



Parkland Corporation

Q1 Analyst Conference Call

Event Date/Time: May 2, 2024 — 8:30 a.m. E.T.

Length: 51 minutes

## CORPORATE PARTICIPANTS

**Bob Espey**

*Parkland Corporation — President and Chief Executive Officer*

**Marcel Teunissen**

*Parkland Corporation — Chief Financial Officer*

**Ian White**

*Parkland Corporation — President, Parkland Canada*

**Valerie Roberts**

*Parkland Corporation — Director, Investor Relations*

## CONFERENCE CALL PARTICIPANTS

**Kevin Kim**

*CIBC World Markets — Equity Research Associate Analyst*

**Ben Isaacson**

*Scotiabank — Equity Research Analyst*

**Neil Mehta**

*Goldman Sachs — Equity Research Analyst*

**Evan Frantzeskos**

*TD Securities — Equity Research Associate Analyst*

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## PRESENTATION

### Operator

At this time, I would like to welcome everyone to the Parkland Q1 Analyst Conference Call.  
(Operator Instructions)

Thank you. I would now like to turn the conference over to Valerie Roberts, Director, Investor Relations for Parkland. Please go ahead.

**Valerie Roberts** — Director, Investor Relations, Parkland Corporation

Thank you, Operator.

With me today on the call are Bob Espey, President and CEO, Marcel Teunissen, Chief Financial Officer, and Ian White, President, Canada.

This call is webcast and I encourage listeners to follow along with the supporting slides.

We will go through our prepared remarks and then open it up for questions with the investment community. Please limit yourself to one question and a follow-up if necessary, and if you have other questions, re-enter the queue. We would ask analysts to follow up directly with the Investor Relations team afterwards for any detailed modelling questions.

During our call today, we may make forward-looking statements related to expected future performance. These statements are based on current views and assumptions that are subject to uncertainties which are difficult to predict. These uncertainties include, but are not limited to, expected operating results and industry conditions, among other factors. Risk factors applicable to our business are set out in our Annual Information Form and Management's Discussion and Analysis.

We will also be discussing non-GAAP and other financial measures, which do not have any standardized meanings prescribed by IFRS. These measures are identified and defined in Parkland's continuous disclosure documents, which are available on our website or on SEDAR. Please refer to these documents as they identify factors which may cause actual results to differ materially from any forward-looking statements.

Dollar amounts discussed in today's call are expressed in Canadian dollars unless otherwise noted.

I will now turn the call over to Bob.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Thank you, Val, and good morning, everyone. We appreciate you joining us today.

Twenty twenty-four did not begin as we expected. The combination of extreme cold weather in British Columbia and a curtailment of natural gas supply led to the unplanned shutdown of the Burnaby Refinery. Such circumstances test the capabilities and resolve of a team, and I am proud of the way Parkland rallied together to safely return the facility to normal operations by the end of March while continuing to serve our customers. The strength of our supply-centric business model ensured customers continued to receive the essential fuels on which they depend. In addition, our Refinery team has implemented a detailed plan to make up the shortfall during the remainder of the year, which relies on our unique supply advantage and capabilities. I believe that the true test of an organization is its ability to overcome setbacks and remain focused on its long-term goals.

In this regard, I have unwavering confidence in the execution capabilities of the Parkland team and the detailed plan we have put in place.

On today's call, we will provide insight into the steps we are taking to ensure we meet our 2024 guidance, on route to our ambitious 2028 targets.

With that, let's turn to Slide 3.

Parkland's strategy is built upon our differentiated customer and supply advantages. These two pillars complement and reinforce each other. As we continuously strengthen our proposition, attract more customers, and increase our market share, we further strengthen our supply advantage through higher volumes and increased scale. In turn, we improve our purchasing power and attract even more customers with compelling offers and great value. This cycle underpins our success and growth strategy. Our diversified business model provides a stable platform to execute this strategy. We provide customers in 26 countries with a variety of essential products ranging from gasoline and diesel to food and beverages. These are essential staples, and we continue to see organic, and in the right circumstances, inorganic growth opportunities in all parts of our business.

At our November Investor Day, we shared our ambitions for 2028, which is to double our available cash flow per share to \$8.50. This will generate \$6 billion of available cash, which we will allocate in accordance with our disciplined plan that is shown on the slide. Recall, we launched the current strategy in early 2023, and driven by consistent execution, we

delivered an approximate 50 percent total shareholder return over that timeframe. We are confident in our strategy and the capability of our team to deliver.

With that, I will hand it over to Marcel to discuss our Q1 highlights on Slide 4.

