REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PSX.N - Q1 2024 Phillips 66 Earnings Call

EVENT DATE/TIME: APRIL 26, 2024 / 4:00PM GMT

OVERVIEW:

Company Summary

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Brian M. Mandell *Phillips 66 - EVP of Marketing & Commercial*

Jeffrey Alan Dietert *Phillips 66 - VP of IR*

Kevin J. Mitchell *Phillips 66 - Executive VP & CFO*

Mark E. Lashier *Phillips 66 - President, CEO & Director*

Richard G. Harbison *Phillips 66 - EVP of Refining*

Timothy D. Roberts *Phillips 66 - EVP of Midstream & Chemicals*

CONFERENCE CALL PARTICIPANTS

Jason Daniel Gabelman *TD Cowen, Research Division - Director & Analyst*

John Macalister Royall *JPMorgan Chase & Co, Research Division - Analyst*

Manav Gupta *UBS Investment Bank, Research Division - Analyst*

Matthew Robert Lovseth Blair *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*

Neil Singhvi Mehta *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Paul Cheng *Scotiabank Global Banking and Markets, Research Division - Analyst*

Roger David Read *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Ryan M. Todd *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Theresa Chen *Barclays Bank PLC, Research Division - Research Analyst*

PRESENTATION

Operator

Welcome to the First Quarter 2024 Phillips 66 Earnings Conference Call. My name is Lydia, and I'll be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded. I'll now turn the call over to Jeff Dietert, Vice President, Investor Relations.

Jeff, you may begin.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Welcome to Phillips 66 First Quarter Earnings Conference Call. Participants on today's call will include Mark Lashier, President and CEO; Kevin Mitchell, the CFO; Tim Roberts, Midstream and Chemicals; Rich Harbison, Refining; and Brian Mandell, Marketing and Commercial. Today's presentation materials can be found on the Investor Relations section of the Phillips 66 website, along with supplemental financial and operating information.

Slide 2 contains our safe harbor statement. We will be making forward-looking statements during today's call. Actual results may differ materially from today's comments. Factors that could cause actual results to differ are included here as well as in our SEC filings.

With that, I'll turn the call over to Mark.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thanks, Jeff. Welcome, everyone, to our first quarter earnings call. We continued to progress our strategic priorities and we returned significant cash to our shareholders. While our crude utilization rates were strong during the quarter, our results were affected by maintenance that limited our ability to make higher-value products. We were also impacted by the renewable fuels conversion at Rodeo as well as the effect of rising commodity prices on our inventory hedge positions.

Currently, our assets are running near historical highs, and we are ready to meet peak summer demand. Before we provide an update on our strategic priorities, we want to recognize our Midstream, Refining and Chemicals businesses, which have all received honors for their exemplary safety performance in 2023.

Our Midstream gathering and processing business received the Top 2023 GPA Safety Award in the large operator division. In Refining, the Rodeo and Sweeny facilities both received the AFPM Distinguished Safety Award, which is the highest annual safety award in the industry. This was Sweeny refinery's third straight year to receive the honor.

The Ponca City Refinery earned the Elite Platinum Award and the Lake Charles Refinery secured the Elite Gold Award. In Chemicals, CPChem received 2 AFPM Safety Awards. I'm very proud of our employees and the employees of CPChem for their commitment to safety. I would like to congratulate them on a job well done.

Today, beginning on Slide 4, we'll highlight the progress we've made on our strategic priorities. Next, we'll discuss our first quarter financial results. Then we look forward to your questions.

We previously announced plans to monetize assets that no longer meet our long-term objectives, and we set a target to generate over $3 billion in proceeds. The expected proceeds will support our strategic priorities, including returns to shareholders. This quarter, we launched a process to divest our retail marketing business in Germany and Austria and communicated the plans to employees. Completion of the dispositions is subject to satisfactory market conditions and customary approvals.

We have distributed almost $10 billion through share repurchases and dividends since July of 2022. Over the remaining 3 quarters of 2024, we expect to achieve our $13 billion to $15 billion target. Share repurchases will continue to be an important component of our capital allocation. We're committed to return over 50% of our operating cash flows to shareholders.

Recently, we announced a 10% increase in our quarterly dividend, contributing to a 16% compound annual growth rate since 2012. The dividend increase reflects the confidence we have in our growing mid-cycle cash flow generation and our disciplined approach to capital allocation, including a secure, competitive and growing dividend.

In Refining, we continue to run at crude utilization rates above the industry average for the fifth consecutive quarter. We remain focused on improving performance, increasing market capture and reducing costs to enhance our earnings per barrel. We have achieved over $560 million or more than $0.80 per barrel in run rate cost reductions from business transformation. We expect to achieve our full $1 per barrel run rate target by the end of the year.

In Midstream, our NGL wellhead-to-market business is focused on capturing operating and commercial synergies of over $400 million by year-end 2024. Midstream's estimated 2024 mid-cycle adjusted EBITDA is $3.6 billion, providing stable cash generation that covers the company's top capital priorities: funding sustaining capital and the dividend.

