Imperial Oil Limited
Q3 2024 Earnings Call Transcript

Friday November 1st, 2024

Disclaimer: Due to changes to the Competition Act, this archived information is provided solely for historical information and reference purposes. This information does not constitute an active representation of Imperial. Imperial fully disclaims any liability for the use of such information, and undertakes no obligation to update such information except as required by applicable law.

Conference Title: **Imperial Oil 3Q24 Earnings Call**

Date: **Friday, 1st November 2024**

Operator: Good day and welcome to the Imperial Oil Third Quarter 2024 Earnings Call. As a reminder, today's conference is being recorded. At this time, I would like to turn the call over to Mr. Peter Shaw, Vice President of Investor Relations. Please go ahead.

Peter Shaw: Good morning, everybody, and welcome to our third quarter earnings conference call. I'm joined this morning by Imperial's senior management team, including Brad Corson, chairman, president and CEO. Dan Lyons, Senior Vice president, Finance and Administration. Sherri Evers, Senior Vice president of Sustainability, Commercial Development and Product Solutions. And Cheryl Gomez-Smith, Senior Vice President of the Upstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found in attachment six of our most recent press release, and are available on our website with a link to today's conference call. Today's comments may also contain forward looking information. Any forward looking information is not a guarantee of future performance, and actual future performance, and operating results can vary materially depending on a number of factors and assumptions. Forward looking information and the risk factors and assumptions are described in further detail on our third quarter earnings release that we issued this morning, as well as our most recent form 10-K. All of these documents are available on Sedar+, EDGAR and our website. So I'd ask you to refer to those.

Brad is going to start with some opening remarks and then hand it over to Dan, who's going to provide a financial update. And then Brad will provide an operations update. Once that is done, we will follow with the Q&A session. So with that, I will turn it over to Brad for his opening remarks.

Brad Corson: Thank you, Peter. Good morning, everybody, and welcome to our third quarter earnings call. I hope everyone is doing well. I'm really pleased to report another strong quarter for Imperial. We saw excellent operational performance across all of our assets both upstream and downstream, which more than offset the impact of lower commodity prices on a sequential quarter over quarter basis. Despite the lower prices, net income was actually up nearly 10% versus the second quarter. I'm also happy to report that operational performance has remained strong as we've moved into the fourth quarter.

Our upstream once again saw record production and continued reduction in unit costs, which more than offset the reduction in price realizations due to the softening of WTI prices. And with TMX in operation, we're seeing the value of additional egress in narrower and more stable differentials that provide a significant net benefit to Imperial.

Our downstream business also performed well over the quarter and contributed solid earnings despite significant planned turnaround activity and softening of refinery crack spreads. All three of our manufacturing assets continue to realize the structural benefits of advantaged feedstocks and import parity pricing in the Canadian market.

So now let's review the third quarter results. Earnings for the quarter were $1 billion, 237 million with cash from operating activities of $1 billion, 797 million when excluding the impact of working capital. I'm very proud of the organization's ability to deliver on what is within their control, namely strong operational results and structural cost improvements, which positioned us to offset the moderation in crude prices and refining margins that I mentioned earlier. Earnings year to date are slightly higher than last year and up 10% on a per share basis.

In the upstream, we achieved total production of 447,000 gross oil equivalent barrels per day in the third quarter. This marks the highest third quarter production over the past 30 years, even when including the historical volumes associated with the divested XTO assets. Our focus on structural cost reductions, coupled with strategic volume growth, have driven a unit cost savings of over $3 U.S. a barrel when comparing to year to date 2023. Kearl continued the year with yet another fantastic quarter and match the assets record for highest third quarter production. And with record production now over the first nine months of the year and momentum carrying into the fourth quarter, we feel very confident in our ability to reach 280,000 barrels per day for the year on a gross basis. I'm also thrilled by the performance at Cold Lake. We had a very strong quarter that included the successful ramp up of production from our Grand Rapids Phase 1 project, which is the industry's first solvent assisted SAGD operation, which more than offset the impact of the planned turnaround activity.

In the downstream, we continue to see strong operating performance as well, including the safe execution of turnarounds at both Nanticoke and Strathcona, which were below budget and ahead of schedule. Refinery throughput averaged 389,000 barrels per day, which equates to a refinery utilization in the quarter of 90% and a year to date utilization of 91%. With the last of our planned upstream and downstream turnaround activity completed in October. We are now well positioned for a strong finish to the year.

Overall, we continue to deliver significant value to our shareholders through our reliable and growing dividend, which has now increased for the 30th consecutive year on a paid basis. We are also on track to complete the accelerated share repurchases under the normal course issuer bid by the end of this year, resulting in a 5% reduction in our share count and further returns to our shareholders. With that, I'll pass things over to Dan to discuss our financial results in more detail.

Dan Lyons: Thanks, Brad. Starting with financial results for the third quarter, we recorded net income of $1 billion, 237 million. This represents a decrease of $364 million from the third quarter of 2023, primarily as a result of lower margins in our downstream business. When comparing sequentially, third quarter net income is up $104 million from the second quarter of 2024, with strong operating performance on volumes and operating expenses more than offsetting lower prices.

Now, shifting our attention to each business line and looking sequentially, upstream earnings of $1 billion, 27 million are up $228 million from second quarter, primarily due to higher volumes and lower OpEx, partially offset by lower realizations. Downstream earnings of $205 million are down $89 million from second quarter, mainly reflecting lower refining margins. Finally, our chemical business generated earnings of $28 million, down $37 million from the second quarter, primarily driven by a business segmentation shift of aromatics products from our chemical segment to our downstream segment. There is no impact on our consolidated financial results, but there is a one-time shift at the segment level in the third quarter of 2024, with nine months of after tax earnings of $31 million and nine months of sales volumes of 120 KT, moving from the chemical segment to the downstream segment. We made this shift because we now see Aromatics as more closely aligned with our downstream finished products than with our chemical business. We will steward and report our business on this basis going forward.

