

02-Nov-2020

Par Pacific Holdings, Inc. (PARR)

Q3 2020 Earnings Call

CORPORATE PARTICIPANTS

Ashimi Patel

Investor Relations, Par Pacific Holdings, Inc.

William C. Pate

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

Joseph Israel

President, Chief Executive Officer & Director-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

Brad Heffern

Analyst, RBC Capital Markets LLC

Matthew Blair

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

Jason Gabelman

Analyst, Cowen & Co. LLC

Patrick Sheffield

Analyst, Beach Point Capital Management LP

Jacob Gomolinski-Ekel

Portfolio Management - Distressed Credit, Ellington Management Group

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 host, Ashimi Patel, Manager, Investor Relations for Par Pacific Holdings. Thank you. Ms. Patel, you may begin.

Ashimi Patel

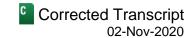
Investor Relations, Par Pacific Holdings, Inc.

Thank you, Chemaly. Welcome to Par Pacific's third 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're subject to risks and uncertainties, and actual results may differ materially from these forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements and we disclaim any obligation to update or revise them. I refer you to our Investor Presentation on our website and to our filings with the SEC for non-GAAP reconciliations and additional information.

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

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William C. Pate

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

Thank you, Ashimi. Good morning to our conference call participants. During the third quarter we reported negative adjusted EBITDA of \$16 million and an adjusted net loss of \$1.06 per share. While conditions improved modestly from the prior period, we continued to experience seasonally weak product cracks during the third quarter. We're also continuing to see improvements in the crude oil market. In the third quarter the Chinese reduced their record buying of crude oil when compared to late spring and summer. And as a result waterborne barrels have been plentiful most of this quarter. The reduction in crude differentials bodes well next year for our Hawaii Refining business.

Global demand has slowly begun to recover from the depths of April and May with product inventory declining materially in the third quarter. However, a winter surge in COVID-19 could halt or even reverse some of the improving trends that we're seeing across our businesses. Consequently, we're focused on improving our earnings capability without regard to market improvements. On the cost management front, we've identified \$45 million in reduced cash expenditures for 2021 when compared to our third quarter run rate. When combined with contractual improvements, we anticipate well more than \$100 million increase to our 2021 earnings profile; none of these improvements are contingent on market recovery.

We also successfully completed both our Hawaii and Wyoming turnarounds since our last earnings call. We've decided to reduce the scope of our Washington turnaround scheduled in the first quarter of 2021 to defer some planned growth projects. This was a difficult decision but given the current outlook, it makes more sense to delay the planned improvements to our facility. Operationally in Hawaii, we continue to operate only Par East to meet lower local demand. Beginning October 15, Hawaii's 14-day quarantine was modified to permit visitors to pre-test for COVID-19 and we are closely watching passenger arrival trends. Early indications have been very encouraging for a resumption in Hawaii tourism and therefore jet fuel demand.

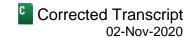
Although the Logistics segment was a positive contributor, third quarter profit continued to be lower than the historical average due to lower refining throughput, some of which was related to the heavy turnaround schedule. In addition, lower jet fuel demand resulted in underutilization of our Hawaii Logistics assets, we are releasing two barges at the end of 2020 to improve profitability. This action is a key component of our cost savings for 2021. We also have completed our biofuels logistics system in Tacoma and are scheduled to receive our first unit train of ethanol next month. We believe the market demand for these logistics assets is strong given our facilities, unique attributes and proximity to growing demand centers.

Retail continues to be a strong contributor to overall earnings. Fuel margins were strong, but they declined from record highs in Q2 when commodity price declines benefited margins disproportionately. Volumes improved from second quarter lows as economic activity increased.

Regarding the pandemic and our ongoing efforts to protect the well-being of our employees and communities, our team has done a great job of maintaining operations and executing our turnarounds with effective social distancing. We've only identified one possible incident of workplace spread and have had zero positive cases from workplace contact tracing. I want to thank our employees for their dedication and for continuing to execute safely and efficiently. We believe that the commercial improvements we have obtained when coupled with our cost cutting and profit enhancing initiatives, positions us to realizing our objective of generating significant profitability and free cash flow.