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

Thank you, Bob, and good morning, everyone.

Parkland delivered Adjusted EBITDA of \$327 million, which was 17 percent lower than the prior year. Canada delivered Adjusted EBITDA of \$191 million, which was up 14 percent from the prior year.

Our operational KPI showed a benefit of consistent execution and ongoing organic growth investments.

Company-owned same-store fuel volumes grew nearly 6 percent in the quarter, well ahead of market.

Food and convenience same-store sales growth, excluding cigarettes, was 3.1 percent, and we delivered gross margins of 35 percent. Strong performance in our beverage category, along with the full implementation of the M&M Express program at over 500 on-the-run locations, is helping to drive sales and shift our product mix. This is resulting in improved gross margins.

Across Canada, industry retail fuel volume demand was flat compared to 2023. However, our strong same-store growth led to increased market share. This was driven by our rebrand of Husky locations and continued growth in our JOURNIE Rewards program. Fuel unit margins were higher due to improved efficiency and supply capabilities, as well as improved productivity of our Company-owned network. These positive drivers were partially offset by reduced amount in our commercial business due to unseasonably warm weather in Q1.

Our international segment delivered Adjusted EBITDA of \$149 million in Q1. This is 90 percent lower than last year. Fuel unit margins and volumes were lower in our commercial business due to market dynamics and the planned maintenance at the site of a large customer in Guyana. The customer maintenance work is now complete, and volumes have returned to normal. We saw strong performance in our retail and aviation

businesses, and we have successfully implemented cost-control initiatives which reduced operating expenses.

Our U.S.A. segment delivered Adjusted EBITDA of \$33 million in the quarter. This is up 57 percent from the prior-year quarter. This is behind where we want to be due to both external and internal factors. Across the U.S. market, we continue to see declines in retail and commercial fuel volumes, which we believe are driven by higher fuel prices, weather, changes in consumer behaviour, and some indications of economic slowdown. Unit margins were under pressure due to rising fuel prices, as is normal in the U.S. fuel market.

We continue to focus on executing our improvement plans across the U.S. business. While we expect weakness in the market to be temporary, economic headwinds could present some risk to our 2024 Adjusted EBITDA guidance for the U.S. segment. We will make up for that potential shortfall in our other businesses.

Our refining segment reported an Adjusted EBITDA loss of \$32 million, which is \$70 million lower than last year. Composite utilization was 20 percent during the quarter, all this due to the unplanned shutdown of the refinery. As previously reported, the refinery was temporarily shut down early January due to a combination of extreme cold weather and natural gas curtailment. In the subsequent restart, we encountered some technical issues which resulted in an extended shutdown period. The refinery is now operating at normal levels and the crack spread environment remains constructive.

Our leverage ratio has edged above three times this quarter because of the unplanned refinery outage. This is temporary, and we see a clear pathway to reducing it to the low two times by the end of 2025 as set out in our five-year plan.

In the quarter, Parkland delivered available cash flow of \$770 million on a trailing 12-month basis, up more than 20 percent from Q1 2023, or \$4.38 per share, up 16 percent. We used these funds to invest in organic growth initiatives, pay our increased dividend, reduce our debt, and buy back 2.4 million shares over the last 12 months.

Let's turn to Slide 5 to discuss our outlook for the rest of the year.

We are maintaining our Adjusted EBITDA guidance of \$1.95 billion to \$2.05 billion for 2024. After the first quarter, we are approximately \$140 million behind plan, but we have full confidence that our detailed recovery plans will make up for the shortfall.

During the unplanned refinery shutdown, we were able to complete repairs and pull forward maintenance activities initially planned for the fall. This will allow us to run the refinery at high utilization and catch up during the rest of the year, and, in fact, well into 2025. We are pursuing opportunities to improve our capture of refinery cracks with lower-cost crude supply, co-processing different feedstock, and pipeline cost optimization. In addition, we're monetizing environmental credits in a favourable market.

In Q1 at the refinery, we have already made up a substantial portion of the lost margin due to the unplanned shutdown, and we expect that by the end of the year, the refinery will achieve its planned Adjusted EBITDA target.

Across our businesses, we have identified several new supply optimization initiatives. This includes leveraging our new storage position in the Caribbean, importing renewable diesel into the Canadian market, and blending opportunities in various locations. All these initiatives are worth several million dollars each, and it shows the optionality that we have created by our strong supply advantage at Parkland.

In our retail business, we will continue to build on the momentum we have created in driving productivity through the strength of our customer offer and loyalty programs. Cost management and pricing strategies are key levers in our retail business. We also continue to drive the integration benefits of our U.S. operations and see further opportunities to reduce our cost structure there.