During the first quarter, we achieved a major milestone with the start-up of our Rodeo Renewable Energy Complex. Slide 5 summarizes our journey to transform the San Francisco refinery into one of the world's largest renewable fuels facilities. The facility benefits as a superior location to secure renewable feedstocks and market renewable fuels. The project leverages existing assets and is expected to generate strong returns.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We began producing renewable diesel from our Unit 250 hydrotreater in April of 2021. We have gained valuable operational experience and market knowledge that positions us for success in our expanding renewable fuels business. Unit 250 continues to exceed expectations and has increased production to approximately 10,000 barrels per day.

Our Rodeo Renewable Energy Complex is producing 30,000 barrels per day of renewable fuels. We're on track to increase production capability to full rates of approximately 50,000 barrels per day by the end of the second quarter. Once complete, we'll have the ability to produce renewable jet, a key component of sustainable aviation fuel.

We're proud of the team's strong project execution and appreciate their commitment to operating excellence in achieving this significant milestone. The Rodeo Renewable Energy Complex positions Phillips 66 as a world leader in renewable fuels.

Slide 6 provides an update on business transformation progress. Our run rate savings were $1.24 billion at the end of the first quarter, comprised of $940 million of cost reductions and $300 million of sustaining capital efficiencies.

Through the first quarter, we've achieved $750 million in annualized cost reductions. The majority of these cost reductions relate to refining operating and SG&A expenses as well as benefits to equity earnings and gross margin. We are on track to realize $1 billion of cost reductions in 2024 to sustain higher cash generation.

Before I turn the call over to Kevin to review the financial results, I want to stress that the market fundamentals are good, our assets are running well, and we have a clear path to achieving our strategic priorities and growing cash flows.

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Thank you, Mark. Slide 7 summarizes our first quarter results. Adjusted earnings were $822 million or $1.90 per share. Operating cash flow, excluding working capital, was $1.2 billion. We received distributions from equity affiliates of $348 million. Capital spending for the quarter was $628 million, including $171 million for a Midstream joint venture debt repayment. We distributed $1.6 billion to shareholders through $1.2 billion of share repurchases and $448 million of dividends. Net debt-to-capital ratio was 38%.

Slide 8 highlights the change in results by segment from the fourth quarter to the first quarter. During the period, adjusted earnings decreased $540 million, mostly due to lower results in Refining, Midstream and Marketing and Specialties, partially offset by improved results in Chemicals.

In Midstream, first quarter adjusted pretax income of $613 million was down $141 million from the prior quarter, reflecting lower results in transportation and NGL. Transportation results were down mainly due to a decrease in throughput and deficiency revenues, partially offset by seasonally lower maintenance costs. The NGL business decreased primarily due to a decline in margins as well as lower volumes, reflecting impacts from winter storms.

Chemicals adjusted pretax income increased $99 million to $205 million in the first quarter. This increase was mostly due to higher polyethylene margins, driven by improved sales prices and the decline in feedstock costs as well as lower turnaround costs. Global O&P utilization was 96%.

Refining first quarter adjusted pretax income was $228 million, down $569 million from the fourth quarter. The decrease was primarily due to lower realized margins. Our commercial results were less favorable than the previous quarter, in part due to inventory hedging impacts in a rising price environment and less advantageous pipeline arbs.

In addition, realized margins decreased due to lower Gulf Coast clean product realizations. Our Refining results and market capture of 69% were also negatively impacted by maintenance activities on downstream conversion units as well as the renewable fuels conversion at Rodeo.

Marketing and Specialties adjusted first quarter pretax income was $345 million, a decrease of $87 million from the previous quarter. The decrease was mainly due to lower domestic marketing and lubricant margins. Our adjusted effective tax rate was 21%.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Slide 9 shows the change in cash during the first quarter. We started the quarter with a $3.3 billion cash balance. Cash from operations, excluding working capital, was $1.2 billion. There was a working capital use of $1.4 billion, mainly reflecting a $2.6 billion increase in inventory, partially offset by benefits and accounts payables and receivables, which included the impact of rising commodity prices.

Net debt issuances were $802 million. We returned $1.6 billion to shareholders through share repurchases and dividends. Additionally, we funded $628 million of capital spending. Our ending cash balance was $1.6 billion. This concludes my review of the financial and operating results. Next, I'll cover a few outlook items for the second quarter.

In Chemicals, we expect the second quarter global O&P utilization rate to be in the mid-90s. In Refining, we expect the second quarter worldwide crude utilization rate to be in the mid-90s. Turnaround expense is expected to be between $100 million and $120 million, excluding Rodeo. We anticipate second quarter Corporate and Other costs to come in between $330 million and $350 million, reflecting higher net interest expense.

Now we will open the line for questions, after which Mark will make closing comments.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Neil Mehta of Goldman Sachs.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

I guess the first question was just Refining in the quarter. The capture rates were really noisy at 69%. I know you guys target 75%. It looks like a lot of that was on the West Coast because of Rodeo and then also secondary products. So you alluded to some of this in the prepared remarks, but maybe you can just talk a little bit about what happened there and your confidence about the progression as we work our way through the year.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, Neil, that's a great question. Thank you for asking that. The way I'm looking at this is those first quarter headwinds that you mentioned in Refining are all related to activities that will position us to deliver medium- and long-term tailwinds in support of our strategic priorities. And so it's some of the fundamental work going on around Rodeo and some of the work around our turnarounds are critically important.