At this time, I'll turn the call over to Joseph to further discuss our operational activities.

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Joseph Israel

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

Thank you, Bill, and good morning everyone. In the third quarter, our system continued to operate safely and efficiently to meet customer demand and mitigate COVID-19 market headwinds. Our refineries are well-tuned to match market demand and our cost structure continues to reflect strong reliability and cost control by our team.

To put it in perspective, our third quarter Refining segment operating expense was once again approximately \$9 million or 15% under our average 2019 quarterly expense. This is a repeat of our second quarter gross performance. In Wyoming, our team has successfully completed the planned 45 days' major turnaround. We have oil in and the plant is starting up as we speak. The turnaround which started on September 14 is expected to give us close to a five-year cycle and improved throughput flexibility of approximately 10%. Including the turnaround impact, third quarter refinery throughput averaged approximately 13,000 barrels per day.

Our 3-2-1 Index for the quarter was \$19.63 per barrel and our realized adjusted gross margin was \$8.53 per barrel, including an estimated negative \$1.90 per barrel of turnaround impact. Our third quarter production cost in Wyoming was \$7.51 per barrel. Our target throughput for the fourth quarter with the turnaround impact is just under 10,000 barrels per day.

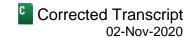
Rocky Mountains refineries have responded to the second COVID wave – by reducing utilization rates through the third quarter to maintain PADD IV product inventory within seasonal level. In October, our Wyoming 3-2-1 Index averaged just under \$20 per barrel. In Washington, our third quarter refinery throughput averaged approximately 41,000 barrels per day with an implied 96% of utilized capacity compared to approximately 70% average for PADD V refineries. As a reminder, our yields and the integrated marketing presence in the Tacoma niche market have allowed us to maintain close to normal operations with minimum COVID-19 demand impact.

Our third quarter Pacific Northwest 5-2-2-1 Index was \$9.39 per barrel on ANS basis and realized adjusted gross margin was \$2.16 per barrel. Production costs were \$3.40 per barrel. Our Pacific Northwest 5-2-2-1 index has averaged approximately \$10 per barrel in October. Asphalt demand continues to be stable and our target refinery throughput for the fourth quarter is in the 38,000 to 39,000 barrels per day range. We have completed our ethanol logistics project which is giving our system improved ethanol capabilities with a more favorable cost structure. And lastly, for Tacoma, our team continues to plan and optimize our first quarter turnaround.

In Hawaii we successfully completed our planned major turnaround in the third quarter. The hydrocracker discovery works went beyond plan and as a result, our refinery throughput for the quarter came under guidance, at 51,000 barrels per day. Our 3-1-2 Singapore Index was \$1.92 per barrel on Brent basis, reflecting the slow global demand recovery for oil products. Our actual third quarter crude oil differentials were \$1.13 per barrel premium to Brent and our realized adjusted gross margin in Hawaii was a negative \$0.47 per barrel including an estimated negative \$1.85 per barrel of turnaround impact.

We continue to improve our margin capture in Hawaii through commercial, logistics and other optimization initiatives to support cash flow breakeven in the downside and profitability in the long run. Production costs in the third quarter were \$5.80 per barrel. In the local Hawaii market, after a slow demand recovery during the third quarter, we are closely monitoring jet fuel and gasoline demand trends following the recent reopening of Hawaii travel and tourism by the state. Our 3-1-2 Singapore Index has averaged approximately \$1.90 per barrel in October. And our estimated fourth quarter crude differential is \$2.07 per barrel premium to Brent. Target throughput in Hawaii for the fourth quarter is in the 78,000 barrels per day to 81,000 barrels per day range.

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In summary, we continue to focus on safe and efficient execution. We successfully performed two turnarounds during this pandemic and our operations are tuned to meet demand.

And with that, I will turn the call over to Will to review our financial results.