In our commercial business, we will leverage our supply advantage to compete for new business in all our markets; Canada, the U.S., and international. We will simplify our commercial business in select markets to drive further operational efficiencies, and in addition to these customer and supply improvements, we continue to implement organizational efficiencies that will improve costs across the organization. We are confident that these improvement initiatives, many of which are already in flight, will bring our refinery and marketing results back to our Adjusted EBITDA target range for the year.

And with that, I will hand it over to Ian and move to Slide 6.

**Ian White** — President, Parkland Canada, Parkland Corporation

Thanks, Marcel, and good morning, everyone. It's great to be here this morning.

Operational teams across Parkland live and breathe customers and are intensely focused on meeting and exceeding their evolving needs. Over the next few minutes, I'll share some

insights into the customer trends we are seeing across Parkland. With operations spanning 26 countries, the trends we are seeing are not linear, because each market is different. However, there are some commonalities both in terms of consumer behaviour, as well as how the unique attributes and capabilities of Parkland are positioning us to win as customer needs change.

Our retail business continues to grow, and is up 13 percent year-over-year despite some margin and volume pressures in the U.S. If we take a step back and look at the retail customer, the inflationary environment is creating cautious consumers who are closely managing their spend. As a result, they are seeking value in convenience.

So, how is this showing up? On our forecourts, we are seeing customers put less fuel in their tank, but come more often. Average fill size is down approximately 6 percent, while frequency has increased by 10 percent. Higher frequency visits create more opportunities for customers to visit our on-the-run convenience stores, leading to improved sales mix and market share. Our teams are proactively delivering targeted promotions and bundles that reward convenience purchases with a fuel discount and vice versa. This connection between the fuel and the convenience offer is a competitive advantage for Parkland. It is an advantage we will continue to bolster and leverage.

Our JOURNIE Rewards loyalty program is the backbone of our retail value proposition. It harnesses the complementary benefits of our fuel and convenience offerings, which support each other and enable us to make targeted, personalized offers and provide customers with the choice and value they are seeking. We have grown JOURNIE Rewards tremendously, and continue to see the positive impact of our partnerships with other leading brands.

For example, the recent launch of our Aeroplan partnership has introduced many new customers to Parkland's retail offer. We have already seen a 20 percent improvement in share of wallet with Aeroplan cardholders, who, on average, purchase 10 percent to 12 percent more than a typical JOURNIE Rewards member. These are customers that have shifted their fuel and convenience spend, and, in turn, are driving improved site productivity and same-store growth. In our business, scale matters, and JOURNIE is a highly-scalable loyalty platform. Given the success we've had in Canada, we recently expanded it into Puerto Rico. The initial response has been positive, and targeted promotions that offer value are bringing customers into our locations.

In our commercial business, we continue to provide value to our customers by leveraging our proprietary infrastructure to deliver products safely and on time and at competitive



prices, and we continually adapt to our customers' evolving energy needs by providing environmental products like renewable diesel and carbon offset credits. Our unique supply advantage gives us greater control over pricing, logistics, and costs, which allows us to maximize margins on every liter we sell.

These are just some of the ways we are driving continuous improvements to areas of our business that we can control, and the team is laser-focused on execution.

With that, I will pass it back to Bob.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Thanks, Ian.

Turning to Page 7, let me leave you with my thoughts on our business.

In November last year, we shared our strategy and plans for the next five years with the market. I believe that this strategy will maximize value for our shareholders. I've spoken with many of our investors and taken to heart their comments. We weigh all perspectives to try and find the right balance between investing in our business for growth, repaying debt, paying dividends, and repurchasing shares. We are committed to acting in the best interest of all our shareholders, and do not believe there is a shortcut to long-term value creation.

Our previously-announced portfolio optimization plan targets total divestments of \$500 million by 2025. To date, we have sold and identified more than \$400 million of non-core assets for disposition, with a substantial portion in advanced stages of negotiation. We have set an ambitious \$2 billion Adjusted EBITDA target for 2024, which is a year earlier than our original ambition, and while we have faced some headwinds in Q1, I have full confidence in our ability to deliver this well within the target range. In fact, it proves the strength and resilience of our diversified business model. This, coupled with our unique supply advantage, will allow us to extract more short-term value for our customers and for our shareholders.