And Rich and Kevin can drive into that a little bit more. And including some of the activities in commercial that we underwent over the last several quarters, that will contribute to our long-term success. So Rich, do you want to dive in?

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Yes, Mark. And Neil, when I reflect back on the quarter, I look at the metrics, and we ran pretty well. But the market capture, obviously, was challenged, and it was primarily driven by activity in the Gulf Coast and the West Coast. We achieved about an 84% clean product yield, which, for our assets, is pretty good. It's actually 1% higher year-over-year.

So it is a sign that our margin projects are actually playing into the bottom line here as we move forward. However, quarter-over-quarter, we were 3% lower than the fourth quarter. 1% of that very clearly is seasonal. It's butane blending related to our conversion as we move towards summer gasoline over the quarter.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Another 2% is really related to our turnaround activity, and this was principally focused in the downstream catalytic units across our system, and it was concentrated in the Gulf Coast area. This has really 2 effects when it comes to market capture and clean product yield. It reduces our ability to produce higher-value products, and it increases our intermediate inventories over the period.

Now on the West Coast, we have the conversion of the Rodeo facility, which is a compounding event. Essentially, it effectively had a $180 million loss and adjusted pretax income in the quarter as we transformed the business. And if you think about the business, it went from active to idle to reactive across this first quarter. The good news is we're near completion of the Rodeo conversion, and I actually would say we're well into the wind-up phase now.

So to summarize, I guess, the Rodeo start-up is on schedule, ramping up production. Approximately 50,000 barrels a day of renewable fuels will be achieved out of that facility in the second quarter. And we positioned our units across the system to run full conversion rates with fresh catalysts and ample intermediate inventories for the upcoming driving season.

Kevin, did you want to add anything?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes. Let me just put a couple of numbers to some of these items. So in terms of some commercial impacts that we talk about, on Gulf Coast product pricing differentials, in absolute terms, that was a $50 million headwind in the first quarter. The inventory hedges that I referenced in the earlier comments, which primarily impacts Central Corridor, that was a $100 million headwind in the first quarter. These are not variances, these are absolutes in the quarter.

And then on the West Coast, Rodeo, in overall terms, was a $180 million negative or loss for the quarter. So the West Coast results are bearing that drag from the impact of the Rodeo conversion.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. And I think, just to put that in context, we're taking a disadvantaged refinery and converting it into one of the world's largest renewable fuels facilities. And so to bridge to that, we took the heavy lift this quarter, and now we're well positioned to start delivering value again from the Rodeo facility as we continue to push it to full rates through the second quarter.

And then on the Gulf Coast, the way you have to think about that is we're still maximizing our crude utilization throughput, but that crude turned into intermediates instead of clean products by design because of the turnaround work we had underway. So now we've got that inventory of intermediates poised to be converted into clean products as we continue to ramp back up into the summer season. So we're well positioned going forward.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

That's a lot of good color. The follow-up is just on balance sheet, Q1 is always a noisy quarter for working capital. And that cash flow bridge, Kevin, is really helpful. But just your perspective on where you want to get your net debt to capital over time, what's the path to get there, including potential asset sales? And then how do we think about working capital getting into that equation? So big picture question around that metric.

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes, Neil, so let me hit on the working capital piece first. So negative $1.4 billion in aggregate, about $2.6 million of that is a function of inventory build. And so we did have some partial offsetting benefit in payables and receivables, and that was driven by 2 items.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

One, the rising price, the absolute rising price environment generally is positive for net AP/AR. So we saw some benefit there. But we also benefited on receivables by collecting, in the first quarter, cash from fourth quarter inventory drawdown, and that was several hundred million dollars that showed up in there.

But on the inventory build, it's a sizable build, and I would say, it's really a function of both commercial opportunity inventory as well as some operational-driven inventory. And the way to think about that is the operational barrels will turn into margin at a future point in time, like the intermediates that we've talked about.

The commercial inventory build, those will generate a return that will be in excess of anything we will realize on cash balances. And fundamentally, it's all still sitting in a liquid asset on the balance sheet. So that kind of talks to the working capital. And consistent with normal practice, you would expect that inventory to come back down in the -- towards the end of the year, and you'll see some of that cash coming back to us.

In terms of balance sheet and the leverage levels, we are above our targeted range, so 25% to 30% target range. Still comfortable with that target. You'll notice that we've been leaning into the share repurchases quite heavily, and that's a function of our confidence in the business, in the outlook, our growth that we see coming in terms of the $14 billion of mid-cycle adjusted EBITDA. And so it feels like still a pretty compelling opportunity for us to be buying shares back even if, in the near term, it's at the expense of that leverage metric. So still expect to get there to that level. That's still our objective.

And the other comment I'd make on leverage, the other metric, the other way we look at this is the non -- or the much less commodity-sensitive businesses, the Midstream and the Marketing and Specialties business, is our ability for those businesses to basically be able to bear the debt that the company has. So on a combined basis, that's circa $6 billion of EBITDA generation.

And if you think of a typical leverage multiple for businesses like that, call it 3x, that's $18 billion of net debt, which is roughly where we are. And so that's the other measure we look at. And that keeps the Refining business avoid that volatility being part of that, the way we look at that debt level. So it keeps us very comfortable from a balance sheet standpoint.

