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EDITED TRANSCRIPT

PSX.N - Phillips 66 at JPMorgan Energy, Power & Renewables Conference

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Mark Lashier Phillips 66 - Chairman of the Board, President, Chief Executive Officer

PRESENTATION

Matthew Anavy - J.P. Morgan

Great. Good morning. Thank you all for joining us this morning at the conference. I have the pleasure of introducing Mark Lashier, Chairman and CEO of Phillips 66. Mark has been in the role since July of 2022.

Prior to that, most recently, he ran CPChem business, having started his career with Phillips Petroleum in the late 1980s. So Mark, thanks very much for joining us today.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Matt, glad to be here.

QUESTIONS AND ANSWERS

Matthew Anavy - J.P. Morgan

With the recent reopening of the Strait of Hormuz, after a period of heightened Middle East tensions and closure. How are you assessing the macro outlook for crude and the refined products over the near and medium term? Specifically how quickly Middle Eastern barrels normalize back into the trade flows and the read-through for light-heavy differentials and product cracks?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. Matt, I think that's top of mind for everybody across the industry. It's -- we're all hopeful that the Strait is open, stays open, that it gets resolved in a permanent structural way, but I think it's going to be pretty tenuous. There are ships coming out now. I think that there's somewhere between 90 million and 100 million barrels trapped in the Straits that will work its way out over time.

Then the question is who will be brave enough to send ships back in? Will it be able to get insurance, how does that all play out? Because that's the next critical step. You -- we believe that most of the tanks onshore are full before crude can appreciably ramp up. You have to get some room in those tanks to place that crude. And so it's going to be a long drawn out paced process.

The world's benefited from how efficient the response to the Strait of Hormuz closure has been. That's, I think, kept accrued from getting up to the \$200 level. But now a lot of the lanyap in the systems have been tightened up. And there are lots of calculations out there to explain why it didn't get worse, but many of those are temporary. The SPR releases.

If you fly over Cushing, Oklahoma, the tanks are at the bottoms there. I think that's the most visible thing for us. So people are going to need to refill those inventories over time. So there's going to be, I think, some structural shift in what the crude floor is.

We expected there to be an immediate reaction to the announcements. You've seen that in crude price coming off. Refined products that have hung in a little tighter because I think there's greater line of sight to those inventories than there is to what the crude inventories really are out there. And so there's a lot of moving parts.

You hear the President say one thing. You hear the Vice President say another thing, you hear the Iranians say third thing. And so this MOU really is an agreement to try to reach an agreement, and it's pretty thorny. And I think it's going to take time to work out.

Matthew Anavy - J.P. Morgan

Right. Yeah, as you and I were talking beforehand, just in terms of time to restart and the process, these things don't necessarily start easily and efficiently as people thought.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

And for so much of it to come back online efficiently and easily and there's no good apparency to what the damage is out there. And we had this horrific incident with the gas facility at Ras Laffan in Qatar. And I think that's a bit of a harbinger of what countries and companies are going to be dealing with as they go to restart things that are in uncertain condition. And I hope that things can get restarted timely and safely, but it's going to be a big challenge.

Matthew Anavy - J.P. Morgan

Right. How does Phillip 66's predominantly US-based footprint position you competitively versus global peers? And does the recent volatility change how you think about crude sourcing flexibility and refining margins through the back half of this year?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

We're well positioned in the Mid-Continent, the Gulf Coast. We have assets on the East Coast, West Coast. We predominantly consume North American crudes, Canadian WCS. We have access to Latin American crudes. We -- even prior to this, we processed very little Middle Eastern crude. Now of course, the presence of Middle East crude does impact things like the WCS differentials, but we were able to run at extraordinary rates.

Our kit has been in good shape now for several years, and we were able to leverage Jones Act waivers to move refined products to the West Coast, crude to the East Coast in a very efficient way. And so we were in a great position to take care of our customers and to make sure that the hydrocarbons that need to get to our facilities and need to get to our customers and our marketing outlets happen in a very efficient way in spite of what was going on in the rest of the world.

Matthew Anavy - J.P. Morgan

Right. How about the availability of Venezuelan versus Canadian? How do you guys think about that dynamic?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

I think it's a great dynamic for us. We have assets on the Gulf Coast that can consume Venezuelan crude that also consume WCS as Venezuelan crude has made its way into Gulf Coast assets that's put more pressure on WCS. I think right now, though those differentials have tightened up. There's been some disruptions in production in Canada, forest fires, then floods. But those things will work themselves out, and we see those differentials widening back out.