I have led Parkland for over a decade, and have immense pride in the way the Parkland team has maneuvered through temporary setbacks and delivered results consistently. I believe our team is the best in the industry, with incredible depth, ambition, and insights. Together, we operate with the best interest of our customers, employees, and shareholders in mind. I have full confidence in our strategy, our ability to execute, and the

detailed plan we have put in place to deliver our 2024 and 2028 ambitions. Parkland is positioned to win.

With that, I'll turn it back to the Operator for questions.

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## Q & A

### Operator

Thank you. (Operator Instructions)

Your first question comes from the line of Kevin Chiang from CIBC. Please go ahead.

**Kevin Kim** – Analyst, CIBC World Markets

Hi. Good morning, and thanks for the opportunity to ask my question. This is Kevin Kim calling in for Kevin Chiang. My first question is what drove the difference between your reported refinery results and what you pre-released?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Hi, Kevin. It's Bob Espey. Look, our preliminary estimates were released prior to the completion of the quarter and our formal review process. I would say we did better than anticipated on imports into the market to replace the shortfall in the refinery, and also we were able to recognize the benefits of some of our carbon credits during the quarter as well, so those two things helped us exceed where we had previously guided on the refinery.

**Kevin Kim** – Analyst, CIBC World Markets

Oh, got it. Thank you, Bob. My second and last question will be, can you provide some colour on the 9.8 percent negative same-store volume growth in the U.S., and how do you feel about hitting the US\$240 million EBITDA this year?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Yes, on the U.S. business, there are a lot of really good traction in the U.S. when we look at the new team there and what they're delivering, and before we go into the volume, I'll highlight some of the growth that they've had, particularly in their Non-fuel side of the business where we saw positive same-store sales comps. As well, our gross margin is up by over 2 percent as our various

pricing initiatives come into effect, and our gross profit in that part of the business is up \$10 million, so good indicators that we're getting good traction on our recovery in that business.

Same-store was off. When we look at that business, we sort of see two markets. We have our northern business, which is the Rocky Mountain area and the area just south of Canada, and that business did very well. It was in line with the industry, and our business in Florida on the fuel side, so our southern business, was off, because, as we'd indicated, earlier in the year, we had some operational issues, which we've since fixed and will allow us to track to or above industry.

I would say the other thing is the environment in the U.S. right now is—we've seen our competitors announce tough quarters both on the volume and margin side, and so we're in line with where the industry is overall in the business.

**Kevin Kim** – Analyst, CIBC World Markets

Thank you very much for your answer, Bob.

**Operator**

Thank you, and your next question comes from the line of Ben Isaacson from Scotiabank. Please go ahead.

**Ben Isaacson** – Analyst, Scotiabank

Thank you very much, and good morning, everyone, and congrats on getting through a tough Q1. Bob, my first question is on your comment on strategy. A couple of weeks ago, the Board chose not to pursue a strategic review. What is the process to determine that? What factors are considered, and what's different now than when you conducted a strategic review in Q1 of last year?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

First of all, there's really no updates on the situation with either Engine or the Simpsons, and we've concluded that a strategic review isn't in the best interest of shareholders at this time, so we believe that remaining focused on our core strategy and continuing to execute maximizes value for all of our shareholders.

**Ben Isaacson** – Analyst, Scotiabank

Okay, and just my second question is on c-store margins. Continued to creep up in both Canada and the U.S., which is great to see. I think we're at about 35 percent in Canada and 34 percent in

the U.S. What are we playing for? What's the end target or what's the goal (audio interference) in terms of c-store margins?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Yes, Ben, we'll let Ian White, who's our head of the Canadian business, talk about all the great work we're doing on the margin side.

**Ian White** — President, Parkland Canada, Parkland Corporation

Yes. Thanks, Bob. Good morning, Ben. What you're seeing is the mix shift in our assortment starting to change in a way that's starting to drive positive momentum around margins, so less reliant on tobacco, lottery, lower-margin categories, and you're seeing other categories like food, center of store, confection, play a bigger role. Around target, I think we've still got a basis point or two improvement through the windshield here I think we can go after, but what you're seeing is momentum with the programs we've put in place, with the category management we're doing across the business to start to drive positive momentum and mix, and ultimately, you're seeing it show up in margin.

We're also very mindful of the promo mix, and I mentioned in my prepared remarks that consumers are seeking value, so we're also ensuring that we've got the right value for them, and so you'll see the margin bounce around a little bit as we seek the right volume margin trade-off to ensure that we've got the right offer for consumers.