Operator

Our next question comes from Roger Read of Wells Fargo Securities.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

I'd like to, if we could, maybe look at -- I guess it's a combination of the OpEx that we're seeing in Refining and, I guess, let's say, juxtaposed against the progress you're making in overall cost reduction. So during the first quarter going from $630 million to $715 million on a cumulative basis, if I look at cash OpEx, it's kind of stable over the last 3 quarters.

Recognize a lot of stuff's going on, but if you could help us kind of put those 2 together and maybe where you see the impact on cash OpEx, or maybe if it's embedded in the actual Refining margin. Where we're seeing the cost savings manifest in Refining?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. I think that, certainly, the majority of our business transformation cost impact is showing up in Refining, and we've been out delivering our targets, overdelivering against our targets and certainly continue that into 2024. There's always a lag, and we talk about run rate and then we talk about realized, and we're going to make sure that you keep track, too.

The run rate is where the speedometer is at this point in time. The realized is what we're actually seeing show up in the numbers, and we've seen good progress in Refining. And we'll continue to see that throughout this year as we rise up to our forecasted $1.1 billion in cost and $300 million in capital synergies, capital savings. And so Rich can drive into those cost numbers for you, Roger, and give you some color around that.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Yes. So the end of last year, Roger, we, on a run rate basis, passed the $500 million or $0.75 -- roughly $0.75 a barrel number on run rate last year and realized about $0.41 of that last year. As we fast forward now into -- through the first quarter here, we see that realized number creeping up to the $500 million -- actually, slightly over the $500 million number. So it's coming in at that $0.75. And it's roughly that delay that Mark's talking about, roughly a 90-day delay in achieving that.

So when we go back and we validate those spends -- and remember, those spends are over 900 separate initiatives that we've completed across the organization. We go back and revalidate these. So we are seeing those start flowing to the bottom line for Refining. And if you look at our year-over-year OpEx, it is noticeably lower even in the face of inflation, pretty heavy inflationary period here that we faced over the period of time.

So we're happy with the progress. On a run rate basis, at the end of the first quarter, we've achieved $560 million of run rate, which equates to about $0.80. And that's on a trajectory for the year-end of $1 a barrel target that's set for the organization, which is roughly $650 million by the end of the year. So we're well on that pace to achieve that, and the program is pressing forward.

And like I had mentioned earlier, it's a seriatim of hundreds, if not thousands, of initiatives to execute, and it's really intended to drive work and efficiencies out of our work process. And as that happens, we want to make sure that, that changes how we do our work. It influences how we make decisions, but it should not compromise safety, reliability or earnings power for the organization.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, Roger, and I really want to drive home what Rich just said, that the cultural impact on the organization has been impressive, particularly out in the field, whether it's Midstream, Refining, wherever you are. And we have a workforce that has bought into it, and it's committed to driving higher levels of performance. They understand right out at the front lines, they understand what our strategic priorities are and how they can contribute to us getting there. And so they're digging in, and they're looking at those opportunities every day.

And across the organization, we continue to simplify work, to make work easier for people to get done. So get people the right digital opportunity so they can make better decisions faster, whether it's commercial or whether it's an operator on the front line. And the organization, we're also simplifying. And we want to ensure that we've got a streamlined organization that will support sustainable success around both cost and performance, and we're seeing that live as we move forward.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

No, I appreciate the detail there, everybody. I guess, just a follow-up question. On the announcement of the potential sale of the European retail assets, how does that affect the partial ownership you have in Refining assets on mainland Europe, MiRO, specifically?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes, Roger, it's Kevin. So we're selling the Germany and Austria retail assets, like we said. That's a company-owned, dealer-operated model, primarily almost 1,000 sites across those 2 countries. That's a high-performing business, top-rated many years in a row, 10% of market share in each country. A great business, but doesn't really integrate with the sort of core strategic focus areas that we have as a company. So just a little bit of background as to why those assets.

It does not include our ownership in the MiRO Refinery in Germany. And the reason for that is the majority of buyers for those type of retail assets would not be interested in refinery ownership. If there's a buyer that is interested, then that's a separate conversation, and we'll handle that separately. But this package right now is focused on those marketing assets.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Operator

The next question comes from Ryan Todd of Piper Sandler.

Ryan M. Todd - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Maybe if I could start with one on Rodeo. I mean congrats on getting the project -- the Rodeo Renewed project up and running. You mentioned the loss in the first quarter, and I know like early days are challenging, it's ramped for its full capacity and optimized performance.

But can you walk through maybe what to expect over the next few quarters there? When do you anticipate hitting full production capacity? How do you anticipate the feedstock mix to change over the next few quarters as you run more advantaged feeds? And how should we think about that negative $180 million moving towards profitability from a time line point of view as we look over the course of this year?

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Sure, Ryan. I got that. This is Rich here. So maybe first, I'll start with a time line of the Rodeo facility. As you know, we've been ramping this facility down and hit a milestone in February of this year, with a complete shutdown of the facility after 128 years of legacy of running as a crude processing site. That first transition occurred on the first hydrocracker, and they went into renewable fuels feedstock production in March of this year.

