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# Par Pacific Holdings, Inc. (PARR)

Q3 2019 Earnings Call

### CORPORATE PARTICIPANTS

#### Suneel Mandava

Senior Vice President-Finance, Par Pacific Holdings, Inc.

#### William C. Pate

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

### Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

#### William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

### OTHER PARTICIPANTS

### Neil Mehta

Analyst, Goldman Sachs & Co. LLC

#### Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

### Michael J. Harrison

Analyst, Seaport Global Securities LLC

#### Brad Heffern

Analyst, RBC Capital Markets LLC

#### Jason Gabelman

Analyst, Cowen and Company, LLC

#### Andrew Evan Shapiro

Analyst, Lawndale Capital Management LLC

### Timothy A. Rezvan

Analyst, Oppenheimer & Co. Inc.

#### Patrick Sheffield

Analyst, Beach Point Capital Management LP

### MANAGEMENT DISCUSSION SECTION

**Operator**: Greetings and welcome to the Par Pacific Holdings' Third Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your hosts Suneel Mandava, Senior Vice President of Finance for Par Pacific Holdings. Thank you, Mr. Mandava. You may begin.

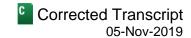
#### Suneel Mandava

Senior Vice President-Finance, Par Pacific Holdings, Inc.

Thank you, operator. Welcome to Par Pacific's third quarter earnings conference call. Joining me today are William Pate, President & Chief Executive Officer; Will Monteleone, Chief Financial Officer; and Joseph Israel, President & 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 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.

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

### William C. Pate

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

Thanks, Suneel. I know we have a couple of calls in the industry today. So I want to thank our conference call participants for joining us this morning. I'm pleased to report adjusted EBITDA of \$49.7 million and adjusted earnings per share of \$0.13 in the third quarter. We also generated \$51.7 million of free cash flow in the quarter to further improve our financial profile. These results reflect record contributions from several of our businesses that helped to offset the previously announced operational downtime at our Hawaii refinery.

Our performance demonstrates the strength and balance in our system brought by our mainland refining exposure as well as the diversification of our earnings stream with consistently strong Retail and logistics profitability. The \$22 million increase in consolidated EBITDA from the third quarter of last year highlights the growth in all of our business segments with record quarters in our Retail segment as well as our Wyoming and Washington refineries. Overall, the refining segment benefited from a strong mainland product market combined with advantage crude sourcing at both of our mainland refineries.

On the other hand, our Hawaii refineries continued to face the challenge of a tight waterborne crude market, driven by numerous macro issues during the quarter. We continue to have a positive outlook on our position in Hawaii as the long-term benefits of our acquisition and larger footprint only increase with time. Our growth projects also advanced during the quarter. In Hawaii, our diesel hydrotreaters running in line with our expectations, increasing our clean distillate production.

Our NextGen renewable fuels logistics project in Washington also made substantial progress. The completion of this project early next year, along with our expanded marine capabilities, will allow us to further increase the synergistic commercial activities between Washington and Hawaii. Our integration of recent acquisitions continues to move forward with the final systems integration for Tacoma planned during the first quarter of next year.

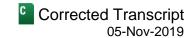
With that cut-over, all of our businesses will be fully integrated and coordinated from a systems and process perspective. Our team has done a great job in integrating the acquisitions over the past two years with a lean acquisition and integration budget. With these activities, we are now comfortable that our expected cost savings and commercial synergies will exceed the top-end of the range that we provided at the announcement of the Tacoma acquisition.

Looking forward, we expect our businesses to continue performing well in the fourth quarter. Toward the end of the third quarter, we began to see the initial impacts of IMO 2020 in widening distillate to high-sulfur fuel oil spreads. Given our high distillate configuration in Hawaii, we continue to be well-positioned for that event.

We're optimistic that we will generate strong cash flow for the remainder of 2019, which will enable us to repay debt, lower our cost of capital and increase our adjusted earnings per share. Our goal continues to be to build sustainable free cash flow throughout the business cycle and we remain confident in our business long-term earnings and cash flow potential.