**Ben Isaacson** – Analyst, Scotiabank

That makes sense. Thank you so much.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

One of the other things I'd like to highlight, Ben, and we did mention it in the script, but I think it's worth reiterating, is that our Canadian business on the fuel side, gained half a percentage point of market share year-over-year in the quarter, and that's across the Canadian market, and I would say that that speaks to the marketing programs and also our ability to execute effectively at street level, so really pleased with the Canadian business and how it's been trending here.

**Ben Isaacson** – Analyst, Scotiabank

Great. Thanks so much, again.

## Operator

Thank you, and your next question comes from the line of Neil Mehta from Goldman Sachs. Please go ahead.

## Neil Mehta – Analyst, Goldman Sachs

Yes. Good morning, Bob, Marcel, team. First question is just on non-core assets. You identified more than \$400 million worth of assets for disposition, and just can you give us a sense of how you're approaching this program, and that \$500 million target seems to be coming (audio interference), so any perspective on that would be great.

## Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Good morning, Neil. Marcel here. So yes, so if you look at the \$400 million that we currently have, quite a bit of that has already been executed, so we've collected a cash portion of that is in—as we said, it's in the final stages of negotiation. We're almost through putting the pen to paper to finalize that, so that will take couple of weeks more, and we have done that. It brings us about halfway of that \$400 million. Then the remaining part, a lot of that is going to be driven by the 157 retail sites that we actually have put in the market. We announced it earlier in the quarter. It's actually quite interesting. We've executed more than 2,000 NDAs on those sites, so there's a lot of interest from individuals that want to buy a site to become a dealer, as well as from buyers that want potentially to have multiple sites and buy that, so we're in the process and we're going through that.

In terms of identifying those sites, we do network planning and we do that continuously within our retail business, and we identify those sites. One, we have identified sites where we believe that the value of the real estate is actually bigger than the value it has for us to run those sites, so that's where we try to monetize upside and then reinvest that money into businesses or locations that actually bring better returns for us, and then in terms of those 150 sites, a lot of those sites are actually sites that we are not necessarily the right owner. They're either in the wrong location, we already have some overlap there from other parts of the network, or they're simply not to the scale that we need to kind of invest our own capital in those, and often better if it's the capital of somebody else, so that's on the retail network.

And then in terms of non-core businesses, we've talked previously about parts of our commercial business within Canada where, at one point in time, it was kind of strategic for us as we were a smaller company, but since then, we have concluded that's not strategic for us and we'd probably better—that business, first of all, was better off in the hands of somebody that is more strategic, , and otherwise, we would like to take that money and then reinvest it in areas where we'd get better returns. There's a little bit more to go to get to the \$500 million, and I'm very confident that we have a pipeline of other non-core assets that we can put up and monetize.

**Neil Mehta** – Analyst, Goldman Sachs

Thanks, Marcel. Great colour, and a follow-up is, you're making good progress on driving down that leverage ratio to the two times to three times, and so would just love your perspective, as you get towards that inflection, how do share buybacks fit into your capital allocation priority, and do you think it makes sense for that to be prioritized even over a dividend as you think about the different ways you can allocate your capital?

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

Yes, we continue to allocate in line with what we've shared with the market, right, so out of our total expected cash flow here over the next five years, \$6 billion, we say, hey, a quarter is for dividends; put a quarter back in our business as organic growth; then we have half left for what we said initially we'd prioritize, bringing the leverage down to that lower end of the range, which you have stated, and then the remainder, kind of buybacks compete with M&A or M&A competes with buybacks, how you want to look at it, so that's how we look overall at the framework.

Leverage went up a bit in Q1, obviously, because the refinery didn't produce the cash that we expected, but kind of as we go into the next few quarters, we'll just continue that downward trend on the leverage, and we continue to kind of work that. We have done quite substantial share buybacks here over the last five months, including in Q1, so we've done it, but it's a balance of kind of getting all of those things done. So, getting the leverage to where we've said the target will be, buying back the shares if we actually—when they are attractively priced, and they are still at the moment, but balancing that so that we can hit all those targets. The dividends, you know our dividend track record. We've increased that for 12 years in a row, and that dividend is a core part of our value proposition to shareholders.

**Neil Mehta** – Analyst, Goldman Sachs

Thanks, Marcel.

**Operator**

Thank you, and your next question comes from the line of Michael Van Aelst from TD Securities. Please go ahead.