William Monteleone

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

Thank you, Joseph. Third quarter adjusted EBITDA and adjusted earnings were a loss of \$16 million and \$57 million or \$1.06 per fully diluted share. Focusing on accounting items first, Washington Refining non-GAAP results, have been adjusted to remove the loss of an approximate \$6 million LIFO layer liquidation impact. This impact reverse in the subsequent quarter.

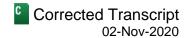
Shifting to segment results. Retail segment adjusted EBITDA contribution was \$15 million, driven by increases in fuel volumes, more than offset by decreases in margins, compared to the prior quarter results. Same-store sales fuel volumes were down roughly 21% while merchandise sales were up approximately 2% compared to the third quarter of 2019. Gasoline demand in Hawaii has remained in the 80% of pre-COVID levels and we anticipate some modest growth as tourism activities begin to pick up into the holiday season. Merchandise performance particularly in the Northwest has remained strong. The Logistics segment adjusted EBITDA contribution was \$12 million, down \$7 million from 2019 quarterly averages with reduced activity in Hawaii causing most of this decline. While refining throughput was a good metric to track, matching up well with reduced Hawaii logistics profitability, a key driver of growing profitability from the third quarter levels will be neighbor island refined product demand, not growth in refining throughput.

Our Washington and Wyoming locations performed in line with throughput and sales. As Bill alluded to in his opening remarks, we also anticipate the delivery of our biofuels logistics project in Washington during the late fourth quarter, which should drive further Logistics revenue as we internalize our own ethanol requirements beginning in 2021. The Refining segment recorded a segment adjusted EBITDA loss of \$34 million. Major factors impacting Hawaii results compared to the second quarter include an approximate \$4 per barrel improvement in crude differentials, a \$2 per barrel improvement in the Singapore 3-1-2 crack spread and the partial quarter contribution of improved contract terms. These improvements were partially offset by turnaround impacts including increased refined products imports while the plant was undergoing planned turnaround activity.

We estimate the turnaround reduced our adjusted gross margin by approximately \$8 million to \$10 million during the quarter. Wyoming ran profitably during the seasonally strong driving season although overall margins were still depressed versus historical third quarter averages. Additionally, at the end of the quarter, throughput and sales were reduced as we entered turnaround reducing profitability. Washington was negatively impacted by decreases in our feedstock advantage versus ANS and compression in diesel crack spreads in the Pacific Northwest markets. Laramie generated adjusted EBITDAX of \$8 million and a net loss of \$13 million for the third quarter.

Cash consumed from operations was \$8 million, which included \$19 million of net cash turnaround outlays. Working capital excluding the net cash turnaround outlays was a source of approximately \$5 million. Capital expenditures were \$12 million and accrued deferred turnaround expenditures were \$34 million totaling approximately \$46 million. The \$46 million includes an approximate \$7 million in overruns in our Hawaii turnaround. Accrued cash interest equaled \$16 million, our ending liquidity totaled \$191 million, made up of \$127 million in cash and \$64 million in availability and benefited from working capital inflows. It was another strong quarter for cost control across the organization.

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We maintained our operating expenses and Logistics' cost of goods sold reductions of approximately \$50 million on an annual run rate basis versus our prior year spend. With the overrun in the Hawaii turnaround, we are increasing the upper end of our CapEx and turnaround range by \$5 million to between \$95 million and \$115 million for the year. We expect to be in the upper end of this range. We are on track to achieve our initial COVID cash outlay reduction targets, which include energy related cost of sales, operating expense, capital expenditures, turnarounds, interest expense of \$150 million versus previously planned amounts.

Looking forward to 2021, in addition to the achieved OpEx and logistics costs of the sales reductions of \$50 million versus our prior year spend, we have identified an additional approximate \$45 million of cash savings for the 2021 calendar year spread across operating expense and cost of sales that are unrelated to market conditions. Two-thirds of these savings relate to the rightsizing of Logistics assets and driving our Hawaii refining cost structure to historical Par East only levels.