And as Middle Eastern crude comes in, that will put even more pressure on those differentials. But we're -- we welcome the access to Venezuelan crude that's beneficial to our flexibility. But every day, we're optimizing on what are the best crudes from wherever we can access them to maximize the refining -- the margins coming out of our refineries.

Matthew Anavy - J.P. Morgan

Great. As the bond guy, we'll jump over to some bond-related question, capital allocation. So total debt rose to \$27.1 billion at quarter end due to margin posting and term loan with a path toward \$19 billion by year-end '26 and then \$17 billion in '27. Can you outline the practical milestones to get there?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Absolutely. The most practical milestone is the cash -- positive cash flow that we're experiencing right now. We've built up cash on our balance sheet to help deal with volatility. That's part of the answer. But if we think about it as 2, 2 and 4 that as inventory valuations come down, and the need for that collateral to protect our positions come off, that will -- we see about \$2 billion freed up there.

We see an additional \$2 billion in cash from operations. We have a commitment to return 50% of our net cash from operations to investors through the growing dividend secure. And then the balance of that 50% would come from share repurchases. Now as cash flows are higher than anticipated, that frees up more cash for debt repayment, and we see another \$2 billion coming from that cash.

And then as we get through this war as the Straits open up, we will feel less inclined to hold the large cash balances on our balance sheet. So that's another \$4 billion in cash. So that \$8 billion will get us down to about \$19 billion. And if there's even more upside to the cash flow we can get to 17% even before the end of '27. But that's our current thinking.

Matthew Anavy - J.P. Morgan

Got you. In terms of that minimum cash balance, what is that comfort level where do you see that headed to?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

I don't know that we talk about that publicly, but yes, it's a low -- few billion dollars.

Matthew Anavy - J.P. Morgan

Couple billion.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah.

Matthew Anavy - J.P. Morgan

Great. Once you reach the \$17 billion gross debt target, how do you expect the cash return framework to evolve? And how do you think about using the balance sheet countercyclically when opportunities arise?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

I think that when you step back and think about why are we targeting \$17 billion and with our integrated business, we have a refining business that can be volatile. We have chemicals business that can be volatile. But we have very steady earnings and growing earnings from our

midstream business. We've been at about \$4 billion, headed to \$4.5 billion of EBITDA by the end of next year. We have a very steady income from our Marketing and Specialties business.

So you call that about \$6 billion and at 3 times that EBITDA that gives us something that says we should be comfortable with \$18 billion. So \$17 billion is a nice cushion under that. And that effectively says that we don't have any debt that has to be serviced by our refining and our petrochemicals business.

And so we look at that as providing what we'd call a fortress balance sheet to free things up. And if we may be able excess cash on the balance sheet beyond that, but we are absolutely committed to returning 50% of that net cash from operations and then -- and we'll reassess and see what opportunities are out there at that point in time.

Matthew Anavy - J.P. Morgan

Got you. That's a great segue to jump into some of the segments. Maybe in midstream, you reaffirmed \$4.5 billion midstream EBITDA target for year-end '27, despite the 1Q 26 step down tied to weather, re-contracting and depreciation timing, how much of the step up is driven by projects under construction versus optimization? And how should we think about the sustainability of midstream growth into '28?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. The projects that we have underway really are driving that \$4.5 billion. That number really isn't a target. It's an outcome of the projects that we've developed and the efficiencies that we're finding and the capacity that we're unlocking in existing assets. You go back to our Pinnacle acquisition, had an operating asset that we've enhanced the productivity of that asset, and then we added another brownfield asset right next to it.

It continues to ramp up. So we're seeing more throughput than anticipated when we made that acquisition, the Epic acquisition, we had a bottleneck on that pipeline underway that contributes to it. We have our Iron Mesa project underway that will start up later this year and 300 million cubic feet a day gas plant right between the Midland and Permian Basin.

And we have -- so those things are baked into that \$4.5 billion. So it's primarily new builds, organic growth, and then increased efficiency, increased cost reductions. And then beyond that, we have more organic growth, more projects lined up to continue that, that mid-single digits kind of growth rate.

So we've announced the zoos project complementary to Iron Mesa, another 300 million standard cubic feet a day gas plant. We've announced a 100,000 barrel a day fractionator in Corpus Christi to add to our Coastal Bend operations down there. And so we continue to find these great organic opportunities to continue that taking that growth up beyond 2027 and 2028, 2029.

Matthew Anavy - J.P. Morgan

Got you. There continues to be investor concerns about overbuilding the NGL capacity out of the Permian and increased ethane rejection following the start-up of multiple residue gas pipelines in the second half of this year. What is your view? And what does that imply for NGL volumes? And how do you think about the feedstock advantage for CPChem through your ownership structure?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

We continue to see data from upstream producers that increase the NGL volumes that they're going to be producing. And so we're responding to that. That's what's opening up these great organic opportunities for us. And the takeaway capacity, I think from an ethane perspective, yeah, I think ethane is going to be abundant. That's a strong benefit to CPChem.

And I think the benefits we see through CPChem through low ethane costs are more than compensated by the returns we see from CPChem on using those molecules. So we see it as a positive on both sides of the equation.

Matthew Anavy - J.P. Morgan

Great. Maybe jumping over to refining with consolidation of 100% of Borger and Wood River following WRB close. Can you talk about the optimization opportunity across Wood River, Ponca City, and Borger as a super system, including the most actionable low-hanging fruit?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. We identified the Central Corridor and Gulf Coast really is our core area for refining and for midstream and where we can lean into integration. And not just integration between midstream and refining but between refining assets. And when you look at Wood River, Ponca City, and Borger, we can treat them as a super system moving back and forth.

But really, even before that integration kicks in, we saw opportunities commercially to lean in around Borger and Wood River. When we had 100% control, it opened up our ability to optimize even deeper around the crudes that we access and process and commercially how we optimize for the -- from a Phillips 66 perspective rather than a joint venture perspective.

So that was an immediate impact, and we can move streams freely between Ponca City, Borger, we can take a refinery grade propylene from Ponca City and move it to Borger and use it in the alkylation facility there. So we can unlock the full downstream capacity of the refineries by mixing and matching the streams that we can move back and forth.

And then you stack on top of that the opportunity that Western Gateway pipeline provides. We can move all the way -- we're going to reverse flow on a couple of pipelines to be able to move refined products from Wood River, Ponca City, Borger. Borger will kind of be the Eastern terminus of the Western Gateway pipeline, and we'll be able to move refined products on to El Paso and Phoenix in the West Coast.

And that will pull excess refined products out of the Mid-Continent. Mid-Con is more seasonal, it'll really levelize and frankly, reduce the volatility in margins in Mid-Continent and it will feed those refined products into Phoenix and to California and reduce their reliance on waterborne refined products coming in. And we have a strong marketing presence and marketing short on the West Coast that matches up with that quite well.

So it's going to be a win for our Mid-Continent assets. It's going to be a win for consumers in California as well as Arizona and Nevada.

Matthew Anavy - J.P. Morgan

Yeah, that's a great segue to my next question. Following the second open season, successful open season for Western Gateway with long-term shipper commitments and expanded delivery into the LA market, you've discussed potential mid- to late summer path to FID and a 2029 in service. Can you walk through the remaining steps to FID and the key milestones and how the project fits with the post LA refinery West Coast strategy?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. It's -- we've done a lot of heavy lifting with the open season to unlock who was interested to join that project as shippers and where those refining products would come from and what was the optimum and it really was a great outcome. And now we're -- the open seasons are closed, and we are working on finalizing the agreements with Kinder Morgan.

You've got two great partners that have tremendous experience in midstream projects in execution and operations. Kinder has the access to California. We both have existing pipelines that we can bring to bear. And so the newbuild pipelines are minimized with this project, and we have line of sight to really high-quality project.

And when you combine Kinder Morgan's assets and our refining and our marketing and our transportation experience, we are a premier shipper on those assets. And so it's going to be a great project. We're working towards FID. And I think in the next couple of months, you should hear something.

Matthew Anavy - J.P. Morgan

Great. And then just in terms of permitting risk, execution complexity, like obviously doing anything in the California is complicated?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. The California piece is relatively straightforward. There's no new assets. It's reversing pipeline. The administration in California is quite supportive of this.

As you might imagine, we ceased operations at our LA refinery, and that was well received by the California administration. But part of the discussions we had with them when we announced our intent to cease operations, we laid out plans that we had to resupply California with the refined products it needed. So that's why we -- I think that, that conversation was quite successful.

At that point in time, we had not disclosed to them Western Gateway that was being developed in parallel. But then when that came along, it was quite warmly received as well, both in California and Arizona and Nevada. It's -- anytime you can have a pipeline connection versus waterborne sources, it's a benefit. And we think this will become the Colonial pipeline of the West, where you can access Mid-Continent Gulf Coast refined products, take them to the two coasts that are exposed to import markets.

And certainly, you've seen what import markets can do when there's disruptions in the world. And you won't see those kinds of disruptions in North America. So these are very secure supplies of refined products to California, and it opens up a lot of optionality there.

Matthew Anavy - J.P. Morgan

I like that, the Colonial on the West Coast. Maybe moving over to Marketing and Specialties, with first-quarter results impacted by mark-to-market headwinds, how do you view go-forward domestic fuel margins in US for the Marketing and Specialties business and your level of confidence in mid-cycle margin resiliency.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. I think that you see those -- the disconnect between the paper and the physical drove that in the first quarter, and you're seeing them come in better alignment now as prices have come off, whether it's crude oil or say, refined products on the water in the West Coast drove a lot of that accounting noise. And we'll see more of that clear up as we sell down inventories later in the year.

So that's performing as predicted as prices come off. But in the backdrop of that, you're seeing refined product margins staying healthy, hanging in there as crude oil comes off, you can follow our margin indicators are strengthening.

And I think that you've seen strong jet demand. The industry responded quite quickly. Now Jet is -- yeah, free markets work. I would -- when you look at what we were able to do around the Jones Act, once you had access to ships that could move to where the market was calling for material, it happened very quickly. Response was great.

And so you are seeing markets people believe that crew is going to line out very quickly. Okay, that's one thing. We don't control crude. We focus on what we can control. But the combination of whatever the crude price is with tight refining capacity globally is a good setup for the refining complex.

And we'll see how other capacity comes back into the market, certainly, Russia refining complex is taking some pretty very public significant hits and we'll see how China ramps back up. But it's very constructive for refining margins in the near to medium term.

Matthew Anavy - J.P. Morgan

Great. Maybe switching to renewable fuels with Rodeo running over nameplate and renewable credit value significantly higher than in 2025 levels. How should we think about the free cash flow inflection from renewables this year? And how does PTC regulatory change affect operations and capital planning?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. The asset is running extraordinarily well. We focus every day on getting the right feedstocks to that asset, whether they're import, domestic, and whether they're low CI, high CI, whatever generates the most margin for this. I mean, it's -- that asset had an existential crisis earlier this year. And we don't waste a good crisis.

We drove a lot of cost out. We realigned the logistics to be able to take more domestic feedstock versus international feedstocks on the water in San Francisco, and it's paying off. And the team there did a tremendous job. And then the regulatory environment improved. So certainly, that has improved what this asset has the capability of doing.

I think when we originally rolled out the project, we had a mid-cycle of about \$700 million in EBITDA. And that required an indicator margin of about \$1.50. We're above the \$1.50. Of course, there's a lot of volatility out there. So it's -- but it's well on its way towards what we would consider successfully at or above that mid-cycle level.

And we're really excited about what's happening there. California has responded positively from a regulatory environment and then the federal regulations certainly are constructive as well. As far as the producer's tax credit, that's really targeted at new builds. And frankly, the environment for new builds around renewable assets is a bit challenged right now.

We like Rodeo. We're not ready to go out and do another Rodeo anytime soon. Our focus is on making sure that, that asset works well, we have access to profitably consume and optimize. And by the way, we can -- we're producing just under 10,000 barrels a day of neat sustainable aviation fuel that when you blend it up, it's about 18,000, 19,000 barrels a day of sustainable aviation fuel. That is attractive in the marketplace without the same level of subsidies that you get with renewable diesel.

So we can optimize and move molecules back and forth between renewable diesel and sustainable aviation fuel, just like we would in a traditional refinery between diesel and jet and of course, gasoline.

Matthew Anavy - J.P. Morgan

Got you. Moving to portfolio and M&A as you continue to work through the portfolio to divest noncore and nonstrategic assets, how should you think about incremental asset sales from here? And what lines of business could they come from?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. We've taken a very active role in managing our portfolio. We had assets that were good assets but not critical to our growth, not critical to our integrated strategy. And we've successfully monetized a number of those assets, several billion dollars worth, and we have more assets that fit that description. And we would be interested in monetizing, we're not actively out pushing anything in the marketplace, but we know the assets that we would part with.

We -- and frankly, we have no sacred cows. If someone is interested and willing to pay the -- pay something beyond our hold value for any assets that we have, we'd be interested in talking to them. But we don't have any active program out there to push assets out the door.

Matthew Anavy - J.P. Morgan

Got you. We have about five minutes left. I have plenty more questions. We'll open it up to the floor. If anybody has any question, there's mics around, while they're getting queued up, I'll ask you one more, just in terms of the Board and governance.

Obviously, you've had additions of two new Board members. Can you just talk about the refreshed Board composition, how that supports the strategic direction and executive priorities you've laid out, particularly around operational excellence and disciplined capital allocation.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. We've had a very deliberate refresh of our Board. The latest two additions fit into key parts of the talent matrix that we want to have at the Board level, Howard Ungerleider, he's an accomplished CFO in the chemicals business. He's been through some very large transformation efforts in his history, and so he brings certainly a perspective on capital discipline and financial focus to the Board and a great addition, as well as Kevin Meyers, long history in the energy business, understands the upstream and that interface of the midstream and refining, a veteran of ConocoPhillips and ARCO, both bring tremendous experience.

Kevin is an experienced Board member at Hess, and we couldn't be happier having both of them on the Board. They've onboarded and they're fully engaged. And the entire Board has stacked hands and reinforced our integrated perspective, the way we're operating, the primary goals of improving refining performance, driving costs out. We've got a \$5.50 milestone, I'd call it a milestone in cost reduction, and we're zeroing in on that and hope to just keep moving right past that \$5.50 if we can do it responsibly and with reliable operations.

We're focused on disciplined capital growth in midstream business, primarily in the Permian, disciplined capital investment in refining to improve and enhance returns from refining, focused on the Mid-Continent and the Gulf Coast and really leaning into the integration, creating and capturing that integrated advantage that we've developed in the Mid-Continent and the Gulf Coast.

Absolute firm commitment to return 50% of our net cash from operations to shareholders through that sustainable, growing competitive dividend and then share repurchases to top that up to get to that 50%. And we talked earlier about our \$17 billion debt target, and we have that line of sight. We have a plan to get there. We have debt maturities that will roll off at the right time, so we can hold cash until those debt maturities hit and take them out in a very responsible way.

And so we believe that we're well positioned to enhance things organically to continue to grow it, continue to focus on excellence, being prepared in these businesses to capture the margins when they appear. We don't control the energy price.

We don't control the global macro, but we can certainly control how we operate our assets and how we position ourselves to capture them and to -- and we're focused on flexibility, so we can move very quickly to respond to whatever circumstances the world has. And I think the Hormuz crisis really highlights how we can be agile, we can be -- we can move quickly to take advantage of what the markets afford us to do.

Matthew Anavy - J.P. Morgan

Great. I don't know if there's any questions. There's one here in the front.

Unidentified Participant

Mark, thanks for your presentation. I was wondering if you could just go through your overall investment thesis you're going to be meeting with investors today. Just give them the elevator pitch on why you think PSX is a compelling opportunity for any portfolio?

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Yeah. Absolutely, Arun. We think we're unlike any other company in our peer group. We are integrated downstream energy provider. We don't have upstream. We don't want to be in upstream.

We want to be able to flex to whatever crude makes the most sense. We want to be out there gathering and processing hydrocarbons in a very integrated way with our midstream business, our refining business, have the marketing and specialties group that can go out and capture the most value from the marketplace wherever that value may appear to be agile, to be flexible.

We sit on top of some of the best hydrocarbon basins in the world. We can access crews from Latin America, from Canada, whatever that makes the most sense. And we can also -- we have a large enough footprint to be able to trade around those assets and add even more competitive advantage to the mix.

And we are optimizing every day. We're streamlining our assets. We've got an intense focus on continuous improvement. We've changed the culture and everybody is out there competing to win, but to do it in a safe reliable way.

And we are absolutely committed to cash returns to shareholders, fortress balance sheet so we can be opportunistic when the opportunity arises. And we believe we've got a compelling story for investors for the long term and for the near term.

Matthew Anavy - J.P. Morgan

Great. That's time. Thank you, all, for joining. Thanks, Mark.

Mark Lashier - Phillips 66 - Chairman of the Board, President, Chief Executive Officer

Thank you.

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