**Evan Frantzeskos** – Analyst, TD Securities

Hi, guys. It's Evan in for Mike. Starting off just on the U.S., so on a run rate basis, that business is running well below your 2024 guidance. How much of the profit shortfall in Q1 would you say is

related to unfavorable fuel margins in the short term that may have already normalized as opposed to broader economic weakness that is putting pressure on commercial and retail volumes?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Look, it's a combination of both. The margin environment was tough in the quarter, as shown by others that have recently released, and generally, in the U.S., in a rising environment, of the underlying products, we did see crude prices drift up, as well as product pricing. Pricing tends to lag or margin tends to lag in that environment. The flipside is, as it goes down, we tend to capture more, so again, I would say through the year, we expect that margins will normalize and we'll get this business onto the run rate that we'd indicated it should run at.

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

And maybe some colour on the volume, let me give some colour on the volumes as well, so I think it's interesting, we see in the U.S. some of the diesel volume is weaker, and that typically indicates that the economic activity is slowing down, and I think that's kind of one of those leading indicators, so we have to see whether it's just temporarily or whether we see some more trends coming in through the year, Then on the gasoline side, I think Bob already highlighted that. The gasoline volumes, it's on a retail network in the northern business around the Rockies is actually in line with market, but the market goes down. The market in the Florida market goes down as well, but we did a bit worse than the market through some operational issues, which we have fixed. We don't have an exact breakdown of which part is external and what is internal, but I think there was definitely some headwind in the markets that we kind of closely monitor in the next couple of quarters and focus on the things that we control.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

And look, I would say on the things that we can control, we're seeing really good traction, so we talked earlier about the performance in our Non-fuel business where our margin is up 2 percent, and also our same-store was trending positively, and overall, our gross profit was up significantly quarter-over-quarter. So, the team continues to execute very well and we're really pleased with where the business is heading, and in the right environment, that business will perform as expected.

**Evan Frantzeskos** – Analyst, TD Securities

Okay, great. Thanks, and so on your 2024 guidance, you've reiterated that, though it seems like some of the offsetting factors that are offsetting the refinery aren't necessarily something that we can count on to being around long term, like favourable markets for carbon credit monetization

and things like that, so with that in mind, to what degree does this make the 2025 consensus EBITDA just over \$2 billion look like a stretch to you?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Yes, look, I mean, we're on track to hitting our guidance for the year. I'd say we're comfortably on track for '24, and if we look at what's driven that, there are really four key items. So, one is our utilization on the refinery. We'll run at the upper end of where we've guided, and that's because we were able to pull forward some of the maintenance that we'd had planned later in the year, and it allows our utilization to come up, so that's one factor.

The second thing is on optimization, and the team has done optimization on the crude side, and these are benefits that we expect to continue into the following year, and then on the credit environment, we are generating a lot of credits and we're benefiting from that, and we do expect to benefit from a portion of that going into 2025. The overall results between is that our capture rate on the refinery is going up, so we've tended to plan in the high 30s, and we're probably hitting the mid-40s as our capture rate is comfortably in the mid-60s, so we're not relying on a higher crack environment.

I would say on top of that, the crack environment is constructive right now. So, when you look at the refinery, we're actually in a good spot to stop (inaudible) optimization, and then we have a bit of a tailwind up on the crack spread.

The other factors that are contributing are in our marketing businesses, we continue to make improvements across the board, and those are structural in the long term, and we'll see those feed in through the balance of the year as those initiatives are implemented, so feeling confident around '24. When we go to '25, we'll certainly be on track with the growth that we predicted in our Investor Day, which takes us to that \$8.50 of available cash flow per share by 2028. So again, the business on track to deliver the organic growth that we've projected.

One other item is our supply, and we've also been able to make up some of the shortfall in the year with our supply initiatives, and again, those were all in flight, but I would say the Supply team has been able to find opportunities that they hadn't anticipated last year, which are, again, incremental to our performance year-over-year will help deliver '24, and are certainly a good starting point for '25. So, I would say, again, refinery, supply, and the marketing businesses, and again, the refinery, both on utilization and getting the capture rate up. So again, look, I would point back to the hard work of the team and their ability to pivot quickly and deliver results that are sustainable over the long term.

**Evan Frantzeskos** – Analyst, TD Securities

Thanks, and sorry, just staying on the initiatives, so you mentioned that you took some steps to improve organization-wide marketing profitability, and I think you mentioned a couple of them



earlier, so leveraging your storage position in the Caribbean and importing diesel into the Canadian market. Could you provide a bit more detail on what you mean by leveraging your storage position in the Caribbean, and if there's any other initiatives that would fall into?

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Again, our supply system's quite dynamic and we're always looking for opportunities to improve, and that manifests itself in the short term just by managing what's available, so great example of that is with the refinery going down, we were able to import quite well into the Canadian market, and that leverages assets that we currently have in the marketplace. In the Caribbean, we're actually able to add storage. Maybe, Marcel, you can talk to how that...

