about $2.50 a barrel on a calendar-strip basis in — for 2021, when compared to the late fall of last year, and that's a fairly significant improvement. And as Joseph noted, diffs, which are another key factor for the economics there, we've realized some pretty attractive diffs, both in Q4 and also in Q1. I do expect that could get a little tighter, but overall — and, again, as Joseph noted, our breakeven is at $4.50, and I think last week we reported a 3-1-2 at $4.56, and that's with a differential estimate of +$2, and, as Joseph noted, for the quarter, we're coming in at about $1.20. So, we're actually in a positive EBITDA position right now in Hawaii for Q1, subject to any kind of changes in mark-to-market on RINs and also subject to any price lag, but I feel pretty good about where we are overall.

Neil Mehta
Thanks, guys. And then the follow-up is just on retail. How are you thinking about the strategic fit of the business post-sale leaseback? Obviously, you were able to pull some cash out of the business, but do you see this business as a core part of your strategy going forward?

And then, if I can tack one on as it relates to retail, how do you think about the higher impact — the impact of higher crude on your retail markets?

William Pate
Yes, let me take the last one first. There's certainly maybe some near-term pressure on the margins, given crude oil price increases, but for the year, we expect that any margin compression is likely to be offset by increases in fuel volumes as mobility trends improve.

With respect to the strategic nature, as I noted, I mean, this business has grown attractively over the last three years, so it's a big financial contributor. Retail also really affects how we

think about our capital structure. The stable retail free cash flow actually supports our entire debt service, even after the recent sale leaseback.

And then, from a strategic perspective it's attractive in smaller markets to have a controlled short for your refinery production. Now, that's changed a little bit in Hawaii, given the fact that we no longer have any refining competition there, but it's still, I think, pretty valuable, and when it's most valuable, is in markets where you've got a product link. And so, I think it's been valuable for us even through the pandemic. And it's proving valuable right now in the Northwest with respect to our units. And, again, it's not always related to directly supplying the refinery, but through exchanges you can ensure that you can place your product and realize attractive margins. So, it is an attractive strategic asset.

I'll just caveat that by saying, look, we're not wedded to any of our assets, and obviously you can engage in transactions with contractual relationships that preserve some of that strategic benefit, and, you know, at the right price, some of our business units are always going to be for sale.

Neil Mehta
Thanks, Bill.

Operator
Our next question comes from Phil Gresh with JP Morgan. Please go ahead.

Phil Gresh
Yes, hi, good morning. Thanks for taking the questions. The first one would just be on the environmental costs in the fourth quarter, the $22 million, I believe was the number. Do you have a rough allocation of that across the three refineries?

Will Monteleone
Sure, Phil, it's Will. Approximately $10 million in Hawaii, $7 million in Wyoming, and about $6 million in Tacoma.

Phil Gresh
Okay, great. Thank you. And just what are your thoughts on the ongoing RINs impact for 2021 or at least for the first quarter, I guess. We don't know where RINs are exactly going here.

Will Monteleone
Yes, I think, Phil, for the ongoing recurring expense at current prices for '21, we'd expect our annual RINs expense to be in the $50 million to $55 million per-year range. So, I think that's our overall outlook on the recurring expense.

Phil Gresh
Okay, great. Thank you. And then just from a balance sheet perspective, you had mentioned the idea at the right price, any asset would be for sale, but just how do you think about where you want the balance sheet to be? Are there other actions you might take to accelerate progress there and as you look out on a more normalized basis, I guess, beyond 2021?

Will Monteleone
Yes, I think our historical perspective on this has been that we'd like our net debt to cap to be in the 30 to 35 percent range. I still think that's our objective. We've obviously had to delay that objective, given the impact of the pandemic, but I still think that remains our objective. And,

again, with our mix of businesses, I think if we achieve that as our long-term target, it gets us in a position where we can begin to contemplate reallocating capital, either efficiently toward M&A transactions or back towards shareholder returns.

William Pate
Phil, this is Bill. Let me just add on to that. We obviously — I believe we have high-cost debt, and obviously coming out of the pandemic and coming out of the turnarounds, we have more debt than we'd like. Having said that, we have, as I mentioned, no major plans for turnarounds going forward, and we expect to generate significant free cash flow and will dedicate that cash flow toward paying down the debt and getting back to a level that is a little more reasonable. And keep in mind we have a lot of diversification. We've got significant cash flow coming from our retail, which actually helps to support the level of debt we have today, but we would certainly like it to be lower.

And I'd also note that with respect to our free cash flow, we're not a federal taxpayer, so we don't have to — you know, as we realize profitability, we won't have any significant cash taxes to pay as well, so we can dedicate all of that to repayment of debt.

Phil Gresh
Great. Okay. Thanks for taking my questions.

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

Matthew Blair
Hi, good morning, everyone. Will, could you provide a quick update on Laramie. Where does the drilling program stand? Were they in a position to capture the high natural gas prices that occurred earlier this quarter, and where do you stand on potentially looking to divest that interest?

Will Monteleone
Sure, Matt. With respect to their development program, Laramie's not operating any rigs at the moment. So, again, continuing to produce its base through developed-producing assets.

With respect to the recent spike in gas prices, Laramie was able to operate through the cold snap and did have some significant exposure to the daily market. As a result, the company did realize significant profitability over the last couple weeks related to the spike in gas prices. So, I think it's a helpful benefit to the company, but I think it remains challenging to finance and grow a natural gas company in the current environment. But the Laramie management team continues to explore their options regarding its assets and capital structure today.

Matthew Blair
Sounds good. And then thinking about refinery OpEx for the first quarter here, will there be any headwinds from higher natural gas prices hitting either, I guess, Wyoming or Washington?