So that first phase is up and running, and that's, that milestone we're talking about here. And that's allowed the facility, in complement with the Unit 250 operation that Mark mentioned in the earlier comments, with the first hydrocracker to produce about 30,000 barrels a day of renewable fuels. The second hydrocracker and the pretreatment unit will both finish construction in the May time frame, and we will start those up in the June time frame.

So by the end of the second quarter, the facility will be at full production rates. Now what does that all mean when it comes to margin? So margin in this business is driven a lot by the carbon intensity of the feedstocks. And Brian's team has been actively engaged in that over the last couple of years on aggregating the number of feedstocks.

So the way we see this is, we will start with essentially the pretreated material in the second quarter at a higher CI, roughly 50 CI number. And over the third quarter, we see the carbon intensity of our feedstocks continually ramping down through that third quarter. But by the end of the third quarter, I would expect to see us in the lower to mid-CI range of 30s, in that range. And that's primarily driven by processing more recycled fats, oils and greases that are aggregated throughout the world.

So -- and then as a supplement to all of that, we're seeing a growing interest in sustainable aviation fuel as well. So we have positioned the facility to begin production of sustainable aviation fuel, which is a key component is the renewable jet that's blended into that. And that production will be capable starting in the third quarter as well. And we do expect to be a prominent supplier in the market on that.

So the good news is Rodeo's through that start-up process, that shutdown/start-up process, and now we're in the ramp-up phase, I'll call it. It's online, and we're ramping up production right now.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. Ryan, when we get up to full rates, we'll be able to produce something on the order of 10,000 barrels a day of renewable jet fuel, which gets blended up then to sustainable aviation fuel in the marketplace. And this kit is going to be designed for continuous optimization, whether it's the split between jet and diesel fuel or the feedstocks coming in.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Because of the feed pretreatment unit we'll have, we'll have great flexibility. And so we'll optimize on CI, cost and revenue and as well as the incentives that are out there. So it's going to be an interesting facility to have in our kit, and we're looking forward to getting it fully online and generating cash.

Richard G. Harbison - *Phillips 66 - EVP of Refining*

I think it's supplemented as well by the last-mile strategy that Brian's team has put in place. That prevents leakage of value as we deliver the product to the end user there, and that should play out nicely as we increase production from the facility.

Ryan M. Todd - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

And do you have -- have you signed contracts on the SAF front? Are you in ongoing negotiations there with partners?

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

We're concurrently in negotiations with partners. We've seen a lot of interest in SAF.

Ryan M. Todd - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Great. Maybe just one, changing gears to chems, on the Chemical side, the better-than-expected performance of CPChem. Can you talk about kind of the drivers of improvement there? Is it primarily feedstock-related? Are you seeing any signs of underlying improvement in market conditions and maybe how you're looking at the rest of the year?

Timothy D. Roberts - *Phillips 66 - EVP of Midstream & Chemicals*

Yes. Ryan, this is Tim Roberts, and I'll chat about that. I'll cover 3 things because I think there'll be other questions around it. First one I wanted to talk about is actually more on the leadership side. I just wanted to recognize Bruce Chinn, who was the recently retired CEO at CPChem. He did a really good job there, great leadership, great drive for excellence, and he'll be missed.

We have an internal candidate, Steve Prusak, who's assumed the role of CEO. Steve has been very successful in all phases of the Chemical business, and we are highly confident in his ability to lead and take CPChem to the next level of industry-leading performance. So that, I want to thank both of those guys.

Now on the macro side, let me talk about that, and then I'll get specific to CPChem. Macro, clearly, the heavy-light spread with regard to being light feed versus heavy feed, it's really been a boon to those that can crack the light feedstock, especially CPChem, who's well positioned not only in the U.S. Gulf Coast but in the Middle East. And so it's -- the advantage is pretty wide right now. And so they've been able to take advantage of it. In fact, the industry in the U.S., if you're cracking light, you like it.

However, I will tell you, we are not at mid-cycle margins. It has come off the bottom, which is good. A lot of that is really related to more about feedstock. So natural gas has come off. It's come down. And subsequently, ethane's come down with it, as has some propane and butane as well. And so subsequently, that gap has gotten bigger, and then, anyway, that's showing up, and then, also, the lower feedstock and natural gas relative to utility cost.

So the combination of those 2, as well as just a little bit of support on polyethylene pricing, not a lot, but enough to help widen up that chain margin a little bit. So I think that's been good. We still think, though, that although we're off the bottom, we still think it's hard to see us getting to mid-cycle anytime during 2025. But certainly, supply-demand fundamentals, as destocking goes, we do see that it's -- sometime after 2025, you can see it rebalance and then get back into a mid-cycle environment.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Specifically to CPChem, though, I do want to highlight as well with them that they've had a couple of their mid-cap projects that did come onstream late last year, C3 splitter, the 1-hexene unit, and then they also added another furnace to one of the large crackers there. And 1-hexene and C3, they're adding earnings in the first quarter. So they're up, they're running. They have run it higher than nameplate capacity, which has been really good, and again, generating earnings that are showing up at CPChem's results.