Moving on to cash flow, in the third quarter, we generated $1 billion,487 million in cash flows from operating activities, excluding unfavorable working capital effects of $310 million. Cash flows from operating activities for the third quarter were about $1.8 billion, up $289 million from the second quarter of this year, which brought our ending cash balance to about $1.5 billion.

Shifting to Capex. Capital expenditures totaled $486 million in the third quarter, up $99 million from the third quarter of 2023. In the upstream, third quarter spending focused on sustaining and growing production at Kearl, Syncrude and Cold Lake. In the downstream third quarter, spending mainly included progressing our renewable diesel project at Strathcona. Year to date 2024 capital expenditures of $1 billion, 444 million are $135 million higher than the comparable period in 2023. To support the momentum

in our business, we've chosen to spend somewhat more than we initially anticipated. As such, we expect to finish this year modestly higher than the $1.7 billion guidance we provided in December of last year.

Shifting to shareholder distributions in the third quarter of 2024, we continue to demonstrate our long standing commitment to return surplus cash to our shareholders. We paid $322 million of dividends and returned an additional $1.2 billion through accelerated share repurchases under our normal course issuer bid program. We remain on track to fully complete the program by year end. Finally, this morning, we announced a fourth quarter dividend of $0.60 per share, consistent with our third quarter dividend. Now, I'll turn it back to Brad to discuss our operational performance.

Brad Corson: Thanks, Dan. Upstream production for the quarter averaged 447,000 oil equivalent barrels per day. And as I mentioned earlier, this represents the highest third quarter production in over 30 years. Production was up 43,000 barrels per day versus the second quarter, and up 24,000 barrels per day versus the third quarter of 2023. Year to date, production is on a record pace and is 25,000 barrels per day, or about 6% higher than 2023 year to date. So now let's move on and talk specifically about Kearl.

Kearl's production in the third quarter averaged 295,000 barrels per day gross, which is up 40,000 barrels per day versus the second quarter and matched the third quarter record previously set in 2023. We are off to a very strong start to the fourth quarter, with gross production around 310,000 barrels per day in October, which is looking like another record for the month.

Turning to operating costs, I'm extremely pleased to share the progress Kearl continues to make on its journey to achieving our annual unit cash cost target of $20 U.S. per barrel. Kearl's unit cash operating costs in the quarter were $17.51 U.S. per barrel, with higher volumes, greater mine productivity, favorable energy costs, and the absence of turnaround activities, unit costs decreased by almost $5 U.S. per barrel versus the second quarter. Compared to the third quarter of 2023, where we essentially had the same volumes. Unit costs are almost $3 U.S. per barrel lower, a reduction of over 13%. And on a year to date basis, our unit cash costs of $20.21 U.S. per barrel is nearly $4 U.S. per barrel lower than last year, and well on track to achieve $20 U.S. per barrel or lower for the full year. I would like to acknowledge the hard work and effort that the Kearl team delivered and continues to deliver in improving our unit costs.

So now turning to Cold Lake. For the third quarter, Cold Lake production averaged 147,000 barrels per day, which was flat versus the second quarter and up 19,000 barrels per day versus the third quarter of 2023. During the quarter, strong production from the new Grand Rapids project and the better than

planned Maskwa turnaround performance allowed us to sustain high production levels. The turnaround was safely completed two weeks ahead of schedule, resulting in about 4,000 barrels per day of incremental production over our quarterly turnaround guidance. Strong production, along with lower energy costs, resulted in unit cash costs of $12.85 U.S. per barrel, which is a decrease of over $5 U.S. per barrel compared to the same quarter last year. On a year to date basis, our unit cash costs of $15.07 U.S. per barrel is more than $2 per barrel lower than last year.

The ramp up of Grand Rapids Phase 1 has exceeded our expectations. At the end of July, were producing 10,000 barrels per day and were well on our way to reaching the expected 15,000 barrels per day as the final pumps were being installed. For the third quarter Grand Rapids achieved an average of 15,000 barrels per day, while realizing an average of 20,000 barrels per day for the month of September. And on an instantaneous basis, we have seen peak rates of 22,000 barrels per day. We're continuing to monitor the field performance, but are very encouraged by the initial production and are confident in the project basis of 15,000 barrels per day. This marks an important milestone in our strategy to transform our production at Cold Lake, and I appreciate all the work by the project team to successfully accelerate this project by a year. As we have noted before, by utilizing industry's first commercial application of solvent assisted SAGD, we expect Phase 1 alone will lower Cold Lake's unit costs by around $1 U.S. per barrel, while also reducing our emissions intensity. Our Cold Lake strategy includes additional phases of Grand Rapids development, alongside other opportunities such as the Leming SAGD redevelopment project.

Leming is another great example of our strategy to maximize value from our existing assets. This project is returning to Cold Lake's initial pilot location, which was started up over 40 years ago, to further develop that resource using SAGD technology. Construction of the new facilities continued throughout the quarter, and we are progressing on plan to begin steam injection at Leming in late 2025, with peak production expected to average about 9,000 barrels per day in 2026.

Now, a few comments on Syncrude. Imperial's share of Syncrude production for the quarter averaged 81,000 barrels per day, which is up 15,000 barrels per day versus the second quarter, and up 6,000 barrels per day versus the third quarter of 2023. During the quarter, Syncrude utilized the interconnect pipeline to import bitumen, driving higher upgrader utilization rates and producing about 9,000 barrels per day our share of incremental Syncrude Sweet Premium. At the end of October, Syncrude completed a hydrotreater turnaround, which started at the beginning of September and was completed on time and on budget.

Now let's move on and talk about the downstream, which also had strong operations in the third quarter. Overall, we refined an average of 389,000 barrels per day, reflecting a utilization of 90%. Compared to the second quarter, when we had turnarounds at Strathcona and Sarnia, we processed an additional 2,000 barrels a day in the third quarter. Refining throughput was partially offset by additional planned turnaround work at Strathcona and Nanticoke, both of which are now complete. Our year to date utilization of 91% positions us well to achieve the high-end of our full year guidance of 89% to 92%.

With the completion of the Strathcona turnaround, we added additional operational flexibility to co-process plant based feedstocks at that refinery. By co-processing these feedstocks, we can help our customers reduce their emissions and further enhance Imperial's low carbon product offering.

The Nanticoke turnaround was the largest turnaround across the company this year, and I'm extremely proud of the team for executing the site's most successful large turnaround event in decades, with completion ahead of schedule and below budget. This achievement leveraged refining capabilities within the Imperial and ExxonMobil network, bringing people in from Imperial and ExxonMobil refineries across North America to provide assistance.

From a financial perspective, our structurally advantaged downstream business remained profitable in the quarter despite significant turnaround activities and the impact of lower refining margins. We continue to progress the construction of Canada's largest renewable diesel facility at our Strathcona Refinery that will add 20,000 barrels a day of throughput capacity when completed in the first half of 2025. I'm very pleased with the progress of the construction, which will continue into next year. The Strathcona Renewable Diesel Project is a highly attractive and strategic opportunity within our portfolio, and one that leverages the numerous competitive advantages we have, including location, scale, expertise, and technology.

Petroleum product sales in the quarter were 487,000 barrels per day, which is up 17,000 barrels per day versus the second quarter, and up 9,000 barrels per day versus the third quarter of 2023, inclusive of the business segmentation shift that Dan mentioned earlier. Overall, we continue to see resilient demand in Canada with gasoline and diesel at approximately 90% and jet at about 100% compared to 2019.

Turning now to chemicals, earnings in the third quarter were $28 million, which was down $37 million versus the second quarter. The lower earnings in the third quarter is mainly due to the $31 million shift to include earnings from the aromatics business in the downstream segment. Chemical earnings for the third quarter, excluding the shift, would have been $59 million, down six million from the prior quarter. Earnings

in the quarter were up $5 million versus the third quarter in 2023, due to stronger margin, environment and absence of the major turnaround in the third and fourth quarter last year. Adjusting for the same shift, Dan and I have mentioned earnings were up $36 million versus the third quarter of 2023.

As always, I'd like to wrap up by highlighting a few other items of note. First, the Pathways Alliance is continuing to progress the design and engineering for the proposed carbon capture and storage pipeline project. During the quarter, pathways issued the request for proposals to the pipe manufacturers for the proposed transportation pipeline. As early engineering and regulatory work continues, along with consultation and engagement with indigenous communities. In parallel, we continue to have constructive discussions with the federal and provincial governments to finalize the fiscal frameworks necessary for this important project to proceed.

And finally, we are proud to be included on this year's TSX 30 list. were recognized as one of the top 30 companies on the TSX, based on our dividend adjusted share performance of 167% over a three-year period. This is great recognition that our business strategy and execution is delivering significant value for shareholders, and a great recognition for the contribution of our workforce, who are working hard every day to grow shareholder value while delivering affordable and reliable energy for societal needs.

In closing, we had another excellent quarter. We achieved record volumes in our upstream, significantly reduced upstream unit costs, and delivered high downstream utilization while safely executing multiple planned turnarounds. I'm pleased to have shared the very encouraging initial production from our Grand Rapids project, and look forward to the completion of the Strathcona Renewable Diesel Project next year. We will continue to bring you updates on these attractive opportunities, as we remain focused on maximizing the value of our existing businesses, while at the same time responding to the changing needs of our customers and while maintaining reliable and affordable energy for Canadian consumers.

As I look ahead to the end of the year, with all of our planned turnaround activity completed now, we're very focused on a strong finish and continuing to return surplus cash to our shareholders by completing the accelerated normal course issuer bid by the end of the year.

I would also like to share that we are planning to host a conference call on December 12th, as we issue our annual guidance for 2025, and we are also planning an Investor Day with a longer term outlook in the spring of 2025.

And as always, I'd like to thank you once again for your continued interest and support. So now we'll move

to the Q&A session and I'll pass it back to Peter.

Peter Shaw: Thank you Brad. As always, we'd appreciate it if you could limit yourself to one question plus a follow up so that we can get to as many questions as possible. So with that, operator, could you please open up the phone line for questions?

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions. We will take our first question from Manav Gupta with UBS.

Manav Gupta: Congrats on another strong quarter. My question here is basically on the Syncrude strong performance there. Just help us understand what are the realized benefits you are seeing of this bidirectional pipeline. How is it helping you deliver stronger results at Syncrude?

Brad Corson: Yeah, thanks for the question, Manav. And as you'll recall, we've had this bidirectional pipeline in service for a couple of years now. And we see multiple benefits in that it allows us flexibility to both import, you know, bitumen at times when we have the need for additional volumes, we have additional capacity to process downstream. We can keep those downstream facilities full. And similarly, if we have, any constraints in those downstream facilities, we can shift, that bitumen over to, to Suncor's operation. And, you know, fundamentally, it just provides broader redundancy in how we optimize the operation of those units. And, you know, we continue to see several thousand barrels a day of uplift, you know, year over year as a result of that. So it's been a very, kind of value accretive investment that we've made, and we continue to feel quite good about it.

Manav Gupta: I think my second question is, looks like Grand Rapids Phase 1 is even going better than planned. So how should we think about you know further opportunities, further similar opportunities at that asset?

Brad Corson: Yeah, thanks for that recognition. And certainly we share your optimism. It is going better than planned. You know I have to caution that it's still early days. You know, we've only been producing crude for, you know, for a few months. I think first oil was back in May, as I recall. So we're continuing to ramp it up. We're continuing to optimize, kind of the reservoir performance, optimizing the injection rates of steam and diluent. But all the indicators are looking very positive. And so what that means, looking ahead is again, further validation of our strategy with SA-SAGD. We've mentioned in the past that we have up to ten

phases of potential Grand Rapids development. So maybe not surprisingly, with these encouraging results, I'm continuing to challenge the team for what opportunities do we have to bring those future phases forward on a more accelerated basis, so we can leverage these early successes. So the team is evaluating those options. But, you know, safe to say that we do see multiple more phases of development. And we're going to be advancing those. And you know I think that's one of the exciting things about our Investor Day planned for the spring of 2025, is we'll be in a position to lay out more of those plans. But again, I think the bottom-line is we're feeling really good about it. And that will have implications not just for this year and next year, but subsequent years longer term.

Manav Gupta: Thank you so much for taking my questions.

Operator: We will take our next question from Neil Mehta with Goldman Sachs. We will take our next question from Neil Mehta with Goldman Sachs.

Brad Corson: Hi, Neil, can you hear us? Operator, maybe we could go to the next question and we could come back to Neil.

Operator: Yes. We will take our next question from Menno Hulshof with TD Securities.

Menno Hulshof: Thanks and good morning, everyone. I'll maybe start with a question on digitization since it feels like we haven't talked about it in a while. Can we just get a refresh on where you're currently focusing your digitization efforts, and what is a reasonable expectation for annual investment in 2025 and beyond?

Brad Corson: Yeah, thanks for the question. And you're right, maybe we haven't talked about it much recently, but, that's no reflection on kind of the business focus on it. There's a lot of work going on to continue to leverage technologies available to us, to continue to explore applications of new technologies. What we shared at our last Investor Day was the potential value of well over a billion dollars that we could anticipate from further digital technologies. And at the time, I believe we had indicated that we had captured maybe about 500 million of those.

And the journey continues. You know, the one that we have been talking a lot about lately is what we've done with autonomous haul trucks. And, you know, that's just a great achievement for us that we now operate, you know, a fully autonomous mine with all of our heavy haul trucks. We're the only operator in our industry that has been able to achieve that. And from that, we are seeing both cost and productivity benefits. And also kind of underlying that is improve safety performance or lower risk of safety incidents. So we feel quite good about that.

I've talked now over the last two quarters about completing really every one of our turnarounds ahead of schedule and below budget. And digital technology is a key enabler there as we employ technologies in advance of shutdowns to allow us better predictive capabilities on what to anticipate when we open up pieces of equipment, allowing us to defer, you know, opening up other units that don't have any indications of issues. And we're inside of large tanks and vessels being able to use drone technologies to inspect those.

We just had our board out to Cold Lake, to really showcase what we're doing with Grand Rapids, but as part of that, we also featured, what we're doing with kind of a robotic dog and who we've named Spot. and Spot is helping supplement our operations staff by regular monitoring of equipment performance, allowing us to have more real-time data and also gathering that data in a more efficient way. And so those are just a few examples, but there's many of them. You know, when it comes to digital technologies, it's not a short list of three, four or five things, it's more like 30, 40, 50 things that the organization is pursuing. And when we have our Investor Day and in the spring of next year, I'm sure we will showcase, you know, many digital advancements that we're pursuing. Because again, we do see it being very accretive to our business.

Menno Hulshof: Thanks, Brad. That was really helpful. The second question is on a base and egress in the Enbridge mainline specifically. It looks like we're starting to see low single digit apportionment again for November. So the question is do you know what is driving that and are you surprised to see it with TMX just having ramped up?

Brad Corson: Yeah. it's a great question. We're not surprised at all by the lower apportionment. You know, what it reflects, I think, is some rebalancing of volumes between the Enbridge system and the TMX system based on producers' volume commitments on TMX. Overall, I think it's a great story for industry that TMX has now been started up. We have more egress capacity from the basin, you know, through Enbridge and through TMX. The producers are all leveraging that to move their products, to what they see as the highest value markets. And they have more flexibility. And that also has provided stability to the market, such that we are now seeing a narrower WCS differential and we're seeing that differential be more stable. So I think it's a great result for Canada. It's a great result for our industry, and it's a great result for Imperial and it has contributed to the earnings I've just announced.

Menno Hulshof: Thank you.

Operator: We will take our next question from Greg Pardy with RBC Capital Markets.

Greg Pardy: Hey, thanks. Good morning and thanks for the rundown, as always, Brad. The only thing I wanted to dig into is maybe what Dan was talking about just on the Capex we're getting a question or two in terms of it being maybe a little higher this quarter than expected. And then in terms of being mildly higher, can you give us any ideas on like, you know, still under a billion eight or so or what have you? Any color there would be great. Thanks.

Brad Corson: Yeah, thanks. Thanks, Greg. You know, as you're I'm sure well aware, you know, when we look at our capital program, we have multiple projects that span multiple years. And so there's always, you know, some shifting of capital from one year to the next as we optimize execution. I think what we're also seeing, and I view it as a great positive, is there's a lot of momentum in our organization right now about maximizing profitable volumes. and with that, you know, we are pursuing all economic opportunities that allow us to increase production. And those economic opportunities, some of them Opex related, some of them are Capex related. And so you're seeing that.

But on balance, I think it's a really good thing. You know, Dan, I guess used the word, you know, modest, modest increase. You know, we finished out last year close to $1.8 billion of capital. This year, we're trending slightly above that rate. And so I'd say, you know, where we are year to date is somewhat reflective, relative to our 1.7 guidance. Again, I kind of hate to put out an exact number, but, you know, you can look at the trends, the projections. you know, we're going to be somewhere between 1.8 and 1.9. you know, some somewhere in that range. I think it's a good thing, you know, because again, it's translating to profitable volumes. So no concern.

Greg Pardy: Okay, no. Yeah, no, no, I mean you're a super low capital intensity business to begin with.

Brad Corson: Exactly. You know, we think about, you know, we've talked in the past at Investor Day about sustaining capital of around, I don't know, $5 per barrel or something. Well, I mean, we're producing more barrels, right?

Greg Pardy: Yeah.

Brad Corson: And so with that comes some sustaining capital requirements. But net-net, it's a really positive thing.

Greg Pardy: Yeah. No, no. Great. Okay. Maybe in just a follow up, a little bit about what Menno was asking about. But you know, everybody and his dog has got a growth project now right, in western Canada. So we're

long pipe and so on. I'm just curious as to how you guys are thinking on two fronts. One is, you know, when do we start to see more of a balance and egress maybe coming out of Western Canada? And is there anything that might mitigate that, i.e., you know, expansions on the mainline or what have you? And then the other thing is that just from your own egress perspective, how are you managing that you know medium to longer term risk here?

Brad Corson: Yeah, I think it's a good question. There does seem to be a lot of discussion and interest in that. I know as I travel around and meet with investors and analysts, you know, from our perspective, we feel really good about the amount of capacity that's available for egress. We see that there are several years of run room, based on existing capacity, but we also feel like there will likely be additional capacity that will be achieved both in the Enbridge system and in the TMX system, as those operators look for further debottlenecking. And so that's going to extend even longer, you know, the capacity available to the industry.

As we look at individual growth projects, both in the near term and the long term, you know, looking much further down the road like Aspen. We don't have any concerns about egress. And so, you know, whereas a few years ago, that was a significant consideration as we thought about new greenfield growth projects, that is not a concern for us today. We'll continue to monitor it obviously, but we feel really good about egress.

Greg Pardy: Very good. Thanks, Brad.

Brad Corson: Thanks, Greg.

Operator: We will take our next question from Doug Leggate with Wolfe Research.

Doug Leggate: Thank you. Hey, Brad, thanks for taking my questions. I'm guessing you've got some competition on the U.S. majors today. So, thanks for getting me on. So clearly, you're itching to give us an update on the operations with the Analyst Day and the call you're going to do in December. But I'm not trying to get ahead of that too much. But when you say that Kearl was doing 310,000 barrels a day in October, and you're operating costs are below $18, it kind of seems that the writing is on the wall as to where this is headed, that 300,000 barrels a day average in your 2022 Analyst Day was a stretch goal for the future. Is it too much of a stretch to say that you're there and there's an upside case to that, in which case maybe you could frame for us, how do you see you know sustainable capacity on an annualized basis? And you know operating costs below 18 would put you best in class? Maybe frame it for us a little bit if you could. And

I've got a follow up put down, please.

Brad Corson: Yeah, thanks. Thanks, Doug. And you're right that there's a lot going on with earnings releases in calls today. But I appreciate you taking time to join ours. And thanks for your question. We are definitely excited about, you know, spending some time on December 12th laying out our guidance for 2025. But then also the investor Day, we're planning in the spring as well, because we have made significant progress, really across all of our assets on some really important fundamentals around volume, cost, efficiency, you know, all with an objective of achieving best in class and resiliency for our portfolio. So a lot of good things to talk about. Kearl will certainly be featured in those discussions. And you're right, you know, a couple of years ago, that there were probably a lot of people that were skeptical of our ability to reach 280,000 barrels a day and $20 U.S. But we have clearly demonstrated our ability to do that, quite confidently. At our last Investor Day, I kind of teased out, you know, the potential for 300,000 barrels a day in the future. And, you know, since then, our teams have been actively working on very specific plans to achieve 300,000 barrels a day. So I remain optimistic that we will achieve 300,000 barrels a day in a reasonable time frame. And what we'll do at Investor Day is lay out what that time frame looks like.

And then on costs. I'm glad you raised that, because we really haven't talked much about anything other than $20 U.S. and we've been laser focused on that. But as this quarter's results illustrate, and this year's results illustrate that we do have our arms around $20 U.S. And as I mentioned, this last quarter was 1,750. So we know how to deliver something less than $20. And we will be laying out plans for the next milestone on that journey, to something materially less than $20. I'm not going to give you a new number today. We'll save that excitement for our call. But it will be a material improvement, and it will bring us to best in class. That's the goal. And all that translates to more value for our shareholders, more cash flow. You know, it comes with based on more volumes at a lower cost. So it's really exciting.

Doug Leggate: Thank you. Thank you for that. So us getting on the call Brad, you know, it's amazing to think your stock in the last five years has been the best performer of the entire energy space in that period, at least in our coverage. And so congratulations on that. However, a big part of that is obviously been your dividend strategy, your dividend policy. And I wanted to try and touch on what happens at $70 oil. I guess where oil's been fleeting. And it really relates to, you know, you had a little bit of a cash burn in this quarter. Your SIB, I guess, depends on oil being north of 70. And, you know, at least beyond the NCIB. So I guess my question is, would you be for an under levered balance sheet? Would you be prepared to lean in your balance sheet to maintain some element of SIB in your buyback? And how does the -- how do you think

about the dividend growth story going forward? It's going to be a Dan question, but I'll leave it there. Thank you.

Brad Corson: Yeah, thanks for that, Doug. And yeah, Dan is here chomping at the bit to answer that question. So I will defer to him. But the one thing I would mention before Dan gets into details is just a reminder that our -- because you mentioned $70 a barrel. Our corporate break even to cover all of our sustaining capital, and our dividend is around $35 a barrel. So, you know, we see value accretion, you know, well -- you know, significant opportunity between $35 and $70 a barrel. And our objective will be to return surplus cash to shareholders. But with that, I'll let Dan talk about some of those details.

Dan Lyons: Yeah. Yeah. First regarding our dividend philosophy as we've talked about before, you know, reliable and growing dividend is sort of the bedrock of that of obviously our dividend philosophy and our overall cash return philosophy. And, you know, we're at $0.60 a share now. And when I arrived here in 2018, were $0.16. So we've grown it and you know, our goal is obviously, you know, within the bounds of what makes sense and what's sustainable to keep growing that, you know, in a robust way going forward. So, that's unchanged. You know, regarding, you know, free cash flow beyond that, you know, our policy, our philosophy there is to return that to shareholders in a timely manner through the NCIB and SIBs. Your question around, would we go ahead and, you know, borrow money to do an SIB? You know, that has not been our practice in the past. You know, what we said is, we're comfortable with our debt level. We're not looking to lower that further. I mean, you're right, our leverage levels are quite low. So I would say it has not been our practice to borrow, to do SIBs, though, you know, look, you know, nothing is completely off the table. You know, we consider everything, but based on past history, I wouldn't -- that wouldn't be the first place we'd go. So, you know, our you know, I think the base assumption is, you know, in most all cases we continue the NCIB, but it's always price dependent. And surplus cash beyond that, we're going to look -- historically we've looked at SIBs and that's sort of our first quarter of call going forward. But you know, we're open -- we'll open our aperture, of course, to all ways of returning surplus cash. But based on past practice, I think you know where our head is at.

Doug Leggate: Thanks so much, fellas.

Brad Corson: Thanks, Doug.

Operator: We will take our next question from Travis Wood with National Bank Financial.

Travis Wood: Yeah. Thanks for taking the question here. You guys have talked lots about the opportunities at

Kearl. You're on a pretty short cycle turnaround activity there, but are there opportunities to step in and do a larger maintenance program and come out of the back end of that with more of a step function on potential output at Kearl? And then I have a quick follow up.

Brad Corson: Yeah, thanks. Thanks for the question. I might come at that a slightly different way. You know, our ability to grow volumes at, at Kearl is not directly dependent on doing additional maintenance. It's really about ensuring we've got kind of the right equipment. We've got the right maintenance procedures, such that we can minimize downtime. You know, there's no backlog of activity that if we undertook a longer turnaround that would allow us to make a step change improvement. And in fact, what we continue to look at is what can we do to reduce the amount of downtime we have for turnarounds. And you may recall that, you know, you go back a few years, were doing two turnarounds per year at Kearl, and each one of those was around 35 days. So around 70 total days of turnaround in a year. And then we moved to one per year. So went from 70 days to 35 days.

And since then we've been on a journey of how can we be more efficient with that one downtime. So instead of 35 days, the one we just executed this year was less than 20 days. So we've gone from 70 days to 20 days. And with each reduction in day of downtime, obviously comes more production on an annual basis. So that's really the journey we're on, is how can we reduce schedule downtime.

Now, certainly we want to make sure we're reducing unscheduled downtime as well. And when you think about a step change to get us, you know, from 280 to 290 to 300, we are pursuing very specific projects that will allow us to do that specific capital projects. And, you know, there will be incremental costs for those. There'll be, you know, depending on the nature of the project, there may have to be some tie ins to existing kit that we have. And, you know, we'll schedule that during kind of the normal planned turnarounds. But I hope that gives you kind of a bit of color for how we're approaching that.

Travis Wood: Yeah. No it does Brad. Thank you. And so basically just kind of staying with the shorter cycle times on the planned maintenance schedule. And then, I mean, I think it's alluded to on the modest CapEx increase here to the tail end of the year. But how should we and I think you've dangled the carrot for December 12th, but, I think we're all trying to get at the same thing. I mean, the assets and the portfolio is performing strong kind of across the board. Grand Rapids maybe kind of quietly there as well. How do we think about the growth plans, the capital spend in comparison to the five-year plan that was laid out previously, which was, you know, effectively no growth? And obviously that's not really what the assets are doing here through year to date. So can you try to get us to a kind of a cadence of how we should think

about volumes into 2025?

Brad Corson: Yeah. Well, I think that is something we want to reserve for the December 12th call specific to 2025 guidance. But I mean, I think you can infer, based on our track record over the last few years, that we're going to continue to challenge our individual assets to continue to perform at higher and higher levels. And that higher and higher levels means more volume, lower costs. and I think you'll see that in the 2025 guidance as we share that in December. And then, you know, when you look at the five-year plan, we're updating the five-year plan to reflect that as well. And so, you know, and I kind of gave some indication of where we're going with Kearl, you know, where we're going is we're going from 280 to 300 over a certain timeline. It won't all be in one year. It'll be a several year journey, and we're going to bring those costs down below $20. And there's a similar story, an analogous story at Cold Lake. What we're doing at Cold Lake with bringing on Grand Rapids at 15, you know, maybe 20,000 barrels a day now. What we're doing with Leming at 9,000 barrels a day next year. And those are also allowing us to reduce our unit costs. So that'll be the theme, more volumes, lower cost. But the exact numbers I'll say that till December 12th.

Travis Wood: Okay, I appreciate that. I tried and I'll hand it back. And maybe you can bring Spot to the day in the spring.

Brad Corson: All right. There you go. There's an idea.

Travis Wood: Thank you.

Operator: We will take our next question from Neil Mehta with Goldman Sachs.

Neil Mehta: Yeah. Good morning team. Sorry about that earlier. Thanks for all the comments. I just had a couple on the low carbon stuff, which is first on renewable diesel with Strathcona coming online. We've seen in the United States really challenging economics of the assets that have come into service. And a lot of that is, I think, could be idiosyncratic to the U.S. But I'm just curious on your perspective on how the mid-cycle economics of renewable diesel have evolved in Canada, and what are the market conditions as you bring that asset into service?

Brad Corson: Yeah, thanks for the question. Because as we talk about our renewable diesel project at Strathcona, I do like to differentiate the underlying economics of our project versus, you know, what you see or read about in the U.S., or maybe other projects. We continue to feel very good about the economic fundamentals of our renewable diesel project. We expect to deliver solid economic returns, that are accretive to our portfolio. And why is that? What's different? Well, several things.

One is we are leveraging our existing scale of Strathcona Refinery, to allow us a lower capital cost and lower operating costs once we started up. Because, you know, we're constructing that project literally in the middle of the Strathcona refinery. So we're leveraging the utilities. We're leveraging, you know, rail infrastructure. We're leveraging existing Staff. All that thing results in lower capital, lower operating costs.