At this time, I'd like to turn the call over to Joseph to provide more details on our operations.

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### Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Thank you, Bill. The third quarter emphasized the importance of a balanced refining system. The exceptional performance and record financial results in Wyoming and Tacoma helped to smooth out the third quarter maintenance and market conditions headwind in Hawaii. Starting with our Wyoming refinery, our 3-2-1 Index was \$27.32 per barrel, reflecting seasonal strong gasoline demand in the Rocky Mountains.

Our refinery throughput averaged approximately 17,000 barrels per day. Our realized adjusted gross margin in the quarter was \$25.65 per barrel, including approximately \$1.90 per barrel positive RINs net impact. Our production costs were \$6.33 per barrel, reflecting reliable and efficient operations.

So far in the fourth quarter, lower refining utilization rates in the Rocky Mountains and Midwest have supported strong margins for our Wyoming system. The 3-2-1 index has averaged approximately \$30 per barrel in October and our fourth quarter target throughput in Wyoming is approximately 17,000 barrels per day as our improved commercial and logistics flexibility allows us to maintain high rates Wyoming off-season.

In Washington, our Pacific Northwest 5-2-2-1 Index was \$14.76 per barrel on ANS basis, reflecting strong demand for gasoline and distillate. Our refinery throughput average approximately 38,000 barrels per day. Adjusted gross margin in third quarter was \$11.33 per barrel with the capture of strong seasonal asphalt contribution and favorable VGO dynamics through IMO transition.

Production costs were \$4.40 per barrel. In October, our 5-2-2-1 Index has averaged approximately \$25 per barrel, reflecting planned and unplanned maintenance in the West Coast. Western Canadian Select and Bakken crude differentials remained favorable and our plan is to increase throughput in Washington up to approximately 40,000 barrels per day in the fourth quarter.

In Hawaii, global waterborne crude differentials continue to be elevated, mostly due to an undersupplied global oil market in a backward-dated market structure. As a result, our realized crude differential in Hawaii averaged \$3.26 per barrel over Brent in the third quarter.

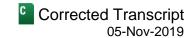
Our realized adjusted gross margin in Hawaii was \$0.98 per barrel in the quarter, including approximately \$3 per barrel of negative impact related to the reformer planned and unplanned maintenance and a positive \$0.30 per barrel RINs net impact. The elevated high-sulfur fuel oil or HSFO pricing provided the strong support to our \$9.36 per barrel Singapore 4-1-2-1 Index in the third quarter.

However, HSFO price drives only 20% of our fuel oil sales, while the 80% left is low-sulfur fuel oil based pricing. This is a significant advantage starting in the fourth quarter and going forward and a cosmetic headwind in our third quarter capture.

Our refinery throughput averaged approximately 95,000 barrels per day and production costs in the third quarter were \$4.17 per barrel, including approximately \$0.70 per barrel of increased cost related to the maintenance works. Our refinery was back to full operations in mid-September and target throughput for the fourth quarter is 110,000 to 114,000 barrels per day. We are expecting crude differentials to remain elevated around \$4.55 per barrel in the fourth quarter with strong IMO support on the oil product side.

As a reminder, the Par system is well-positioned to benefit from IMO with approximately 70% distillate pricing driven production in Hawaii and 50% distillate production in Wyoming.

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Finally, we continue to make good progress with small profit improvement and optimization projects that we estimate will improve profitability capture in Hawaii by approximately \$1 per barrel by the end of next year.

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

### William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Thank you, Joseph. As Bill stated, third quarter adjusted EBITDA and adjusted earnings totaled \$49.7 million and \$6.7 million or \$0.13 per diluted share. The benefits of our tax attributes continue to minimize tax obligations. Looking at the third quarter results by segment demonstrates the balance of our business with Retail and Logistics making up 58% of segment contribution. Separately, G&A costs remained relatively flat versus last year despite the growth in the overall business.