Separately and in addition to the previously mentioned savings we have elected to narrow our plan turnaround during Q1 2021 to the \$10 million to \$15 million range from the previously referenced \$35 million. We have no planned growth projects and our historical regulatory spend has been between \$30 million to \$40 million. Putting the pieces together from our comments, we anticipate more than \$100 million of improvements during 2021 from the third quarter run rate. To break this down further, we expect more than \$55 million in Hawaii top line improvements and roughly \$45 million of cost cuts discussed above. The cost cuts — further cost cuts approximately \$15 million impact our Logistics' OpEx and cost of sales and approximately \$8 million is specific to Hawaii Refining and the remainder is spread throughout our business units. In addition, the reductions in our Washington turnaround spend further improve our liquidity position through 2021. This concludes our prepared remarks.

Operator, I'll turn it back to you for Q&A.

QUESTION AND ANSWER SECTION

Operator: And at this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question is from Neil Mehta with Goldman Sachs. Please proceed with your question.

Neil Mehta

Analyst, Goldman Sachs & Co. LLC

Hey, good morning team and thanks for taking the questions. I guess the first one was another strong set of results here from your Retail business. It's one of the things that I know we all have been talking about is how do you help to better illuminate the value of those retail assets, especially given the successful monetization of some other assets in the industry. And how do you unlock the value of a Retail business that's performing really well?

William C. Pate

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

Neil, it's Bill. Thanks for that question. Clearly our Retail business is an extremely valuable asset and needless to say it continued to grow and generate profitability, and a high level of free cash flow through the downturn even when volumes were down. We're fortunate to have some very strong franchises that I think are unique in a lot of ways. Our Hawaii business in particular benefits from very strong barriers to entry in the form of high real estate cost and difficult supply logistics given the island nature of the state and a scarcity of land, which makes the real estate extremely valuable. In addition to that labor pressures that our competitors are often feel are also mitigated in Hawaii by our unique relationship with third-party store operators like 7-Eleven.

So let me just say we're very pleased with the team and the performance of this business. In terms of how we illuminate it, I always start from the perspective of our capital structure is structured the way it is because of what we get from retail. Not just the retail, you know the strategic nature of being vertically integrated, but owning retail allows us to be comfortable with the level of debt we have and if you think about the free cash flow that we get out of Retail, it supports our entire regular debt service.

I think you know we probably should do a better job of illuminating the value, but as you know we operate the business on a vertically integrated basis and I think one of things that we have to think about is just given the cost of capital that we face, given the fact that we're a downstream operator, are there ways for us to reduce that cost of capital in conjunction with how we capitalize the retail business? But we continue to believe it's a very attractive part of our business and fits well with our overall business strategy.

Neil Mehta

Analyst, Goldman Sachs & Co. LLC

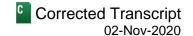
Okay. The follow-up here is on liquidity, which you've referenced. It was down slightly quarter-over-quarter, but still in a good place around \$200 million. Just talk about how you feel about your liquidity situation, especially in a downside scenario, if we don't get the demand recovery that we're anticipating here in 2021. What is your confidence in your ability to navigate this from a balance sheet perspective?

William Monteleone

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

Hi, Neil. This is Will. I think we're comfortable with our liquidity position and I think that the best way to think about it is probably to refresh some of the commentary that I provided earlier this year and really tie back to our 2021

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views that we've outlined here. And again I think the best way to think about it is to start with our fixed charges. So if you exclude the Washington turnaround, we expect our quarterly CapEx requirements to be somewhere between \$8 million and \$10 million a quarter and then with all our cash interest and our amortization, somewhere in that \$16 million range. So the between let's just say base maintenance CapEx interest and amort it's about \$25 million quarterly fixed charges. So I think that's probably a good place to start.

And then let's take a look at the Retail side of the equation which has been running at about \$15 million a quarter of EBITDA. And I think our Logistics, a fair way to think about that is somewhere in the \$15 million to \$20 million per quarter range which is up from where we've been over the last two quarters. But I think reflects again our expectation of improvements in tourism particularly in the neighbor islands. And then if you take our corporate overhead of \$10 million. So if you add up all of those pieces, you get about \$20 million to \$25 million of EBITDA before you consider Refining. So I think that's probably a good place to start and so if you assume a zero quarterly contribution from Refining, you're really looking at somewhere between a \$0 to \$10 million quarterly cash burn versus our September ending liquidity of \$191 million. So there's likely to be a working capital reversal as I referenced, but we feel like this gives us adequate liquidity to address our needs.

Neil Mehta Analyst, Goldman Sachs & Co. LLC	C
Great guys, thank you.	
Operator : And our next question is from Brad Heffern with RBC Capital Markets. Please proceed with your question.	
Brad Heffern Analyst, RBC Capital Markets LLC	C
Vech there are reserved but to follow or what you just a sid. Will about the working posited any you talk about	4

Yeah, thanks everyone. Just to follow-on what you just said, Will, about the working capital, can you talk about some of the puts and takes we can see there going forward and maybe how large of a reversal we should expect?

William Monteleone

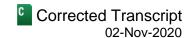
Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Sure. I think during the quarter, the accrued turnarounds that we incurred were about \$35 million, Brad, and about \$18 million of that was paid out during the quarter. So, let's call it about \$16 million working capital benefit during the quarter on – associated with the turnaround side – and in addition to that, there's about another \$5 million source. So in aggregate, you had about a \$20 million to \$21 million working capital benefit during the quarter. I think it's fair to assume that we're going to – we expect a likely reversal of some of that benefit during the fourth quarter. Obviously, a lot of moving pieces to give you a precise number, but I think that's probably the best way to think about it in scoping the way the turnarounds flowed during the quarter.

Brad Heffern Analyst, RBC Capital Markets LLC

Okay. Thanks for that. And then, I guess in terms of the crude diff guidance for Hawaii, so you said a \$1.13 premium but in the prepared remarks you talked about some of the looseness in the crude market that could benefit Hawaii in 2021. Any thoughts about just where you're seeing the diffs for the barrels that you're buying now for Hawaii?

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William C. Pate

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

Yeah. This is Bill. I'm going to let Joseph handle this, but let me just say that I think the big factor that we've seen has generally been fairly tight diffs in the spring and the summer. It then loosened up for most of the third quarter. And then as prices have started to deteriorate and as the Asian economies have started to pick up, we have seen some strengthening of the diff, although that's a fairly recent trend. So, the outlook's pretty good for Q1 and frankly, even going into Q2. But given our supply chain, we're starting to already think about the latter – about Q2 and even the latter part of Q2 – and that's where we might start to see some tightening again. But, Joseph, I don't know if you'd add anything to that.

Joseph Israel

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

Yeah, I don't have much to add. I will only say that we started to pick up some Q1 cargos, and as you would expect when COVID-19 dominate the markets, it's weak and the differentials remain low. So fully agree with everything that Bill just said.

William Monteleone

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

And Brad, the only thing I'd add is the fourth quarter does still have some impact from I'll say earlier in this year, acquired cargoes that are bringing the number up in that \$2 range that Joseph's quoting.

Brad Heffern

Analyst, RBC Capital Markets LLC

Okay. Got it. And then if I could just sneak one more in, on the biofuels project that you guys are completing here in the fourth quarter, any thoughts on what EBITDA generation from that looks like, more in the current environment?

William Monteleone

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

Yeah. I think, Brad, based on our internalization of our ethanol consumption we think it's worth somewhere between \$3 million and \$5 million a year. Probably more likely on the upper end of the range, and we think there's some attractive growth projects that allow us to serve growing demand centers there that could make that number grow.

Brad Heffern

Analyst, RBC Capital Markets LLC

Okay. Thank you.

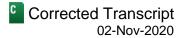
Joseph Israel

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

Thank you.

Operator: Our next question is from Matthew Blair with Tudor, Pickering, Holt and Company. Please proceed with your question.

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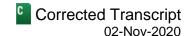
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc. Hey. Good morning, Bill and Will.	Q
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	A
Hey, Matt.	
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	Q
Given the improvement in natural gas prices, could you talk about your strategy for Laramie, I gue of just current operations as well as potentially monetizing that investment?	ess both in terms
William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc.	A
Sure, Matthew, this is Will. I think we've written down our investment in Laramie to zero. And again recent improvements in gas prices certainly improve their outlook for 2021 and I think are positive business. That said, I still think it's a very difficult market environment to monetize a natural gas as think the free cash flow outlook for Laramie's improved, I think the ability to market that asset's chaultimately that's something we'll continue to monitor, but I think that's a difficult position today.	for that sset. So, while I
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	Q
Okay. And then, on the Refining side, so, in the third quarter, Par East at 51 a day, did not run Pademand recovers, is there any significant costs or other hurdles to restarting Par West?	r West. If
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	А
Matt this is Bill, there is no significant cost at this point to restarting Par West, I would say though a current cracks and the crude oils differentials and really looking forward for – at the Singapore material justification for a restart at this point. Even a resumption in jet fuel demand, which would improve to little bit would not matter unless product cracks improved materially at that point.	rket there's no
Matthew Blair Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.	Q
Sounds good. Thanks for taking my questions.	
Operator: Our next question is from Jason Gabelman with Cowen. Please proceed with your que	estion.
William C. Pate	Λ

Operator: He was accidentally dropped off of the question queue. Jason if you can, you can [Operator Instructions] . All right we now have Jason Gabelman from Cowen, please proceed.

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

Jason, if you're speaking we can't hear you.

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Jason Gabelman Analyst, Cowen & Co. LLC Guys, can you hear me?	Q
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	А
Yeah.	
Joseph Israel President, Chief Executive Officer & Director-Par Petroleum, LLC, Par Pacific Holdings, Inc.	A
Yeah.	
William C. Pate President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.	A
Sorry about that Jason.	
Jason Gabelman Analyst, Cowen & Co. LLC	Q

All right. Hey, yeah, sorry about that. I wanted to ask two questions. Firstly, on Hawaii, you mentioned some benefit from new contracts – new product sales contracts hitting your earnings, can you talk about just the kind of order of magnitude what that benefit is and if you expect those benefits to continue to – that reflect in earnings meaning are there additional contracts that you've signed that are going to be improving margin capture in Hawaii? And then secondly, I noticed that your guidance for Tacoma throughput in 4Q is pretty strong, better than what your peers in the lower 48 are guiding to, are there some attributes to that market that you see as keeping throughput supported even during this period of weak demand? Thanks.

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

Jason, this is Bill I'm going to let Joseph handle the Tacoma question on throughput and I'll just address your question on the commercial improvements in Hawaii in particular. As you know Hawaii is somewhat of an unusual market in that almost all the volumes are contracted sometimes a year or more. And we've had a number of contracts that have come up in the last six months and we've had conversations with our customers regarding the improvements of the economics. We still supply fuel to virtually all of our customers below where we think the cost of importing that product is.

And I think that's because we have a very low cost refining operation. But overall conversations with a number of our customers in the last six months have improved the economics of our business, and as I alluded to when we look at the earnings profile in 2021, we see \$100 million uplift. \$45 million of that is related to cost savings and the remainder \$55 million reflects the improvement over the Q3 run rate. So the Q3 run rate already reflected some improvement. So you can assume that the overall commercial improvements were greater than that \$55 million number.

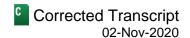
Jason Gabelman

Analyst, Cowen & Co. LLC

Great. Thanks.



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Joseph Israel

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

And with regards Tacoma question. First, Tacoma made money, I mean contributed cash flow in the third quarter even in a very low market margin environment. So running the incremental barrel was actually helpful, and as long as the incremental barrel margin is better than the variable cost, this will continue to be directionally a good thing. Now, with regards to the fourth quarter, we are dropping our throughput by guidance by almost 10% compared to the third quarter. So, we are adjusting to this market environment. The other thing I would mention about Tacoma, remember we have a very unique yield structure; 40% of what we make is really asphalt and VGO. So, we are less relying on the light products demand and have a more stable commodities to continue to sell in the down cycle environment.

Jason Gabelman
Analyst, Cowen & Co. LLC

Great, thanks a lot for the color.

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

Thank you.

Operator: And our next question is from Patrick Sheffield with Beach Point Capital Management. Please proceed with your question.

Patrick Sheffield

Analyst, Beach Point Capital Management LP

Hey, guys. Thanks for taking my question. One quick follow-up on the cash outlay for turnarounds in the fourth quarter. It sounded like you said there was \$20 million-ish of working capital reversal. I just wasn't sure if that, were you saying of cash being spent for turnarounds that were accrued, but not paid in the third quarter? And just like can you just level set and tell us how much you're going to spend in actual cash outflow in the fourth quarter related to turnarounds, and can you go over what 2021 was again? I thought I heard \$15 million instead of the \$35 million guidance you had previously given for 2021, and what's the driver of that reduction in 2021 versus the original guidance?

William Monteleone

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

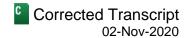
Sure. Patrick, so it's Will. I think a couple of different questions in there. I think basically on the accrued turnaround, there's about \$16 million of let's just say A/P that was on the books at the end of 9/30, especially with the turnarounds. So, we'd expect that to be paid out during the fourth quarter, right. And then, I think there's the ongoing activity that Joseph referenced in Wyoming that will continue in the fourth quarter. So, it's really close to – the A/P, the carryover release on the third quarter activity as well as the turnaround spend that we're expecting in the fourth quarter for Wyoming, which is probably in the \$10 million to \$15 million range if you look at the aggregate annual guidance that we've provided. So I hope that answers your question with respect to...

Patrick Sheffield

Analyst, Beach Point Capital Management LP

Yeah, yeah, that's perfect.

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William Monteleone

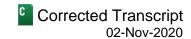
Chief Financial Officer & Director, Par Pacific Holdings, Inc.

...and then with respect to 2021, we've narrowed the outlay for Washington. It was previously referenced at \$35 million. We've reduced it to \$10 million to \$15 million. So, most of that will be incurred during the first quarter. And then again, we don't have any planned growth projects. And then our historical regulatory and maintenance spend is between \$30 million and \$40 million. So, if you take the midpoint of that range at \$30 million to \$40 million and take the low end of the Washington, you're at somewhere in that \$45 million range for the 2021 turnaround and

CapEx. Patrick Sheffield Analyst, Beach Point Capital Management LP As a result of that – that – thank you that's super helpful and as the result of the reduction in the scope, does that mean you're going to have another turnaround in 2022 or 2023? I think before we were thinking of there being several years without any major turnaround once you had finished this kind of busy period? William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc. Yes. So I think there'll be a likely additional turnaround that needs to occur somewhere in 2022 in Washington. So again, we're going in and really hitting the critical items during Q1. And again, there was some growth aspects of the spend that we had planned that we're electing to defer. So, hopefully that answers your question. Patrick Sheffield Analyst, Beach Point Capital Management LP It does. Thanks and congrats on – well, it's a tough market – but we've got a strong quarter I guess. William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc. **Thanks** Operator: [Operator Instructions] And our next question is from Jake Gomolinski-Ekel with Ellington Management Group. Please proceed with your question. Jacob Gomolinski-Ekel Portfolio Management - Distressed Credit, Ellington Management Group Hey, good morning, and thank you for taking the questions. Joseph Israel President, Chief Executive Officer & Director-Par Petroleum, LLC, Par Pacific Holdings, Inc. Good morning. William Monteleone Chief Financial Officer & Director, Par Pacific Holdings, Inc.

Good morning.

Q3 2020 Earnings Call



Jacob Gomolinski-Ekel

Portfolio Management - Distressed Credit, Ellington Management Group

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The uptick in Hawaii passenger traffic that we're seeing looks like it's up 4x to 5x September volumes. Obviously of all the small numbers here are going from something like 2,000 – 1,500 to 2,000 a day to as we had 7,000 plus a day one point mid-October, are you seeing any positive impact from that increase in passenger traffic and is that driven by the change in COVID restrictions from Hawaii?

William C. Pate

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

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Jake, this is Bill, it's very early. Keep in mind that the quarantine was lifted on October 15, so we're only 15 days into it and as I mentioned in my comments we were pleasantly – we're very pleased with the upturn, I mean it is material. Cracks are still weak, so volumes don't dramatically change and we haven't, it's really early to kind of try to quantify the impact. I would point out though a resumption in Hawaii tourism will inevitably lead to not only an increase in jet fuel demand but you're likely to see greater consumption of ground transportation fuels especially on the neighbor islands. And as we start to see more demand on the neighbor islands where you're likely to see an improvement in our profile, first will be in the Hawaii logistics because with the increase in demand in those neighbor islands whether it be jet fuel or ground transportation fuels, it will increase the utilization of our logistics assets, which will contribute to the bottom line.

I think the jet fuel demand is such that we are likely to be in a position sooner rather than later where our Par East or our existing refinery is unable to support the jet fuel demand for the island and we start importing to support all of the island demand. We probably only need to see about 50% of the passenger demand and we'll be in a position where you have to start thinking about importing and we've effectively fully utilized Par East. That's not to say I want to be very clear; that doesn't mean that economically it makes sense for us to start at Par West or we're justified in increasing because the cracks just aren't there. So we'll – the imports, the better option at that point.

Jacob Gomolinski-Ekel

Portfolio Management - Distressed Credit, Ellington Management Group



Right. Now, that's helpful. I guess a fair amount with the job where I guess you be — I'm assuming there was a blip in the data given probably a bunch of people leaving their quarantine took us from 93% to 75% down, but ways to go to 50%. But that's good to hear. But based on what you are seeing in terms of the forward curves and your outlook. I want to go back in the transcript to add up the numbers, but what is your anticipated cash burn between \$930 million (sic) \$30 million and when you anticipate the inflection to positive free cash flow?

William Monteleone

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

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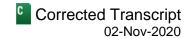
I think, Jake, the best way to think about this is obviously there's a lot of moving pieces for the different businesses. But I'll just focus you on Hawaii Refining, given that where there's been the largest cash consumption year-to-date. And I think with the contract improvements you heard Bill referenced, as well as the cost reductions that we've referenced for 2021, I think the best way to think about it from a market index perspective is to take the 3-1-2 less the crude diff guidance that we give. And I think if you're in the \$1 to \$2 per barrel range, you're approaching breakeven with the improvements that we've made.

Jacob Gomolinski-Ekel

Portfolio Management - Distressed Credit, Ellington Management Group

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Okay, okay. I guess we could put together between the last questions on working capital and the turnaround numbers. I just wasn't sure if you had a number that you should have anticipated in terms of the cash consumption based on those forwards that you're seeing between now and the inflection point. And I think what we're trying to just – to figure out what the cushion is between liquidity and that number.

William Monteleone

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

Yeah, I think there's probably too many pieces there to give a concrete piece of guidance on free cash burn there but I think trying to give you the variables you need to consider in order to effectively model it.

Jacob Gomolinski-Ekel

Portfolio Management - Distressed Credit, Ellington Management Group

Okay. That was it from me. That's very helpful though, thank you.

William C. Pate

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

Thank you Jake.

Operator: And our next question is from Neil Mehta. And we have reached the end of our question-and-answer session, and I'll now turn the call over to William Pate for closing remarks.

William C. Pate

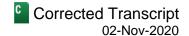
President, Chief Executive Officer & Director, Par Pacific Holdings, Inc.

Thank you, Chemaly. The pandemic has created unprecedented destruction in the energy sector. While we obviously cannot influence market demand, we can control our costs, we can control our asset base and numerous other factors. Your management team is focused on managing what we can control to ensure that we generate significant profitability when the global economy recovers. I appreciate your support, have a good day.

Operator: And this concludes today's conference and you may disconnect your line at this time. Thank you for your participation.



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