Then on top of that, the crop that we're going to be using for the feedstock oils, are all locally available. So the costs of transportation for that crop are relatively low versus what others may see in the U.S., for example. And then on top of that, we are using some proprietary technology from ExxonMobil. A specific catalyst that will allow us to produce a drop in diesel product that is effective over a much wider range of temperature conditions than existing biodiesels in the U.S. And so what that means is our purchasers, can use this diesel, not just in the summer months, which is what's common historically, but they can run it in the winter months as well. And we'll be doing the same. You know, we plan to use this renewable diesel at Kearl, for example, and we're planning to use it year round. And so having that greater degree of operating flexibility allows it to not only be in higher demand because it's unique, but also, you know, allows us to see, you know, a premium value for it.

And then lastly, I would say is the supportive regulation. You know, we in Canada and this is different than the U.S., we have the federal Clean Fuel Regulations and there are other provincial considerations like in British Columbia, they have a clean fuel standard. And all of those underlying regulations also provide additional economic support. So when you put all that together, very different than in the U.S. but quite economic for us.

Neil Mehta: And now that's helpful. And Brad you wouldn't put a dollar, be comfortable putting a dollar per gallon kind of view of what mid-cycle economics would be on an EBITDA basis for renewable diesel. Would you?

Brad Corson: Well, I'm not comfortable sharing that sort of number today, maybe not even in the future.

Neil Mehta: Exactly.

Brad Corson: But, you know, because there's commercial considerations there. But what I would say is, you know, we are planning to spend, you know, a fair amount of time at Investor Day talking more specifically about this project, kind of the economic considerations because we do recognize that what we have is very unique, and it may be difficult for the market for the analysts to kind of see what that value proposition is until we're up and running. And then you'll be reading about it every quarter. And, you know, and you'll see the incremental value. But, before then, we'd like to lay out maybe a more comprehensive story on that.

So, more to come.

Neil Mehta: Okay. I know we're over time, but one last one for me, which is, the latest on pathways. Can you just help us understand the latest in terms of the state of play, what the gating items are, and you know, what we can expect as the next key milestone around this initiative?

Brad Corson: Well, and I laid out some of those kind of summary updates. I think what's real key is that the next big milestone is for the pathways companies to, at some point, hopefully reach an agreement with the federal and provincial governments as to kind of the aggregate fiscal package and framework. And once we have the right economic framework in place, then we will be in a position to go order the line pipe that we need for this 400 kilometer pipeline.

As I mentioned, we have gone out to potential pipe suppliers and ask them to give us proposals, on cost and timing, because we do see that as critical path going forward. And so we want to move this forward as much as we can, but there comes a point that it'll be time to order the pipe and make a large investment. And we need to have the right fiscal framework certainty for our companies, for our investors, you know reasonable economic returns, before we can make those big investments. So that's what you should be looking for is, you know, when do we get kind of the final terms with the governments and then when do we place the order for pipe?

There's a lot of other things going on around that, that are also important for the project longer term. You know, each company is working on their individual capture projects. There's a lot of engineering work and ultimately permitting work that's required for the pipeline. And a big part of that is also, indigenous relationships with all the communities that are along the pipeline route. And so those discussions are ongoing as well. But the most critical thing is this pipe order.

Neil Mehta: Okay.

Brad Corson: And I'm optimistic that we'll get those terms and we'll keep it on track, but there's still a lot of work to do there.

Neil Mehta: All right. We'll stay tuned. Thank you, Brad.

Brad Corson: Thank you.

Operator: We do not have any further questions. I would like to turn the call back to Mr. Peter Shaw, Vice President of Investor Relations, for closing remarks.

Peter Shaw: Great. Thank you. So on behalf of the management team, I would like to thank everyone for joining us this morning. If there are any further questions, please don't hesitate to reach out to the IR team and we'll be happy to answer those questions. So with that, thank you and have a great day.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

Non-GAAP financial measures and other specified financial measures

Certain measures included in this document are not prescribed by U.S. Generally Accepted Accounting Principles (GAAP). These measures constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G and Item 10(e) of Regulation S-K, and "specified financial measures" under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure of the Canadian Securities Administrators.

Reconciliation of these non-GAAP financial measures to the most comparable GAAP measure, and other information required by these regulations, have been provided. Non-GAAP financial measures and specified financial measures are not standardized financial measures under GAAP and do not have a standardized definition. As such, these measures may not be directly comparable to measures presented by other companies, and should not be considered a substitute for GAAP financial measures.

Cash flows from (used in) operating activities excluding working capital

Cash flows from (used in) operating activities excluding working capital is a non-GAAP financial measure that is the total cash flows from operating activities less the changes in operating assets and liabilities in the period. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company’s Consolidated statement of cash flows. Management believes it is useful for investors to consider these numbers in comparing the underlying performance of the company’s business across periods when there are significant period-to-period differences in the amount of changes in working capital. Changes in working capital is equal to “Changes in operating assets and liabilities” as disclosed in the company’s Consolidated statement of cash flows and in Attachment II of this document. This measure assesses the cash flows at an operating level, and as such, does not include proceeds from asset sales as defined in Cash flows from operating activities and asset sales in the Frequently Used Terms section of the company’s annual Form 10-K.

Reconciliation of cash flows from (used in) operating activities excluding working capital

	Third Quarter		Nine Months	
millions of Canadian dollars	**2024**	2023	**2024**	2023
From Imperial's Consolidated statement of cash flows				
Cash flows from (used in) operating activities	**1,487**	2,359	**4,192**	2,423
Less changes in working capital				
Changes in operating assets and liabilities	**(310)**	413	**(634)**	(2,213)
Cash flows from (used in) operating activities excl. working capital	**1,797**	1,946	**4,826**	4,636

Free cash flow

Free cash flow is a non-GAAP financial measure that is cash flows from operating activities less additions to property, plant and equipment and equity company investments plus proceeds from asset sales. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. This measure is used to evaluate cash available for financing activities (including but not limited to dividends and share purchases) after investment in the business.

Reconciliation of free cash flow

	Third Quarter		Nine Months	
millions of Canadian dollars	**2024**	2023	**2024**	2023
From Imperial's Consolidated statement of cash flows				
Cash flows from (used in) operating activities	**1,487**	2,359	**4,192**	2,423
Cash flows from (used in) investing activities				
Additions to property, plant and equipment	**(486)**	(387)	**(1,444)**	(1,315)
Proceeds from asset sales	**—**	6	**7**	29
Loans to equity companies - net	**2**	1	**16**	3
Free cash flow	**1,003**	1,979	**2,771**	1,140

Net income (loss) excluding identified items

Net income (loss) excluding identified items is a non-GAAP financial measure that is total net income (loss) excluding individually significant non-operational events with an absolute corporate total earnings impact of at least $100 million in a given quarter. The net income (loss) impact of an identified item for an individual segment in a given quarter may be less than $100 million when the item impacts several segments or several periods. The most directly comparable financial measure that is disclosed in the financial statements is "Net income (loss)" within the company's Consolidated statement of income. Management uses these figures to improve comparability of the underlying business across multiple periods by isolating and removing significant non-operational events from business results. The company believes this view provides investors increased transparency into business results and trends, and provides investors with a view of the business as seen through the eyes of management. Net income (loss) excluding identified items is not meant to be viewed in isolation or as a substitute for net income (loss) as prepared in accordance with U.S. GAAP. All identified items are presented on an after-tax basis.

Reconciliation of net income (loss) excluding identified items

There were no identified items in the third quarter or year-to-date 2024 and 2023 periods.

Cash operating costs (cash costs)

Cash operating costs is a non-GAAP financial measure that consists of total expenses, less purchases of crude oil and products, federal excise taxes and fuel charge, financing, and costs that are non-cash in nature, including depreciation and depletion, and non-service pension and postretirement benefit. The components of cash operating costs include "Production and manufacturing", "Selling and general" and "Exploration" from the company's Consolidated statement of income, and as disclosed in Attachment III of this document. The sum of these income statement lines serves as an indication of cash operating costs and does not reflect the total cash expenditures of the company. The most directly comparable financial measure that is disclosed in the financial statements is "Total expenses" within the company's Consolidated statement of income. This measure is useful for investors to understand the company's efforts to optimize cash through disciplined expense management.

Reconciliation of cash operating costs

	Third Quarter		Nine Months	
millions of Canadian dollars	**2024**	2023	**2024**	2023
From Imperial's Consolidated statement of income				
Total expenses	**11,656**	11,820	**34,261**	33,231
Less:				
Purchases of crude oil and products	**8,734**	8,748	**25,296**	24,082
Federal excise taxes and fuel charge	**661**	654	**1,908**	1,781
Depreciation and depletion	**508**	475	**1,454**	1,418
Non-service pension and postretirement benefit	**1**	20	**3**	60
Financing	**11**	19	**37**	51
Cash operating costs	**1,741**	1,904	**5,563**	5,839

Components of cash operating costs

	Third Quarter		Nine Months	
millions of Canadian dollars	**2024**	2023	**2024**	2023
From Imperial's Consolidated statement of income				
Production and manufacturing	**1,517**	1,666	**4,870**	5,207
Selling and general	**223**	237	**690**	629
Exploration	**1**	1	**3**	3
Cash operating costs	**1,741**	1,904	**5,563**	5,839

Segment contributions to total cash operating costs

	Third Quarter		Nine Months	
millions of Canadian dollars	**2024**	2023	**2024**	2023
Upstream	**1,051**	1,188	**3,444**	3,733
Downstream	**593**	582	**1,782**	1,785
Chemicals	**58**	95	**208**	255
Eliminations / Corporate and other	**39**	39	**129**	66
Cash operating costs	**1,741**	1,904	**5,563**	5,839

Unit cash operating cost (unit cash costs)
Unit cash operating costs is a non-GAAP ratio. Unit cash operating costs (unit cash costs) is calculated by dividing cash operating costs by total gross oil-equivalent production, and is calculated for the Upstream segment, as well as the major Upstream assets. Cash operating costs is a non-GAAP financial measure and is disclosed and reconciled above. This measure is useful for investors to understand the expense management efforts of the company's major assets as a component of the overall Upstream segment. Unit cash operating cost, as used by management, does not directly align with the definition of "Average unit production costs" as set out by the U.S. Securities and Exchange Commission (SEC), and disclosed in the company's SEC Form 10-K.

Components of unit cash operating cost

	Third Quarter							
	2024				2023			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**1,050**	**461**	**238**	**313**	1,187	520	284	345
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**1**	**—**	**—**	**—**	1	—	—	—
Cash operating costs	**1,051**	**461**	**238**	**313**	1,188	520	284	345
Gross oil-equivalent production (thousands of barrels per day)	**447**	**209**	**147**	**81**	423	209	128	75
Unit cash operating cost ($/oeb)	**25.56**	**23.98**	**17.60**	**42.00**	30.53	27.04	24.12	50.00
USD converted at the quarterly average forex *2024 US$0.73; 2023 US$0.75*	**18.66**	**17.51**	**12.85**	**30.66**	22.90	20.28	18.09	37.50

Components of unit cash operating cost

	Nine Months							
	2024				2023			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**3,441**	**1,459**	**809**	**1,055**	3,730	1,604	868	1,156
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**3**	**—**	**—**	**—**	3	—	—	—
Cash operating costs	**3,444**	**1,459**	**809**	**1,055**	3,733	1,604	868	1,156
Gross oil-equivalent production (thousands of barrels per day)	**424**	**195**	**145**	**73**	399	182	134	72
Unit cash operating cost ($/oeb)	**29.64**	**27.31**	**20.36**	**52.74**	34.27	32.28	23.73	58.81
USD converted at the YTD average forex *2024 US$0.74; 2023 US$0.74*	**21.93**	**20.21**	**15.07**	**39.03**	25.36	23.89	17.56	43.52

(a) Upstream includes Imperial's share of Kearl, Cold Lake, Syncrude and other.