Retail segment contribution increased approximately \$5 million versus Q3 2018, driven by strong fuel and merchandise margin. Retail same-store sales fuel volumes increased approximately 1.9% compared to Q3 2018. The Logistics segment contribution increased approximately \$8 million versus prior year due to the Washington acquisition and consistent throughputs across the Wyoming and Hawaii operations. Refining segment's contribution was \$26 million, an increase of \$10 million compared to Q3 2018.

Underlying these results were record quarterly contributions from the Wyoming and Washington facilities, partially offset by the impacts from the unplanned downtime in Hawaii. Within the Wyoming location, we had record margin capture, driven by strong diesel margins and sales mix, increased premium gasoline cracks and expanded commercial flexibilities. The record Washington results under our ownership was primarily due to seasonal gasoline and asphalt strength, tight West Coast distillate fundamentals and improved discounts of inland feedstock versus waterborne alternatives.

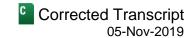
Laramie's third quarter adjusted EBITDAX and net loss totaled \$19 million and \$8 million, excluding the impact of \$4 million of unrealized loss on derivatives. Laramie's last 12 months' adjusted EBITDAX stands at \$82 million. Laramie has ceased all drilling activity and anticipates completing its remaining drilled but uncompleted wells.

Current leverage sits at 2.5 times debt-to-EBITDA and the Laramie management team intends to dedicate cash flow towards de-leveraging over the near to medium term. Given the sustained weakness in natural gas and natural gas liquids pricing, we recorded a non-cash impairment of our Laramie investment of approximately \$82 million.

Shifting focus to additional accounting items, the largest item impacting both adjusted EBITDA and adjusted net income was the net RINs benefit recorded of approximately \$5.7 million. I would remind all our stakeholders that in prior periods, we have accrued expenses for RINs in all relevant periods and reduced our adjusted EBITDA and adjusted net income accordingly. Solely impacting our GAAP net income was an approximate \$2.8 million tax benefit as well as the Laramie impairment referenced above.

On the capital structure front, net debt to capitalization was 46%, excluding the impact of the Laramie impairment. Total liquidity was \$175 million. Third quarter GAAP interest expense totaled \$18 million, of which \$15 million was cash interest. DD&A totaled \$22 million. Cash from operations totaled approximately \$74 million with working capital inflows totaling approximately \$63 million, partially offset by \$47 million in financing outflows.

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Capital expenditures and turnaround outlays totaled \$27 million during the third quarter. Of the \$27 million, \$15 million was associated with growth projects and \$4 million was related to turnaround outlays. Planned 2019 total capital expenditures and turnaround outlays are expected at the lower end of the previously provided range of \$100 million to \$110 million.

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

### QUESTION AND ANSWER SECTION

**Operator:** Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Neil Mehta with Goldman Sachs. Please proceed with your question.

Neil Mehta

Analyst, Goldman Sachs & Co. LLC

Good morning, team, and thanks and congrats for the continued strong share performance. The first question I have is little more near term. California crack spreads have been – or West Coast crack spreads, I should say, have been very robust. Back half of third quarter, here at the start off the fourth quarter and just any comments you can provide about how Washington has been running and whether you've been able to kind of capture the strength of the market?

Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Yes. Neil, this is Joseph. We definitely see the impact of maintenance issues in PADD V since really October. Supply issues drive low inventories and a high pricing. Our refinery in Tacoma is well-positioned to benefit from it this quarter. So, looking good there.

William C. Pate

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

Yeah. And this is Bill. Just to add to that, in Joseph's prepared comments, I'd note that we averaged 38,000 barrels a quarter in Q3 and the refinery is running really well and Joseph has signaled that we expect to take that up a couple thousand barrels a day in Q4 in the context of a stronger market.

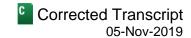
Neil Mehta

Analyst, Goldman Sachs & Co. LLC

No. I appreciate that. That's great to hear. The follow-up question I guess the biggest risk in the near term as we think about the Par story is just the waterborne crude market. And just want to get your perspective on a couple of dynamics around that. One is how you think about higher freight costs and shipping costs and what that can mean for the imported barrel?

Two, with the amount of mediums and heavy crudes off the market as a result of OPEC cuts and disruptions, what does that mean? And it seems like ANS is well bid as well. So there's a lot of pieces to that question, but want to give you guys an opportunity to respond to that as that's probably the primary near-term headwind for the business?

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### Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Yeah. Global oil tanker rates probably – really higher in the fourth quarter, mainly driven by low availability of crude tankers and specifically VLCCs. The shortage is mainly driven by sanctions and geopolitical reasons as well as IMO. We have scrubbers installations and LSFO floating storage, et cetera.

Our Hawaii refinery has approximately two to three months of crude oil purchase lead time. And as a result, we should not expect any freight impact on our crude differential in the fourth quarter. Freight peaked around mid-October for couple of weeks and has improved since. We just started recently to buy our first quarter crude oil for Hawaii and it is hard to say where is it going from here.

At the end of the day, crude price will have to align with products. Otherwise, global refineries' run will force pricing adjustments through supply/demand balances. Again, we just turned the IMO corner and we are positioned very well, Neil, especially in Hawaii and very optimistic that our optimization project combined with the synergies and commercial contract will support our profitability profile going forward, even in elevated crude diffs and [ph] higher (00:18:41) freight scenarios.

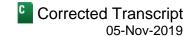
To your IMO, good question, Neil. I will comment that one of the most important things we have as a refinery is our crude flexibility. We can process sweet and heavy sour in Hawaii as well as in Tacoma and move intermediate and fuel oil around for optimization. So we will keep monitoring market conditions and optimize our process accordingly.

Neil Mehta Analyst, Goldman Sachs & Co. LLC	Q
Thanks, guys.	
<b>Operator:</b> Our next question comes the line of Matthew Blair with Tudor, Pic your question.	kering, Holt. Please proceed with
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	Q
Hey. Good morning, everyone.	
Joseph Israel Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.	A
Good morning, Matt.	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	A
Good morning, Matt.	
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	Q

Will, despite the write-down at Laramie, it looks like it bounced back a bit in Q3 compared to Q2. I was just hoping you could walk through the moving parts here and just talk about which areas got better quarter-over-quarter,

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which areas got worse and I guess I would include contribution from dry gas, contribution from liquids and then any sort of cost efficiencies?

William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Sure. Yeah. I think if you compare quarter-over-quarter, I think slight improvements on gas realizations, relatively flat on NGL realizations. I think probably the biggest delta is really improvements in overall hedging gains during the quarter. Again, Laramie is relatively well hedged for 2019. And then, again I think, no material changes really on the cost side. So, that was the principal driver in the improvement.

Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Sounds good. Thanks. And then, Bill, in the prepared remarks, you talked about the merits of the integrated model. And I'd agree the contributions from your Logistics and Retail segments have really balanced your results over the past few quarters here. I was curious though, as you look out over the next five years or so, would you anticipate that Par would always have an integrated model or would you be open to divesting higher multiple businesses if that's where the market was indicating?

William C. Pate

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

In our business model where we're operating in small niche markets, I think it's really important to be vertically integrated, because you want to be balanced in the market. In Hawaii, it's a great example of that. If you don't have vertical integration in the Hawaii market and you lose a contract or two, you suddenly go from selling into the local market at a profit to significant losses, because you have to move product out of that market or face a choice of run cuts and letting your costs go up.

And I think you've seen the story of I mean with the increased throughput in Hawaii, we've taken our production cost from close to \$5 a barrel down to \$3 a barrel and a lot of that just the economies of scale and the ability to sell into the local market and not bear the brunt of losses by exporting into larger markets. That same factor to a lesser extent plays out in the niche markets in the Rockies and the Pacific Northwest. So, I believe very strongly that an integrated model is important to our business model and to our long-term strategy.

Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Sounds good. And then, any thoughts on 2020 CapEx, you talked about 2019 coming in at the lower end of that, I think it's was \$100 million to \$110 million range and I know you have quite a few – or several turnarounds in 2020. Any thoughts on overall spending next year?

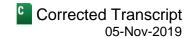
William C. Pate

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

Yeah. I'll let Will handle that. I would point out though that we originally thought we were going to have three turnarounds and we've now deferred the Washington turnaround to 2021 after getting our arms around the business and reviewing the asset base there.