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

Yes, so basically, our supply system in the Caribbean, the way it works, we bring big ships and we put those into bigger tanks, and then we have smaller ships that go to the individual markets, so that intermediate storage that we have, that is quite critical. We've added to that storage by taking a position, a long-term lease within the region, and that brings kind of more quantities of product closer to our markets, which means we bring a big ship, which is cheaper, closer to market, so that we can subsequently supply our customers cheaper.

I think also that does—we often talk about optionality, right? We get product in multiple locations and the market moves in a favourable position, and you can actually monetize some of those, so that optionality, that usually comes with having storage in a different location, so in that case, that is driving some value as well, and so it's having those positions and then having the team and the people that are capable that when those markets—kind of circumstance present themselves, that can actually monetize that, so that's just one of the things we have.

The other piece which we talked about is renewable diesel imports. We have seen renewable diesel prices to be quite favourable, and by importing renewable diesel into Canada and then clipping the carbon credit off that renewable diesel and monetizing that, that's been valuable here over a period, and we can do that on a forward basis, so we can sell some of those things on a forward basis, but those circumstances won't always be there, right? These markets tend to kind of open and then they close, these opportunities, but then, if they close, then something else will present itself, and it's all about having the right positions in the right location, and then the capability to act when those things present themselves, and that's been actually good for us.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Yes, it's really bringing the three parts of our supply strategy together. It's the assets, the distribution capability, and then ultimately, the commercial intensity of the team.

**Evan Frantzeskos** – Analyst, TD Securities

Okay, great, and one last one, so, on your MG&A savings target of \$100 million run rate by the end of this year; I think you had planned to exit 2023 with about \$35 million in run rate savings. Did you get there, and for 2024, what's going to allow you to get to the \$100 million, and when should we start to see the improvements?

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

So let's see, your question, so yes, we did hit that run rate last year as we got in. If you recall, somewhere in the middle of last year, we reduced the number of positions across Parkland by about 250, and so we did that, so we see some of the benefits; that, of course, now lapping a full year, so we get the benefit in 2024 for those actions for a full year. And, the second, we're really looking at ways to simplify our business, and I already mentioned simplify our commercial business. Some of that is through the divestment activities that we talk about, and that will contribute to that, and then when you look a little bit longer term, and we talked about it at our Investor Day, further standardizing, harmonizing of our processes, which includes some of our systems implementations, which are currently ongoing, that sets us up for kind of longer-term efficiency gains across the organization.

Another big benefit, bringing together all the purchases, all our third-party purchases that we do across Parkland. We've grown the Company quite a bit, and we actually find that when we lean into our procurement of those third-party services, the savings are simply from the scale, and that is kind of contract by contract as we kind of go through that, and there's more opportunity there, so we continue to lean into that. Yes, so last year, we got the benefits of the first half, so we'll continue to pursue that and confident that we'll build it up not only in 2024, but also throughout 2028, that kind of overall ambition.

**Evan Frantzeskos** – Analyst, TD Securities

Okay, great. Thank you so much.

**Operator**

Thank you, and your next question comes from the line of Steve Hansen from Raymond James. Please go ahead.

**Steven Hansen** – Analyst, Raymond James

Yes. Good morning, guys. Thanks for the time. Just a question on the international business. I apologize if I missed it in your prepared remarks, but just hoping you could speak to the volume outlook after a softer period. I recognize the comp was obviously really steep. It sounds like some market dynamics were at play, but curious if you're still planning on full-year volume growth in the South and just sort of what some of the puts and takes might be through the balance of the year? Thanks.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Steve, it's Bob Espey, and thanks for the question. Look, our international business had strong performance in the aviation and retail sector. We saw two headwinds on our volumes in commercial, particularly in Guyana where our large customer there, Exxon, was down for maintenance, and, as a result, we were supplying less fuel into the market. That since has picked up again, and then we are in the wholesale market there, and we will be in and out of various customers depending on price, and we've just seen some margins tighten, and we just chose not to pursue that, because it didn't make economic sense. Overall, the business is performing exceptionally well, and we continue to see it track well into Q2.

**Steven Hansen** – Analyst, Raymond James

Okay, very helpful, and just a follow-up on the non-core dispositions. Given that you're tracking so well or at least ahead of plan, have you thought about looking back at the portfolio to see if there's an additional slice of assets that you could go after, or do you think the \$500 million is still the ultimate goal?