And we're in really a start-up mode with the furnace. That work is complete. They're starting it up, going through the normal shakedown you will have with those units. And we're hoping, in 2Q, you'll see something more material on the earnings side there, too.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. Ryan, you're seeing live the last almost 25 years of what CPChem has done to position themselves to be able to run flat out at the bottom of the cycle. And they did that, and they did that profitably. And you're seeing rationalization of assets in Europe while they're running at flat-out rates.

And so that's encouraging from a CPChem perspective. We need to see that in this down cycle to see some of the less competitive assets come out of the system, and that's going to be constructive. And that will help accelerate the industry out of the bottom of the cycle and to greener pastures out in the next couple of years.

Timothy D. Roberts - *Phillips 66 - EVP of Midstream & Chemicals*

And Mark, to add on to that point, I think that's a great point. What you're seeing is that a lot of your higher-cost folks, they're running at reduced rates or they're shut down and extending maintenance or running at reduced rates. And we've even seen some facilities, namely in Europe, 2 announcements of 2 crackers that will be shutting down from some competition there because they're at the wrong place in the cost curve, whereas CPChem is on the right place in the cost curve.

Operator

Our next question comes from Manav Gupta of UBS.

Manav Gupta - *UBS Investment Bank, Research Division - Analyst*

Guys, so you did a good job of explaining the variability in earnings quarter-on-quarter on Refining. Can we go through some of that in the Midstream? We saw a big variation on the NGL and Other side. I mean transportation wasn't off that much, but help us understand what drove the variability in the second part of that business.

Timothy D. Roberts - *Phillips 66 - EVP of Midstream & Chemicals*

Yes. Manav, thanks for the question. This is Tim Roberts again, and let me go ahead and address. I mean first thing I want to lay out there is that last quarter on the earnings call, I talked about guiding towards $675 million per quarter IBT, and we're staying with that. I mean that still feels good, $3.6 billion to the year. That's where we're at. So I just wanted to make sure we were -- that hasn't changed. Now if you look at 4Q and 1Q, 4Q was a strong quarter, okay? That was the first thing.

You had some onetime things that showed up in that fourth quarter. And in first quarter, what impacted it and especially the variance, number one, winter storm. So the winter storm, it impacted us and impacted other people, too. And really, the impact was, and I think it's worth noting, were really not to our assets, it was to the producers. So we really weren't seeing the volumes come down the pipe due to freeze-offs and a variety of other different issues.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So it took a while for those volumes to get back up and get running again and then subsequently start working their way through the system. So about $30 million impact there. And then also, we had some commercial true-ups from fourth quarter to first quarter, commercial true-ups, accruals and some inventory timing that showed up between fourth quarter to first quarter.

And so if you put those 2 quarters together, you really are getting in somewhere north of that $675 million number where we're at. We think we'll be on a more normalized basis as we go into 2Q. And you'll see some inventory timing issues will show up. It's not big, but some will show up in the second quarter as a positive. But generally, that's kind of how we look at it. We're still in that $675 million is the right number as we see throughout the year.

Manav Gupta - *UBS Investment Bank, Research Division - Analyst*

Perfect. My quick follow-up is on the diesel macro. We have seen some pullback in cracks. Wasn't fully anticipated because we expected Russia volumes to drop, which they did not. So I know Jeff does a lot of detailed work on this, so if you could help us with your crystal ball as to what's going on in the diesel world. And do you expect the cracks to get stronger in the year?

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

Manav, this is Brian Mandell. I would say that we've had a number of issues. We had a warm northeast U.S. winter, then refineries came back and they were running really well. Prices for diesel are in contango. We have seen about 200,000 barrels a day of Russian distillate off the market. But we are constructive. We do think the market will come back. You're seeing -- starting to see run cuts in Europe and Asia with hydrocracking and hydroskimming margins at breakeven.

As we move into driving season, we could see more gasoline mode. In fact, you're seeing gasoline over distillate on the coast in the U.S., East and West Coast. And that could drive less distillate moving to more jet production from diesel, particularly fixing ahead into China's Labor Day, Golden Week, and we see real strong jet demand. And then continue to geopolitical issues, if Russia's hit again, that means that diesel exports as well. So we think that things are going to look better coming out of kind of this trough here.

Operator

Our next question today comes from John Royall of JPMorgan.

John Macalister Royall - *JPMorgan Chase & Co, Research Division - Analyst*

I had a follow-up on the retail sale in Europe. Are there any other assets on the international marketing side that might be less strategic that could shake out there? And on the U.S. Marketing side, is the majority of that business too integrated with the Refining operations to separate? I'm just trying to get a sense of the strategic direction in Marketing in light of this new sales process.

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes, John. From a Europe standpoint, the other marketing businesses are in Switzerland, where we have a joint venture with Coop, and in the U.K. And the two are very different in that the Switzerland business is somewhat of a stand-alone retail business, but it's also in a joint venture structure, and so the dynamics are a little bit different around that.

The U.K., that marketing business is very integrated with our Refining in the U.K. So it's much more akin to the U.S. model, where the Marketing business serves to help ensure product placement coming out of the Humber Refinery. And that's really the case for the U.S. Marketing business as well. It's very much integrated with the Refining system across the different regions.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

John Macalister Royall - *JPMorgan Chase & Co, Research Division - Analyst*

Great. And then my next question is on the West Coast. And I think Mark sort of alluded to this a little in his response to Neil. But how should we think about the structural capture rate on the West Coast? And how it's going to be different now with the Rodeo officially an RD unit and not a refinery? Should we expect it to be higher than what we've seen historically as a result?