So, Will, go ahead.

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#### William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Yeah. Sure. So, I think, Matthew, probably not a lot would change with respect to our maintenance and regulatory CapEx. And so, again that has been running around, [ph] comes at (00:22:51) \$35 million to \$40 million range. And then, again from a turnaround perspective, we've got the Hawaii Par East turnaround planned and then that should run probably in 2020 somewhere in the – between \$30 million and \$35 million.

We have spent some capital on that this year or anticipate spending at this year. And then, Wyoming should be about \$15 million in the fourth quarter timeframe. There has been minimal spend on that this year. So, again, I think that's the major kind of planned turnaround outlays that we've got for 2020. And then, there's a handful of growth projects we're studying, we'll come back with firm views on that probably during the fourth quarter conference call.

Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	
Very helpful. Thanks.	
<b>Operator:</b> Our next question comes from the line of Mike Harrison with Seaport Global Securities. Please proceed with your question.	
Michael J. Harrison  Analyst, Seaport Global Securities LLC	C
Hi. Good morning.	
Joseph Israel Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.	A
Good morning, Mike.	
Michael J. Harrison	

Joseph, you mentioned that there are some projects that you're working on, sounded like some smaller projects that would help to improve profitability in Hawaii. I believe you said to the tune of \$1 per barrel in improved profitability. Can you give any additional color on what those projects might entail and what the cost associated with those projects would be?

#### Joseph Israel

Analyst, Seaport Global Securities LLC

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Correct. We are talking about self-help low capital type of project with the nature of a cost savings as well as a yields improvement type of projects, a lot of small fine tunings in our hardware. The other thing we are working on is our supply contracts, really adjusting to market conditions and freight costs and things that happen in the market, just catch up.

And then, the third one is synergies, mainly between Hawaii and Tacoma, that should really improve our profitability profile. Going forward, all together, we think \$1 per barrel is realistic, maybe even conservative times, 40 million barrels per year, it's a significant \$40 million type of EBITDA potential improvement coming to Hawaii starting next year.

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#### Michael J. Harrison

Analyst, Seaport Global Securities LLC

All right. Thank you. And then, you provided the impact of the RINs benefit for both Hawaii and Wyoming. Was there any impact or benefit one way or the other on Washington? And I guess just I haven't done the math, but the split on that \$5.7 million RINs benefit is, is it about 50/50 between Hawaii and Wyoming?

#### William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Mike, it's Will. It's pretty close, it's about \$3 million to Wyoming and about \$2.7 to Hawaii and there is no impact to Washington, the Washington results in the third quarter.

#### Michael J. Harrison

Analyst, Seaport Global Securities LLC

Okay.

#### Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Remember, we didn't own the Washington refinery in 2018. So the redemption was for the year 2018.

#### Michael J. Harrison

Analyst, Seaport Global Securities LLC

Okay. Got it. And then, the last question I had for you is just about the strength that you were seeing in Retail. We've had a couple quarters this year that they were quite strong. Is this \$17 million of EBITDA type number a sustainable number going forward or was there something unusual that suggests that we shouldn't put this into our models going forward?

#### William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Well, there is nothing unusual, although it has been a very strong market and I'd hesitate to guide anybody to think that we can sustain this type of a run rate. We've simply had strong market conditions and positive fuel sales volumes as well as merchandise sales volumes particularly in Hawaii.

#### Michael J. Harrison

Analyst, Seaport Global Securities LLC

All right. Thanks very much.

Operator: Our next question comes from the line of Brad Heffern with RBC. Please proceed with your question.

### Brad Heffern

Analyst, RBC Capital Markets LLC

Hey. Good morning, everyone. Just one clarification item. I think during the prepared remarks, there was like a \$4.55 number for Hawaii. I just want to make sure was that the guided crude diff number or was that something else?

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### Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Yes. This is our guidance for crude differentials in Hawaii. We started with this last quarter and we're just giving you better tools to model our results. At this time, we purchased all of our fourth quarter crude oil and we are able to give you a pretty close guidance for this expected diff.

Brad Heffern

Analyst, RBC Capital Markets LLC

Okay. Great. Thanks for that. And then, I guess just thinking about what happened in the third quarter with the sort of simultaneous downtime in Hawaii. It sort of puts you in a uncomfortable situation of having to export lower-value product and then replace it with higher-value imported product. Was that just a situation where it's bad luck and you just don't think it's likely to recur again or is there something you can do during turnarounds going forward to try and prevent that situation from happening again?

William C. Pate

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

Well, let me say that operational reliability – as I mentioned earlier, vertical integration is really important to our business model and operational reliability is as important. And any time, we have an unplanned outage, we spend a lot of time assessing that, understanding what went wrong and learning from our mistakes and we've certainly taken that to heart with respect to this outage. And I'd also point out that we haven't had significant unplanned outages in Hawaii in quite some time. This was a fairly lengthy event and it is costly when you're in a niche market like this.

Joseph Israel

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

And as we mentioned in our September 16 press release, a downtime is an opportunity to inspect the hardware. And when we found corrosion, we decided to address that without taking any startup risk and this cause the longer maintenance and the additional work. We are a very responsible operator and we take safety very, very seriously with no compromise.

William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

And, Brad, this is Will, I think the unplanned nature of this did drive some incremental cost that if it was planned, i.e. for going into a planned turnaround, right, I think you would have ability to minimize some of the costs that we incurred here basically having to export unfinished product and import finished product.

**Brad Heffern** 

Analyst, RBC Capital Markets LLC

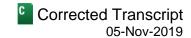
Okay. Fair enough. And then, I guess finally just on the integration front, can you talk about how things are going with Tacoma, how integrated it is and maybe any thoughts on the amount of synergy capture we've had [ph] to-date (00:30:18)?

William C. Pate

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

Yeah. As I mentioned in my remarks, we're above the top end of the range. Integration has gone well. We still have a major event with the cut-over of the Tacoma team to SAP and we'll do that after the end of the year. But

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so far, it's gone well. We got a great team there. They're operating really well and I think the big surprise for us, the big positive surprise is with the commercial synergies just from the balance of the system and the ability to move intermediate back and forth between Hawaii and Tacoma having access to the West Coast improves our profile quite a bit and I think helps the profitability and some of that has shown up already in the Washington results in particular, which largely reflect the synergies from the deal.

Brad Heffern

Analyst, RBC Capital Markets LLC

Okay. Thank you.

**Operator**: Our next question comes from the line of Jason Gabelman with Cowen. Please proceed with your question.

Jason Gabelman

Analyst, Cowen and Company, LLC

Yeah. Hey, guys. Thanks for taking the question. There's a few refining assets that seem like they're coming to market that are in the regions that you operate in. I wonder if your mindset is still kind of in the acquisition mindset or if you're more focused on your underlying operations at this point? Thanks.

William C. Pate

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

Well, we've built this company through acquisitions and I think a series of successful acquisitions and we will continue to grow this company and be opportunistic if opportunities present themselves and if they're attractive. And I think we've been pretty clear about our focus. Certainly, it's on operations, but we are big believers in our businesses in the Rockies, in the Pacific Northwest and in Hawaii. And we look at these acquisitions and the market opportunities in the context of what kind of value they might bring to our asset aside from just the financial investment.

And we're fortunate to have, I think, a pretty good footprint right now, which positions us well for acquisitions and presumably with significant synergies and cost savings associated with events like that.

Jason Gabelman

Analyst, Cowen and Company, LLC

Got it.

William C. Pate

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

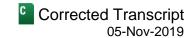
But as you know, the acquisitions are – they're hard to forecast and predict. So I, I would not want anybody to think that that something is in there, something is in the hopper or anything. I mean it's just – there's a lot of activity, a lot going on and you never know what's going to happen. And we're fortunate to have a really good footprint right now that we can grow our business with the assets we have today.

Jason Gabelman

Analyst, Cowen and Company, LLC



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Yeah. Now, it seems like the acquisitions have worked out well for you thus far for sure. And then, just on the kind of \$1 a barrel of overall improvements that you expect to capture, how much of that dollar is dependent on market prices and how much of that is kind of more underlying operational improvements? Thanks.

William C. Pate

Α

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

We're not going to get into those details, but certainly, there are a number of factors associated with the – what we think to be the improvement in the capture in Hawaii over time.

Jason Gabelman

Analyst, Cowen and Company, LLC

All right. Thanks a lot for the time.

William C. Pate

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

Α

Thanks, Jason.

**Operator:** Our next question comes from the line of Andrew Shapiro with Lawndale Capital Management. Please proceed with your question.

Andrew Evan Shapiro

Analyst, Lawndale Capital Management LLC

Hi. Good morning. I'm not sure if it was asked and answered during your script. I was a little late here, but could you discuss if there's any impact on crude by rail and your mix in spreads by the Washington vapor and regulatory changes that have been discussed or been put into place?

Joseph Israel

А

Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc.

Andrew, we don't expect any impact from this recently passed period – legislation period. The state law provides new restrictions on high RVP crude oil starting 2021 based on a 2018 reported volume. We understand a number of legal challenges to the bill are being prepared and will be forthcoming. In the event, we become subject to the proposed RVP limitations. We have sufficient crude alternatives to supply Tacoma with minimum impact on our operation flexibility or financial results.

Andrew Evan Shapiro

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Analyst, Lawndale Capital Management LLC

Excellent. And then, a question for Will here, this Laramie impairment, is it of the nature that it passes through to the taxes on Par and thus would be additive to the company's huge NOL?

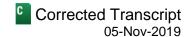
William Monteleone

Δ

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

No. Again, our threshold is oriented towards fair value with respect to Laramie. The Laramie tax basis is separate independent from our conclusions of fair value on Laramie.

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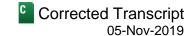
Andrew Evan Shapiro  Analyst, Lawndale Capital Management LLC	C
Okay. And the first round of expirations on the NOL, that's not for several years, is it?	
William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc. That's correct, not until 2027 and later.	Δ
Andrew Evan Shapiro  Analyst, Lawndale Capital Management LLC	C
Okay. Long down the road. And lastly, did you guys mention or could you provide upcoming non-an investor presentation, foresight here is in case we want to do travel and attend rather than heat last week or two before?	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	Δ
Andrew, we actually put out a press release for the fourth quarter, I think in the last couple of week refer you to that.	ks. So, I'll just
Andrew Evan Shapiro  Analyst, Lawndale Capital Management LLC  Okay.	C
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc. Thank you.	A
Andrew Evan Shapiro  Analyst, Lawndale Capital Management LLC  Excellent. I'll catch you. Thank you.	C
Operator: Our next question comes from the line of Tim Rezvan with Oppenheimer. Please proc question.	ceed with your
Timothy A. Rezvan Analyst, Oppenheimer & Co. Inc.	C
Hi. Good morning, folks. Thanks for taking my question. I wanted to follow-up, I believe, was Jaso question and I probably won't get a good answer, but I'll just give it a shot here. Very active with T and an expansion in Hawaii from an organizational perspective, can you accommodate sizable groups.	acoma closing

William C. Pate
President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.

given that it's been about 10 months since your last acquisition closed?

I'd say the answer is yes. I mean as I mentioned with respect to our integration, we still have a couple more events with respect to the acquisition of Tacoma, but in the first quarter, we expect to cut over that organization to

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SAP and at that point, all of our business units will be fully integrated, probably a little pain as there always in when you're bringing in an organization onto SAP, but we've done that before and I'm sure the organization in Tacoma will do quite well as we move them onto all of our systems.