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

Yes, for now, that is the ultimate goal. We continuously review, of course, all our network, whether we have the right network, and we continue to do that as we go forward, so it's an ongoing activity, but at this point, the \$500 million is kind of the right number for us, and we'll look beyond that after we've completed that program.

**Steven Hansen** – Analyst, Raymond James

Okay, thanks. Appreciate the time.

**Operator**

Thank you, and your next question comes from the line of Carla Casella from JP Morgan. Please go ahead.

**Carla Casella** – Analyst, JP Morgan

Hi. Thank you for taking the question. I'm just wondering if you could give us the magnitude of the fuel credits that you got in the quarter, and maybe the opportunity on the magnitude side for the remainder of the year.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

Yes, so I believe you're referring to the carbon credits that we generate, and I would say we're active in four different areas, so the first is in our refinery when we get BC credits, and then also Canadian credits, and our facility there is—because of the co-processing that we do, we're actually generating excess credits compared to our compliance requirements, and that has given us some credits that we can sell into the marketplace, and we expect that, certainly, to continue here for the balance of the year and over the next several years as we continue to increase our co-processing capability, so, and I would highlight that particular program and the team at the refinery that's been able to execute, that is one of our most successful uses of capital.

When we look at the payback on the investments we've made and the capability that we've built there, it's been tremendous, and we expect to see a portion of that going forward. Those credits are subject to market pricing and will bump around a bit. The other thing, as Marcel alluded to, we did have a constructive environment for importing renewable diesel into various Canadian markets over the quarter. That's something that will come and go. We did have a good environment here through Q1, and were able to capitalize on that. And then we also are, through our trading business, involved in the regulated market where we buy and sell between intermediaries in the market, and also in the voluntary market as well, and we continue to see that side of the business perform well.

**Marcel Teunissen** — Chief Financial Officer, Parkland Corporation

Yes, and in terms of quantification, if you look at our financial statements or in the financial documents, it's actually split out what is our kind of renewable portion overall, and that includes those credits.

**Bob Espey** — President and Chief Executive Officer, Parkland Corporation

It's in the back of the MD&A.

**Carla Casella** – Analyst, JP Morgan

Great. Thank you so much.

## Operator

Thank you, and your last question comes from line of Vishal Shreedhar from National Bank Financial. Please go ahead.

## Gabriel Chiu – Analyst, National Bank Financial

Hi. It's Gabriel on for Vishal. Thanks for taking our questions. So, you had mentioned earlier that as a result of the unplanned shutdown, you're going to have (inaudible) the rest of the year and well into 2025. I'm wondering by that comment, do you mean that can shorten the turnaround (TaR) that you have anticipated in 2025 that you hadn't mentioned previously. Is there any maintenance or other work that you're able to pull forward that could shorten that 2025 TaR?

## Bob Espey — President and Chief Executive Officer, Parkland Corporation

Yes, look, our Maintenance Group and our Reliability Group are looking at that TaR, and that's something that we've planned certainly well in advance, and I think by some of the work that we've done and the performance of the refinery, they're able to evaluate what the best duration and timing of that is, and certainly, if that changes, we'll keep the market apprised of that. Again, I would go back to we're tracking well to our 2028 ambition, and we certainly are projecting that '25, on a run rate basis, we'll be well on the path towards achieving that.

## Gabriel Chiu – Analyst, National Bank Financial

Okay, got it, and then I just wanted to go back to the non-core dispositions. You had mentioned there's a number in cash, a number in advanced stages of negotiation. Wondering if you're able to provide a number for 2024 as to the timing of how much and in what quarters we can sort of expect those dispositions to manifest?

## Marcel Teunissen — Chief Financial Officer, Parkland Corporation

We don't have the exact quarters. That wouldn't be wise to kind of time all of these, besides, given that some of these are still subject to negotiations, right, but I think with this year, as I said before, we have about \$200 million. Some of it's already completed. The rest of the \$200 million will be completed shortly, so definitely in this year, and then the remaining \$200 million, a little bit are those retail sites, which we talked about before, and they will come and go, and that will stretch out to the remainder of this year, maybe even into next year, and so I expect a portion of that to fall in this year. Then, as we go kind of get prepared for some of the remainder of that \$500 million target, we'll put it in. I expect that to kind of run into 2025 by the time we get to that, but everything that's currently identified, and all our balance sheet is held for sale, we expect it to complete in the next 12 months.

**Gabriel** – Analyst, National Bank Financial

Got it. Thank you. Appreciate it.

**Operator**

Thank you. That concludes our question-and-answer session. Ladies and gentlemen, that concludes our conference today. Thank you for participating. You may all disconnect.