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Well, do you want me to start with that?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Sure.

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Come over the top. This is Rich Harbison. So there's a reason, John, we've gone to Rodeo and converted it into a renewable fuels stock. It has not been a meaningful contributor to the earnings profile on the West Coast for quite some time now. So that -- we're looking forward to getting that change fully implemented. And we do think that will have a marked change to the West Coast profitability.

The Los Angeles and the Ferndale facilities will continue to operate, and they've been good contributors to the West Coast. But I'll say, in general, the West Coast is a challenging market to make money on the Refining side of the business. Our Los Angeles Refinery has been challenged with the declining supply of California domestic crudes, which has taken away a lot of the original crude advantage for that facility when it was originally built.

Now the TMX pipeline is opening up, so there's a change in the crude flow dynamics, which has the potential to have a positive impact on the Los Angeles facility. And we'll see how that dynamic works out here over the next few months as these crude flows change around. But changing and pulling the Rodeo refinery out will have a marked change on the West Coast.

Operator

Our next question comes from Matthew Blair of Tudor, Pickering, Holt.

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*

Are you able to share the approximate EBITDA contribution of those German and Austrian retail assets up for sale? And then the cash from the sale, would that be earmarked for, like, share buybacks? And if so, would that mean an increase to the $13 billion to $15 billion target?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes, Matt, this is Kevin. The EBITDA, I'll give you the numbers that are on the information that we're providing to the prospective buyers. It's a -- the range is EUR 300 million to EUR 350 million, which the conversion for that is $325 million to $375 million. If you pick the midpoint, $350 million of EBITDA is probably your best number to go with on that.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

In terms of cash generation, as we've previously stated, our cash return target of $13 billion to $15 billion was not dependent on proceeds from asset sales. So it does have the potential to increase that. But I would also say, we haven't made any definitive decisions on exactly how that cash would be deployed. And also, the timing is still quite uncertain at this point anyway. These processes usually take a while to run through. So that will be something that we will make a determination on near the time when that cash inflow becomes real.

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*

That's great. And then the $180 million hit from the Rodeo conversion, I think that's a little bit higher than what we're expecting. What drove that increase? And can you provide any sort of breakout on like how much of that was in gross margins versus OpEx versus depreciation? And then also, is it fair to assume that the current Rodeo plant is EBITDA negative since it's not running the low CI feeds yet?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

So on the first question, we're not going to give that level of asset-specific breakout. And I would say, the $180 million does not include -- the absolute loss on a GAAP basis is a bigger number, again, because we had some impairments related to assets that are taken out of service. So the $180 million is on the -- consistent with the way we report our adjusted earnings. And it does show up in the different areas, but we're not going to provide that level of line item breakout.

The second question was around EBITDA while we're in ramp-up mode. My observation, and others can supplement this is, clearly, when we're in ramp-up mode, we're running the higher CI feedstocks. We don't yet have the full economies of scale because we're in ramp-up mode. EBITDA generation is going to be challenged than the early phases. But as we go through that series of bringing all the units up, production coming up to the 50,000 barrels per day, the feedstocks migrating to the more -- the lower carbon intensity, we should start to see that transition into positive EBITDA contribution.

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Supported by sustainable aviation fuel.

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

That's right. It's another uplift, yes.

Operator

Our next question comes from Paul Cheng of Scotiabank.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Analyst*

I have to apologize, but I want to go back into the West Coast. Can you share that what is the OpEx, excluding Rodeo? And also what is Rodeo going to look like once it's fully ramped up in terms of the OpEx? That's the first question.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

OpEx, excluding Rodeo, yes, Paul, I think the best way to answer that is because we don't give that level of asset level detail out. But we will be providing more reporting transparency on a going-forward basis that will enable you to see the kind of level of information that your -- the questions that you're asking for.

In future periods, we will be providing more transparency around the Rodeo renewable fuels business separate from West Coast Refining. And so I would just say, I know that doesn't help you in terms of modeling right now, but just watch this space because we will be providing more transparency around that.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Right. Kevin, can I ask that, from the first to the second quarter, I understand there's some onetime OpEx related with that transition in the first quarter. So the OpEx, should we assume that it's going to stay at this level as the first quarter or that is actually going to be down?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Well, it's probably down a little. There's still going to be an elevated element of that, and there's some what we would classify as turnaround-related costs associated with the conversion as well that will show up at Rodeo. But the trend is downward. We're past the peak spend, I guess, is the way to say it.

Operator

Our next question comes from Jason Gabelman of Cowen and Company.

Jason Daniel Gabelman - *TD Cowen, Research Division - Director & Analyst*

Yes. The first one is just on commercial performance. And I think you had discussed a desire to integrate different plans in terms of how you buy crude and sell product and try to maximize profitability across the portfolio, rather than at a site level. I'm just wondering if you could provide an update on that journey, and if you've seen any of that earnings benefit come through in the results. And then second, just a quick clarification. Can you remind us what your target cash balance is?