Timothy A. Rezvan Analyst, Oppenheimer & Co. Inc.	Q
Okay. Okay. And then, just a follow-up, leverage has come down as you generated free cash flow. So I know there are some sort of leveraging [indiscernible] (00:37:35), you would feel comfortable at least looking right now given kind of where the balance sheet is, you don't see that as an impediment on a deal?	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	A
Well, certainly, we're going to be focused on reducing our debt and that's probably a factor that consideration. We're fortunate to have a lot of free cash flow we've been generating over the lathink our earnings profile set up nice going forward. So we continue to focus on reducing our details think our earnings profile set up nice going forward.	st year and we
Timothy A. Rezvan Analyst, Oppenheimer & Co. Inc.	Q
Okay. Okay. Thanks.	
<b>Operator:</b> Our next question comes from the line of Patrick Sheffield with Beach Point. Please question.	e proceed with your
Patrick Sheffield Analyst, Beach Point Capital Management LP	Q
Hey, guys. Thanks for the question and congrats on another strong quarter.	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc. Hey, Patrick.	A
Joseph Israel Director & President & Chief Executive Officer-Par Petroleum, LLC, Par Pacific Holdings, Inc. Hey, Patrick.	A
Patrick Sheffield Analyst, Beach Point Capital Management LP	Q
Just had a quick balance sheet question. You guys generate a lot of free cash flow in the quarte balance went up by \$4 million and the debt balance went I think down by only \$4 million. So, is going on in cash and financing or where did the cash flow gone?	
William Monteleone	Λ

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

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Yeah. So I called this out of my script, but there is roughly \$47 million in financing outflows. And so, again, this is tied principally to paying down the working capital lines that we have in place with JAron and Bank of America. And so, that's the principal pay-down of the working capital inflow that we received during the guarter.

Patrick Sheffield

Analyst, Beach Point Capital Management LP

And how large are those facilities today?

William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Again, they're embedded and they flex with the size of our working capital in aggregate. It's part of our \$175 million in total liquidity. But again as you saw the working capital inflow occur, again that's - we turned around and really took that inflow and paid down the deferred payment arrangements that we had with those two providers.

Patrick Sheffield

Analyst, Beach Point Capital Management LP

And when we look at that on a go-forward basis, is that – should that be kind of a neutral cash flow?

William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

It should be neutral if you recall back in Q1, right. We had the inverse of this occur, right, where you saw a...

Patrick Sheffield



Analyst, Beach Point Capital Management LP

Yeah. I saw that on the balance sheet, [ph] that's why I think it happened or (00:39:41) just confirming.

William Monteleone

Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Yeah. So, again, you've had - again, we've, we've on boarded both of the Par West facility and increased our inventory and sales profile in the State of Hawaii pretty substantially this year. It does require additional working capital, we've principally funded that through our intermediation arrangements and then simultaneously brought on board the Washington inventory and receivables positions.

So, I think, over time, we expect to see that neutral it's going to flex quarter-to-quarter based on our inventory and sales profile. But again that's one of the benefits of the facilities is it does help smooth that out in aggregate.

Patrick Sheffield

Analyst, Beach Point Capital Management LP

Yeah. And that you guys mentioned de-levering going forward. How are you thinking about the convert versus I guess the – we have a couple the retail property term loan or the term loan B or how do you prioritize that paydown?

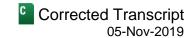
William Monteleone



Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Yeah, I think we'd like to see kind of our net debt to cap [ph] let's say (00:40:42) excluding Laramie impairment down to that 30% to 35% level, again without getting into the tactics of what we focus on, I think our liquidity

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position we're projecting that to increase. And again, I think it should have the opportunity to again elect to reduce debt [ph] in (00:40:59) one of our instruments that we have out there. And again, I think there's a number of considerations we think about on sort of the tactics of that.

Patrick Sheffield Analyst, Beach Point Capital Management LP	Q
Great. Thanks, guys. Congrats again.	
William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc.	A
Thanks, Patrick.	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	A
Thanks, Patrick.	
<b>Operator:</b> As there are no further questions left in the queue, I would like to turn the floor back management for any closing remarks.	cover to

### William C. Pate

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

Thank you. Thanks for joining us this morning. We look forward to a strong end of the year as distillate cracks have continued to improve and the West Coast markets have exhibited uncharacteristic strength today. Have a good day.

**Operator:** This concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation and have a wonderful day.

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