And then, what about the higher crude price impact in Hawaii?

Joseph Israel
Hi, Matt, this is Joseph. Because of our contractual structure of the gas price, we are not anticipating any significant spike in gas price for our refineries. It's going to be very, very minimal.

And with regard to the crude, you know, crude is up, but the products are going up as well. And overall crack spreads are improving, the crude diff is in a good place.

Will Monteleone
Matt, I'll add to that. In Hawaii, again, we're internally consuming the barrels to generate heat, given we don't have access to natural gas there, so the rising spot price does impact the overall yield cost. That said, I think we've had a number of other offsetting factors that we believe position us well to keep our aggregate cash outlays flat to down for the full year.

Matthew Blair
Sounds good. And then the final question, so the mark-to-market on the RIN liability cost you about $2.00 a barrel, or I think $23 million or so, on your gross margin in Q4. Where does that liability stand currently, or I guess at the beginning of the quarter, either in just like a dollar liability or a — or I guess like an open-RIN position as you start Q1?

Will Monteleone
Matt, I don't think we're going to get into our specific RIN position, but I think it's fair to assume that with the continuing increase in price that we observed in the January and February timeframe, that there's additional mark-to-market expense that we'd expect.

Matthew Blair
Makes sense. Thank you.

Operator
Again, if you'd like to ask a question, please press star, then 1. Our next question comes from Manav Gupta with Credit Suisse. Please go ahead.

Manav Gupta
Hi, guys. How much of Bakken crude are you running in your system, and how much can you run if you're actually operating close to 100 percent? I'm trying to understand if DAPL does go down and the Bakken spreads do widen, then how much could Par benefit from it?

Joseph Israel
Yes, this is Joseph. We consume approximately 15 million barrels of Bakken in our own system, between the Tacoma and Wyoming refineries, and this includes the PRB. You know, on a look a like basis so from a pricing-upside standpoint, this will be the impact. From a physical standpoint, we are not relying in any way on the DAPL operations. We have all the flexibility in the world to keep our crude supply optimized, even without DAPL].

Manav Gupta
I mean, the question was if DAPL goes down, how could you benefit? So I completely understand.

The second question is you indicated that you'll get current margins and stuff, you expect to be positive on the cash side in refining. I'm just trying to understand — your refining is pretty closely tied to your logistics, and if you can raise the refining rates, I'm assuming then the tailwind for the logistics business also. So, could you give us some outlook for the logistics business in 2021 based on the fact that you actually are seeing an improvement in demand and you could actually raise your refining utilization?

Will Monteleone
Sure, Manav, this is Will. I think your comment with respect to the throughput and sales driving logistics activity is particularly relevant for our mainline operations, so for Wyoming and Washington. And so, I think we would expect as throughput and sales recover, that we would see normal or a return to prior-year levels of EBITDA contributions from those assets. So again, I think other than the first quarter turnaround in Washington, which will, as you heard Joseph mention, we're expecting reduced throughput there, given that activity, I think we'd expect a return to normal contribution from those business units.

And then I think with respect to Hawaii, the key driver there is really refined product demand, particularly on the neighbor islands, which again I think we are seeing improvements there. We saw improvements in the fourth quarter. We're seeing ongoing improvements in the first quarter. So, the Hawaii logistics story I think is not necessarily tied directly to getting total throughput on the island back to 115,000 — or 120,000 barrels a day, when we were running combined Par East & Par West, and we can achieve a level of logistics profitability there consistent with prior years without getting the 120,000 barrels a day. So I think hopefully that helps give you some sense of how we could get back to a prior-year level of logistics EBITDA contribution, and when I say prior year, I really am thinking of 2019 levels, even with the throughput in Hawaii being lower.

Manav Gupta
That makes a lot of sense. Thank you so much for taking my questions.

Operator
Our next question comes from Patrick Sheffield with Beach Point Capital. Please go ahead.

Patrick Sheffield
Hi, guys, thanks for taking the questions. Most have been answered. I have a couple housekeeping ones. On the sale leaseback transaction, you guys referenced paying down some associated debt. I assume that's the retail property term loan. Was there anything else that you paid down with some of the proceeds?

Will Monteleone
That's correct, Patrick, it's the retail loans. And, again, I think we'd expect to pay down the balance — there's a series of smaller property loans, and I think pro forma for closing each of the transactions. You know, we'd expect to pay down those retail loans, yes. And then —

Patrick Sheffield
Okay.

Will Monteleone
— that would be the net proceeds of roughly $60 million.

William Pate
And, Patrick, we closed on 90 percent of those sales in the last 48 hours.

Patrick Sheffield
Okay. And what's the incremental lease expense that — or how do we — you know, when we look at retail EBITDA, what's the incremental rent expense that's going to hit it?

Will Monteleone

Sure. And so, we filed our 8-K with the details of the lease in it. But, roughly, it's a $7 million annual lease expense. So, I think when you look at the segment retail results going forward, the annual result will be about $7 million lower. However, if you looked at it on a corporate level in aggregate, our interest and amortization related to the retail loans is about $3.5 million. The net is really an increase of about a $3.5 million outflow for us at a — on a consolidated basis.

Patrick Sheffield
Pretty good deal.

Will Monteleone
We thought it was an attractive transaction, and so that's why we elected to move ahead with it.

Patrick Sheffield
Great. Thanks, guy. That's all I had.

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

CONCLUSION

William Pate
Thank you, Sarah. We look forward to the next few months as vaccinations climb, case rates decline, and mobility trends improve. I believe there's a lot of pent-up demand for personal travel, and our company is well positioned to benefit from increased travel and an economic recovery. Have a good day.

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