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

Jason, it's Brian Mandell. I'll give you some kind of flavor of our journey for commercial. Our commercial supply and trading organization is, as you know, an integrated global business. We have offices in Houston, Calgary, London and Singapore. And as you mentioned, our focus is now to fully optimize and capture the optionality value embedded in all of the assets and then to capture that kind of integration value between the various business segments to drive additional value for the company.

Last year, internally, we announced a reorganization of our commercial group, the goal of reducing our back office costs and continuing to advance our capabilities and value generations. We've made some really strong hires this year. We also have a companion organization that we call value chain optimization group, VCO for short, whose function is to work across the integrated value chain to ensure that we continue to make the best corporate general interest decisions.

And ultimately, we're kind of focused on driving increased earnings, maximizing our return on capital employed and increasing the market capture for our Refining segment, and doing all this while thinking about continuous improvement and continually growing the business.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

And Jason, on the cash number, the target cash balance, the same as we've said in the past, $2 billion to $3 billion. We were slightly below that level at the end of the quarter. I'd also say, the first quarter is typically a heavy drain on cash quarter. So as we look ahead, we're still very comfortable with that target level.

Operator

And our final question today comes from Theresa Chen of Barclays.

Theresa Chen - *Barclays Bank PLC, Research Division - Research Analyst*

First, on the near-term outlook for capture in second quarter and maybe third as well. Just thinking about the different moving parts, you have presumably less noise from the onetime items impacting first quarter, whether it be from turnarounds or Rodeo. But you do have WCS narrowing based on your sensitivity and the magnitude that we've seen to date, that should be a sizable headwind.

And then later, maybe with TMX ramping online, to be able to bring barrels to PADD 5 indirectly or directly, that should help your West Coast assets. Just help us think about how to reconcile these variables as we look to capture in the near term, please.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

I think at a high level, Theresa, we are laser focused on the things we can control, and that's what we focus on, and that's what Rich and Brian focus on. I think that the things out of our control would be speculative. But I think Rich can talk about what we're doing to -- and what we see over the next couple of quarters with respect to market capture potential, and Brian can chime in from a commercial perspective.

Richard G. Harbison - *Phillips 66 - EVP of Refining*

Yes. So Theresa, we talked -- this is Rich again. We talked a little bit about some of the headwinds on market capture, which, when I think about market capture from a Refining perspective, it's our clean product yield. So -- and then it's the products that we make. Are we moving up the product value chain on that?

So first quarter, certainly, some headwinds with some downstream conversion unit turnaround activity. Good news is we've refreshed all that catalysts now, and they're ready to run here. Some of that did bleed a little bit into the second quarter. But as we roll into the summer driving season, you'll see our clean product yield and product values in about the best place we can put them.

Now we continue to invest in these as well. We've seen over the last 2 years that we've completed a number of projects on this front, and continue that program through this year as well with a target of increasing our market capture by 5% from a mid-cycle basis.

Through last year, we put projects in that have raised that bar by 3%, and we expect to close the balance of that out of the 5 this year with an additional 15 projects that are currently in construction at the sites. So when we think about the market capture this quarter at 69%, I see that as a lower part of our market and something to build on as we move through the rest of the quarter as the facilities come out of turnaround cycle.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

And Theresa, this is Brian Mandell. Just to add some color on the commercial side. I would say, we're seeing, this year, gasoline and diesel roughly flat to last year in terms of demand. Jet fuel, a little bit stronger this year. I talked about our commercial organization, how kind of moving up that curve to take advantage of the optionality in our assets, we'll continue to do that.

And then thinking about WCS, you made a good comment. I would say that WCS will remain volatile. What we have appetite, we can move around different grades. So we can run Canadian heavy, we can run Canadian lights as well. We have an integrated system, a big commercial footprint. And if the WCS is unfavorable, particularly on our Gulf Coast plants or West Coast plants, we can switch to other grades such as Latin American grades and AG grade. So a lot of flexibility in our system.

Theresa Chen - *Barclays Bank PLC, Research Division - Research Analyst*

Got it. And if I could ask a follow-up related to Kevin's earlier comments about what the appropriate leverage is for the company and the commentary related to how some of your more cash flows stable businesses can bear more leverage. Can you just share with us what portion of your Midstream business at this point, what portion of the EBITDA is paid by third-party customers and not Phillips Refining paying those Midstream?

Timothy D. Roberts - *Phillips 66 - EVP of Midstream & Chemicals*

Theresa, I'll verify the number, but we're well into, I would say, it's 65% to 70% third parties.

Operator

This concludes the question-and-answer session. I'll now turn the call back over to Mark Lashier for closing remarks.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thank you, all, for your great questions. The market fundamentals that we're looking at are supportive, and our assets are running strong since the completion of seasonal maintenance activities. Our integrated portfolio is well positioned to capture market opportunities and to meet the peak summer demand.

We've got a clear path forward to achieve our strategic priorities that support $4 billion of growth from our 2022 mid-cycle adjusted EBITDA to our $14 billion target by 2025. We're confident in our ability to grow cash flows and create significant long-term value for shareholders. Thank you for your interest in Phillips 66. If you have questions after today's call, please call Jeff or Owen. Thank you.

Operator

This concludes today's call. Thank you for joining. You may now disconnect your lines.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV